

Information Bulletin

Bulletin Number: MB 06-001

Topic: NEW BORROWER DISCLOSURE REQUIREMENTS UNDER THE BUSINESS PRACTICES AND CONSUMER PROTECTION ACT

Issue Date: JUNE 30, 2006

New borrower disclosure requirements under the Business Practices and Consumer Protection Act.

As of July 1, 2006, the provisions in the *Mortgage Brokers Act* which require mortgage brokers to provide a Form 6 Disclosure Statement to borrowers shall be repealed.

The Form 6 will be replaced by new disclosure requirements contained in Part 5 of the *Business Practices and Consumer Protection Act* (the "Act"), which will come into force on the same date. The new provisions require that disclosure be given by mortgage brokers and lenders to individuals who borrow for primarily personal, family, or household purposes, **regardless of whether the broker or lender is charging additional fees or expenses.**

A Disclosure Statement, Notice or Statement of Account must be given to the borrower:

- Two days prior to the borrower incurring an obligation under a credit agreement, unless the two-day period is waived;
- Once every 12 months if the interest rate is floating;
- Within 30 days of any one percent or greater increase in the interest rate for credit agreements with fixed interest rates subject to change;
- Within 30 days of the borrower missing a payment or a default charge being imposed by the lender if the outstanding principal changes as a result of the default and the total amount of the payments which the borrower is scheduled to make over a payment period does not cover the interest that will accrue in the payment period;
- Within 30 days after an amendment to the credit agreement;
- Within 21 days prior to the end of a mortgage term, if the mortgage is being renewed; and
- Every month if the loan is for open credit

The Act does not contain prescribed disclosure forms, notices or statements of account. It does, however, prescribe required content in sections 84 to 92 of the Act. The Act, and other information, is available on the FICOM website at <http://www.fic.gov.bc.ca>.

All mortgage brokers must ensure that their submortgage brokers are aware of the new requirements.

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