

RMA Audit Compliance Guidelines

Files and funds received by Wednesdays at 9pm will be scheduled to be paid out the following Wednesday. Please put all documents in order of the Mortgage Checklist

Mortgage Checklist

- Please ensure this is filled out and legible(prefer typed in).
- Please be accurate on mortgage type(Purchase, Refi or Switch)
- Please be accurate on mortgage position(1st or 2nd)
- Please tick off all applicable documents
- **Please put all documents in order of the Mortgage Checklist**

Commission Record Sheet

Please ensure these items are reflected correctly:

- senior agent name in top left corner
- lender information is correct
- mortgage amount matches rest of documents
- if there is a broker fee ensure it's reflected
- please make notes if it's a renewal or a HUB deal
- if mortgage is STEP/All-In-One/HELOC/ELV please see section on that

Credit Application/Credit Bureau Authorization

You must always have a signed consent form from the client **BEFORE** running a bureau. This is an Equifax rule and Equifax may suspend your privileges permanently if you do not comply.

Please include the consent form as well as a copy of each bureau.

The mortgage/credit application needs to be printed from Filogix and initialed/signed on each page.

Client Suitability Form

Must be signed and dated by all clients on the application.

Ensure the form is completed in full.

If the mortgage is Variable or a product based on the Prime Rate then please also have the client circle their risk tolerance.

Fraud Checklist Form

Must be completed, signed and dated by all the agent/broker

Mortgage Approval/Commitment From Lender

Please include the correct, signed and full commitment/approval from lender.
Ensure all pages are sent and initialed/signed where lender requires.

Creditor Insurance Application(MPP)

Please include the MPP form signed and initialed(not check marks or X) in boxes
(waived/approved).

Also please fax to MPP or email to MPP. Email to apps@mppbroker.com

Disclosure to Borrower

Prior to completing Borrower Disclosure the FEES section in Filogix must be completed

General Rules for the disclosure form

Anyone looking at a disclosure should be able to understand what type of mortgage and what the different terms are if the disclosure is completed properly. Common sense should prevail in some situations regarding mortgages that are not quite straight forward. The following are guidelines only and may not cover the scope of all that's required on a disclosure.

FEES SECTION

- Lender fees are to be entered in the fee section of the disclosure and included in APR
- **Estimated** legal fees and disbursements are to be listed in the fees section of the disclosure and NOT included in APR(unless it's a Private mortgage. Please see Private mortgage guidelines)
- Any cost associated with the mortgage needs to be listed in the fees section and included in APR. For example: valuation fees, appraisals, home inspections, lender fees, broker fees, title searches, etc.

CMHC/Genworth/Canada Guaranty

- If CMHC/Genworth/Canada premium and sales tax charged, then remember to add the amounts to the fees section of the disclosure
- CMHC/Genworth/Canada premium and sales tax are NOT to be included in APR (unless it's an insured conventional mortgage)
- If the lender/client is paying the cmhc and tax or if it's an insured conventional mortgage then please make a note of this in the terms and conditions section of the disclosure

TERMS AND CONDITIONS SECTION

- Tax holdbacks are to be listed in the Terms and Conditions section of the disclosure
- Information on bridge financing are to be listed in the Terms and Conditions section of the disclosure
- Cash back amounts are to be listed in the Terms and Conditions section of the disclosure
- Any funds held back at closing by the lender must be recorded in the Terms and Conditions section of the disclosure
- Any penalties for breaking a mortgage can be listed in the Terms and Conditions section of the disclosure, never in the fees section
- CMHC/Genworth/Canada and tax charged by the lender AND paid by the lender or client
- Make a note of any insured conventional deals

Cost of Borrowing 1st page:

If there is no grace period with respect to when interest begins then please leave this box blank

Payments are to be made on the _____ ←----- this should match commitment(eg. 1st of every month, or every 2nd Friday starting April 22, 2019)

“Where the actual interest rate may change... “- this is in respect to Variable mortgages and you would put in the details of the product. See below for appropriate descriptions

Terms and Conditions: These are all defaulted to "Refer to the commitment for complete details". Please add anything that is unusual on the approval. For example: tax hold backs, cash backs for down payment, holdback of funds, bridge financing information, insured conventional mortgage, etc.

Nature, Amount and Timing of Optional Services: This includes life insurance, ELV, Home Warranty Plans, etc.

Date to be printed on form: this should match the date of the commitment.

Conflict of Interest 2nd page:

- **Conflicts of Interest** -describe any conflicting relationship if it applies to your deal. For example, you're related to the lender
- **Mortgage Commission** – always tick the box
- **Bonus** (really means Volume Bonus) – always tick the box
- **Other Compensation** (means points, mcap bucks, etc) – tick the box if applicable
- **Referral – No referral Fee paid or Referral – Referral Fee paid** tick the boxes if either applies to your deal. If they don't apply then leave them blank. If you have ticked that a referral fee will be paid then you must include the name of the person or company that is receiving the referral fee
- The Broker is representing **Both the Lender and the Borrower not to the preference of either in this transaction - ALWAYS**
- The brokerage has placed over 50%... **leave this blank as it does not apply**
- **The brokerage has acted for 35 lenders during the previous fiscal year**
- RMA has **not** acted as a lender in the previous fiscal year
- Material Risks: you can detail things such as **variable rate(see below)** and extended amortization(extra interest will be paid over the term)
- After all the information is entered then it will download onto the Disclosure Form. Please **PRINT COMBINATION** as this melds the 2 forms into one document.
- **Please have client sign and date the waiver as well as the acknowledgement on the disclosure**

Variable Rate Mortgages

Here are 2 examples of the descriptions that need to be included in on the disclosure where the mortgage is a Variable Rate Mortgage

Scenario 1 – TD, Meridian Credit Union, Your Neighbourhood Credit Union do not automatically adjust the mortgage payment as the Prime rate changes. The description should read something like this:

VRM, Prime -.60, compounding monthly, lender will not change the mortgage payment as Prime changes, therefore, negative amortization may occur.

