

July 24, 2019

Mortgage Broker Fees Consultation
Financial Institutions Commission
2800-555 West Hastings St.
Vancouver, BC V6B 4N6

To Whom it May Concern;

RE: Proposed New Registration Fees for Mortgage and Submortgage Brokers Under the Mortgage Brokers Act

We write in response to the current FICOM consultation on proposed registration fee hikes for mortgage and submortgage brokers under the Mortgage Brokers Act.

Please know that in preparation for providing a response to FICOM, we engaged with our members in a two-step process. Firstly, we canvassed various stakeholders to solicit independent feedback on fee and service issues. Then secondly, we used that feedback to design a member survey to solicit more general member feedback on fee and service issues. Our survey response rate was sizeable with over 200 participants providing feedback. The feedback is summarized below.

Justification for Fee Increases and Registration Service Levels

A significant number of respondents were of the view that proposed fee increases were not justified, and there was an insufficient rationale for the proposed increases contained in the Consultation Paper.

In addition, survey respondents but also members over the course of many years, have complained about slow or poor service levels throughout the registration process. For example, members switching brokerages have experienced extraordinary delays (amounting to weeks and in some cases months) in the completion of their registration transfers, without explanation or the ability to talk to a live body to obtain an explanation of the delay. This has left the broker uncertain about their registration status and ability to carry on business and service clients, some of which were in the midst of transactions. In one case, a Designated Individual was

unable to access the MB E-Filing system due to a faulty password reset glitch. The DI was unable to talk to a live person about the issue and emails to FICOM went unanswered, which resulted in punitive late filing fees being assessed against the DI.

We are therefore asking FICOM to consider improving services levels, and in particular to:

- provide a commitment to respond to enquires from applicants and current registrants about their registration, renewals, transfers and amendments within a reasonable period of time, such as within 24 hours of a weekday enquiry;
- develop and publish measurable and appropriate service level metrics, which include turn around times for:
 - approvals for new registration applications, renewals and transfers;
 - thorough and complete responses to compliance enquires;
 - suitability reviews; and
 - evaluations of complaints.
- report to the industry on an annual basis to advise of:
 - whether service level targets have been met;
 - the activities of the regulator, including complaint, investigation and registration data; and
 - program budget information, including whether the program has incurred a surplus or a deficit.

Registration Fees - New Mortgage Brokers vs. New Submortgage Brokers

In our survey we asked the following question about proposed registration fees for new mortgage brokers and sub mortgage brokers:

“The proposed fee for initial registration applications for brokerages/lenders is \$1900, and for individual registration applications it is \$1500 (\$1900 vs \$1500). Some members have suggested that brokerages and lenders are able to pay higher fees than individual brokers, and these fees should have a greater weight for brokerages and lenders than individual brokers. For example, brokerages and lenders could pay \$2500, while brokers pay \$1200. Do you think that the proposed weight between brokerages/lenders and individual brokers - \$1900 vs \$1500 is fair?”

23% of respondents said yes, while 64% of respondents said no.

In addition, we asked members “Do you think that it would be more appropriate to have a greater burden to pay fees for initial registrations on brokerages and lenders, and less burden on individual brokers, such as \$2500 for brokerages/lenders and \$1200 for brokers?”

59% of respondents said yes to this question, while 31% said no.

We note that one of FICOM’s guiding principles in devising new fees is that a greater weight should be distributed on those industry members with a greater capacity to pay the fee.

In light of our members’ views and FICOM’s principles of fairness, we ask you to consider weighting the proposed fees for initial registration so that registration fees for individuals applying for new submortgage broker registration are reduced, and registration fees for entities applying for new mortgage broker registration are correspondingly increased.

Renewal Fees - Submortgage Brokers

FICOM proposes to triple renewal fees for submortgage brokers from \$500 to \$1500. A considerable number of members advised us through the survey that they viewed this increase as excessive, and that a more reasonable increase should be significantly less than double the current fee.

By anyone’s standard, an overnight tripling of costs for any product or service creates “sticker shock”, even when the cost of the product or service has not increased for some time.

When we asked members whether they agree with the proposal to increase renewal fees for submortgage brokers, payable every 2 years, from \$500 to \$1,500, 92% of respondents answered no to this question. In addition, many members urged, through their comments, that the fee increases happen in a more gradual manner, such as over a five-year period.

We therefore recommend that you reconsider the proposal to triple renewal fees for submortgage broker registration renewal, and substantially lower it to \$1,000 or less, and consider a more gradual implementation of fee increases.

Initial Registration Fees vs Renewal Fees - Submortgage Brokers

The Consultation advises that one of the principles in developing the proposed fee structure is to ensure that “A higher first-time fee relative to the renewal fee for a new application reflects additional administrative overhead in the initial set-up of new brokerages on the mortgage broker register.”

However, the proposed renewal fee for submortgage brokers is exactly the same amount as the proposed initial registration fee for submortgage brokers - both are proposed to be \$1,500. While the registration approval process for new submortgage brokers is not nearly as onerous as that of new mortgage brokers, we suggest that the same fairness principle noted above apply to submortgage brokers.

Our members also agree. We asked them the following:

“Individual brokers (submortgage brokers) initial fees and renewal fees - both proposed at \$1,500. For individual brokers (submortgage brokers) the proposed initial registration application fees are the same as renewal fees - both are proposed to be \$1,500. However, there is significantly more administrative work on registration staff to process an initial application and less to process a renewal. Should these fees be weighted accordingly? For instance, should the initial broker application be raised to \$1800 and the renewal fee be lowered to \$1000?”

