



June 2, 2016

The Honourable Diane Lebouthillier, P.C., M.P.
Minister of National Revenue
7th Floor
555 MacKenzie Avenue
Ottawa ON K1A 0L5

Dear Minister Lebouthillier,

Re: New format for 2016 NOA's

Please know that I write on behalf of the Canadian Mortgage Brokers Association (CMBA), which is an association representing mortgage brokers and their lender and service partners throughout Canada.

Many of our members have brought concerns to our attention regarding the new format for Notices of Assessment (NOA) issued by the Canada Revenue Agency. We understand these new forms were introduced to make them simpler, less cluttered and better understood by the public, and more specifically, the individual tax payers who receive them. In our view, the new format of the NOA's achieves these desired goals, and they are in fact, simpler and easier to read.

However, the new form appears to have been overly simplified, in that many of the features of the NOA which make them harder to replicate or manipulate have been removed, making them an easily deployed tool for the perpetration of mortgage fraud. NOA's are used to verify employment income in the mortgage application process by both lenders and mortgage default insurers, including the Canada Mortgage and Housing Corporation (CMHC). Fraudsters will often alter or create NOA's in order to qualify borrowers for mortgages for which they would otherwise not be approved.

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Mortgage fraud is a significant concern for the Canadian public, the mortgage industry, regulators, financial institutions, private lenders, government and a host of others. The losses associated with mortgage fraud are unknown, but many estimate that losses run into the many billions of dollars and are a key means for money laundering. As an association representing mortgage brokers, we want to ensure systems are designed as robustly as possible to combat mortgage fraud.

Accordingly, we have reviewed the current NOA form and identified the elements which cause concern, and have made recommendations to address the concerns. The concerns are as follows:

- The name and social insurance number of the tax payer appears on page one but not on page two, which contains the numbers relating to the tax filing and income amounts. It would be relatively easy for a fraudster to utilize page one containing the identifying information for a borrower and page two from a separate person with higher income, and present the mixed pages as one NOA belonging to the borrower.
 - WE RECOMMEND that page two of the new form be amended to contain identifying information relating to the tax payer, such as their name and social insurance number.
- The blue shaded paper which gradually fades to white was an important security feature of the old NOA which was difficult for fraudsters to replicate. This security feature has now been removed, making the new form easier to replicate by fraudsters.
 - WE RECOMMEND that the NOA be amended to add security features, such as the colour of the page coloured blue fading to white.
- The font of the new NOA, which we understand to be Helvetica is readily accessible by the public and widely used. The font of previous NOA forms was much rarer and less accessible by the public, making it a challenge for fraudsters to replicate in fraudulent NOA's.
 - WE RECOMMEND that the NOA be amended to be written in a font which is not easily accessed by members of the public.

For your convenience and review, attached are copies of an individual's NOA's for 2014 and 2015 (removing their personal details for their protection) demonstrating the recent changes noted above. Also attached are excerpts from CMHC's website noting their

recommended use and reliance on NOA's for the purpose of income verification and mortgage qualifying.

I trust that the above information and recommendations are clear. However, I would be happy to discuss these issues further if you would like clarification or have any questions.

Regards

Samantha Gale
Executive Director, the Canadian Mortgage Brokers Association