You will need to adjust the percentage rate and compounding to match the commitment

Scenario 2 – for all other A lenders:

VRM, Prime -.60, compounding semi annually, lender will change the mortgage payment as Prime changes.

You will need to adjust the percentage rate and compounding to match the commitment

Amortization Schedule

Rate and term must match the commitment and all pages must be signed/initialed. Also ensure the IAD and maturity date are correct as per the commitment.

Photo Identification

Mortgage brokerages must take steps to verify the identity of the borrower and lender that you do business with. Acceptable photo ID is the following:

1. **Driver's license**
2. **Passport**
3. **Citizenship Card**

Please note: In addition to the picture, the ID must show the client's signature. This may mean that in some cases you will need to take multiple photocopies of the ID. FSCO indicates that a Health card (OHIP card) is NOT acceptable. At the time of your client meeting have a digital camera, or your phone available. Take pictures of the client's ID and signatures for the greatest clarity. **Please make sure to write the clients name and ID# beside the photocopies before sending the file in**

Additional Documents

Please include any and all documents that were used to fulfill the file with the lender including things such as:

- income
- Letter of Direction(if broker fee applicable)
- appraisal
- purchase agreement & MLS
- down payment
- any other supporting docs

Step, Matrix, AIO, LOC, HELOC, and the like

Complete the file as if it was a fixed mortgage using the total mortgage amount on the commitment.

On the Disclosure to Borrower in the Special Terms & Conditions section, you will define the breakdown of the product as follows:

eg.

STEP mortgage for 150K - 50K in a secured line, calculated monthly based on the prime rate, not amortized, interest only payments
100K in a VRM, Prime -.70% lender will change mortgage payments as Prime Rate changes, amortized over 30 years

OR

Matrix mortgage, 25K in a secured LOC, calculated monthly based on the prime rate, not amortized, interest only payments
350k on a fixed, 5 year term at 2.89%, amortized over 25 years.

On the amortization schedule, ONLY the amortized portion of the mortgage should be shown, NOT the HELOC.

Equity Line Visas & Bundle Mortgages

Home Trust ELV's – the line of credit portion and terms should be written in the terms and conditions section of the disclosure.

For example: 7k in an equity line visa at 8.99%. Payments based on 1% of the monthly balance or \$10.00, whichever is greater.

- ELV's must have an appropriate description. i.e. **ELV, interest only monthly payments based on 1.5% of outstanding monthly balance, no amortization**

Bundle Mortgage - Home Trust has recently re-introduced the **Bundle Mortgage**. Since they are issuing 2 separate approvals (one for the 1st and one for the 2nd) I will require 2 separate complete files

Reverse Mortgages

A reverse mortgage is a loan for homeowners that requires no monthly mortgage payments. The loan is repaid when the borrower passes away, leaves the home permanently, or sells.

Prepare the file for submission noting on:

Mortgage Checklist: note that it is a Reverse Mortgage

Commission sheet: in the note section that it is a reverse mortgage.

No Amortization schedule required.

Private Mortgages

Mortgage with MIC's

If you are funding a private mortgage with a MIC, there are no investor disclosure form or risk tolerance forms required as they are registered brokerages themselves.

Mortgage with Lenders you have on boarded or will onboard

Lender Risk Tolerance

This form must be completed in full. If the investor qualifies as a sophisticated investor, they must select between reasons 1-10 of why they qualify and circle the appropriate number that applies.

If the lender is an individual, we require valid ID along with the risk tolerance form.

If they are lending under a corporation, we require the articles of incorporation as well as valid ID of the director.

Multiple lenders on an individual file ARE NOT permissible as this would be considered syndicated lending. At RMA, we DO NOT allow syndicated lending.

Please send this in for sign off to form1@rmabroker.ca

Also please send this in along with any deal that applies to this lender for audit.

If the investor is sophisticated, investor disclosures(Form 1, Form 1.2, Form2) are not required.

ALL Form 1's, Form 2's & Form 1.2

All Private Investor Disclosures (**FORMS**) must be received at head office for signature before going to the Investor 2 days prior to the Investor committing to fund such mortgage. Please be as detailed as possible in noting the risks associated with the mortgage including "market risk".

Please also include the Lender Risk Tolerance form and photo ID of the investor when sending the Form in for sign off.

Failure to do this will result in no commissions payable Commissions/Broker Fees to you as an agent or broker, no exceptions will be made.

Please email documents to Form1@RmaBroker.ca. We will receive the documents sent to this email address and process them as required.

Turn around time is 24-48 hours

Indemnity Form

This is required on all private files except those that are done with MIC's

Referral Fees

How Are Referral Fees Paid? Referral fees are paid from broker to broker rather than between individual agents directly. Referral agreements are thus paid between cooperating brokers and afterward the broker will then pay the agent.

Agent prepares the file for submission. Please include the Mortgage checklist, the commission record sheet and any supporting documents you may have. Write on the commission sheet the name of the lender. Note on the commission sheet, as well on the note section that it is a Referral Fee.

All files must be submitted to head office by 9pm on Wednesday nights for payment the following Wednesday (assuming the funds are in as well!!)