62% of the respondents agreed with our question, while only 29% did not agree.

We therefore ask FICOM to consider re-weighting proposed submortgage broker registration fees, so that initial fees are greater and renewal fees are lower.

Renewal Fees - Mortgage Brokers vs Submortgage Brokers

We also asked our members to consider the proposed weighting of proposed renewal fees between submortgage brokers (\$1500) and mortgage brokers (\$1750). These fees are relatively close with only a \$250 spread, yet mortgage broker entities are generally in a much better financial position to afford fees than individual brokers.

We asked members the following:

“The proposed fee for renewals for brokerages/lenders is \$1750, and for individual brokers it is \$1500. (\$1750 vs \$1500). Some members have suggested that brokerages and lenders are able to pay higher fees than individual brokers, and these fees should have a greater weight for brokerages and lenders than individual brokers. For example, brokerages and lenders could pay \$2500, while brokers pay \$1200. Do you think that the proposed weight between brokerages/lenders and individual lenders for renewals - \$1750 vs \$1500 is fair?”

21% said yes, while 68% said no.

We note that one of FICOM's objectives with the proposed fee structure is to ensure that “Individual brokers will pay less fees than larger more sophisticated corporate entities such as mortgage brokerages and private lenders. This proposal reflects both the greater capacity of corporate entities to pay increased fees compared to individuals, and the costs of regulation, for example, intensified regulatory oversight over private lenders.”

The proposed \$250 fee differential appears to be too insignificant to meet the FICOM objective set out above. This view is also clearly supported by our members. We therefore ask FICOM to reconsider the weighting of renewal fees between mortgage brokers and submortgage brokers by lowering the fee for submortgage brokers and correspondingly increasing it for mortgage brokers.

Renewal Fees for Mortgage Brokers - Sliding Scale

During our consultation phase with stakeholders, it was noted that mortgage brokers vary in size - some might be well resourced lenders, some mortgage brokerages might be considered large with 50 or more submortgage brokers, but other brokerages might be sole operators with only a single submortgage broker. It was suggested by some stakeholders that a sliding scale for mortgage broker registration renewals might be a fair approach to distributing regulatory costs. We therefore asked members the following question.

“Some members have proposed that the renewal fees for mortgage brokerages and lenders be on a sliding scale, so that smaller entities would pay less than larger entities. A sliding scale could include a fixed fee plus an additional fee for each submortgage broker registered to the

mortgage broker entity. As an example, a three-person brokerage, could pay \$1,000 plus \$75 (\$25 per sub) and a 30 person brokerage could pay \$1,000 plus \$750 (\$25 per sub) for brokerage/lender renewals. Do agree with creating a sliding scale for brokerage/lender renewals?”

A majority of members (62%) answered yes to this question, while 25 % said no, and 12% were not sure.

A sliding scale for mortgage broker renewals would satisfy the fairness criteria of ensuring that better resourced industry participants pay a higher burden of regulatory costs. In addition, larger industry players carrying on business with more individual employees and brokers, have a greater potential to generate a higher volume of transactions, and in turn, generate a greater need for regulatory oversight. A sliding scale may be more cumbersome to administer, but a simple sliding scale with a base fee and then a fee for each submortgage broker should be relatively easy to calculate at the time of mortgage broker renewal.

For the reasons noted above, we recommend that FICOM consider a sliding scale for mortgage broker renewals which is based upon the number of submortgage brokers registered to the mortgage broker.

Amendment Fees

Registration amendment fees of \$200 are not proposed to change.

Amendment fees apply to changes to registration information, and most frequently include changes to a mortgage broker’s registered address or name. However, when changes are made to the address or name of the mortgage broker, consequential amendments must be made to each and every submortgage broker registered to the mortgage broker. Through MB-E Filing, such changes are automated, so that when the change is made to a mortgage broker registration, the system automatically updates the amended information for each submortgage broker. Amendment fees of \$200 are then applied to the mortgage broker registration, and each subsequent submortgage broker registration. So, for example, if a mortgage broker with 99 submortgage brokers adopts a DBA name, it must pay the sum of 100 times \$200, for a total of \$20,000 for the amendment. In such circumstances, the amendment fee is grossly excessive. This is particularly the case, as FICOM stopped mailing registration certificates, and with the

automated MB E-Filing system, the administrative work required to amend a registered address or name for one registrant is exactly the same as that of one mortgage broker and all of its registered submortgage brokers.

Fairness would therefore be achieved if a single amendment fee applied to a single change, but not for consequential amendments in the case of changes to the all submortgage brokers which follows a name or address change for the mortgage broker. We therefore recommend that the amendment fee be amended to ensure that for single amendments in the mortgage broker registration, the fee does not apply to consequential amendments for submortgage brokers registered to the mortgage broker.

Rate of Fee Increases

As stated above a significant number of members expressed concern that fee increases should be raised over a longer period of time. The Consultation document proposes to increase fees over a three-year period. We ask FICOM to consider a more gradual implementation of increases over a minimum of 5 years.

We trust that the above feedback will assist you in your review of registration fee changes for mortgage and submortgage brokers. For your reference, I am attaching summaries of our survey. Please know that we are available for further discussion or clarification should you wish to follow up with any of the contents of this letter.

Yours truly,



Samantha Gale
CEO, Canadian Mortgage Brokers Association-BC