

Information Bulletin

Bulletin Number: MB 05-001

Topic: OPEN LETTER TO MORTGAGE BROKERS AND SUBMORTGAGE BROKERS REGARDING
'HANGING REGISTRATIONS'

Issue Date: DECEMBER 1, 2005

It has come to the Registrar's attention that a significant number of submortgage brokers are not actively engaged in the business of mortgage brokering. They are "hanging their registration" at the office of a mortgage broker in order to keep their registration active.

The Registrar reminds all registrants that the mortgage broker industry is capable of rapid change and growth, and in order for submortgage brokers to keep current on such changes, they must be routinely involved in the business of mortgage brokering. There is a clear danger that persons who are presently registered under the *Mortgage Brokers Act* (the "Act") and who choose not to do any mortgage brokering will be unaware of current industry practices and requirements.

Furthermore, the Act addresses this concern by prohibiting submortgage brokers from hanging their registration. A submortgage broker is defined in section 1 of the Act as a person who **actively engages** in any of the things referred to in the definition of mortgage broker **and is employed** by a mortgage broker. Being "employed" means that the submortgage broker is actively involved in providing mortgage broker services on behalf of his or her employer in exchange for some kind of remuneration.

The Registrar's office is aware of cases where submortgage brokers, who have been considered to be inactive by their employers, have engaged in mortgage brokering activities on their own behalf and without the knowledge of the mortgage broker. Ultimately, mortgage brokers are responsible for supervising the activities of their employees and ensuring that they comply with the requirements of the Act.

Accordingly, mortgage brokers should not sponsor an individual who seeks registration under the Act, if the applicant has expressed an intention not to actively engage in any mortgage brokering. Likewise, mortgage brokers should terminate the registration of a submortgage broker who has not engaged in any kind of mortgage broker activity for a considerable period of time.

Mortgage brokers should be aware that if they permit inactive submortgage brokers to hang their registration, they risk facing regulatory action from our office.

For more information on this important matter, please contact our office at mortgagebrokers@ficombc.ca.

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