AKAL Mortgages Inc. o/a AKAL Mortgages

Lic. #s: ON 10845 | SK 514018 | NS 3000827 | Independently owned and operated

PROCEDURES MANUAL

THIS PROCEDURES MANUAL IS DESIGNED TO FACILITATE COMPLIANCE WITH APPLICABLE FEDERAL, PROVINCIAL AND TERRITORIAL LEGISLATION, REGULATIONS, REGULATORY REQUIREMENTS AND GUIDANCE GOVERNING MORTGAGE BROKERING ACTIVITIES IN CANADA.

ALL BROKERS AND AGENTS AUTHORIZED TO DEAL OR TRADE-IN MORTGAGES ON BEHALF OF AKAL MORTGAGES INC. (HEREINAFTER REFERRED TO AS AKAL MORTGAGES) MUST FOLLOW THE PROCEDURES OUTLINED WITHIN THIS MANUAL, IN ADDITION TO COMPLYING WITH ANY AND ALL MUNICIPAL, PROVINCIAL AND/OR FEDERAL LEGISLATION. WHERE APPLICABLE, UNLICENSED AFFILIATES, SUB-CONTRACTORS AND/OR EMPLOYEES OF AKAL MORTGAGES ARE ALSO RESPONSIBLE FOR COMPLIANCE WITH THIS MANUAL.

FOR THE PURPOSES OF THIS MANUAL, THE TERM “STAFF” WILL BE USED FOR SIMPLICITY TO ENCOMPASS ALL INDIVIDUALS WORKING WITH AND/OR FOR THE BROKERAGE, IN ANY CAPACITY. THE TERM “STAFF” DOES NOT IMPLY AN EMPLOYER-EMPLOYEE RELATIONSHIP WITH ANY INDIVIDUAL WORKING THROUGH AN INDEPENDENT CONTRACTOR OR SUB-CONTRACTOR ARRANGEMENT. ALL INDIVIDUALS WORKING WITH THIS BROKERAGE WILL BE UNDERSTOOD TO BE INDEPENDENT CONTRACTORS AND SUB-CONTRACTORS UNLESS OTHERWISE NOTED.

GENDER REFERENCES WITHIN THIS MANUAL IN THE MASCULINE MEAN AND INCLUDE THE FEMININE AND VICE VERSA. REFERENCES PRESENTED IN THE SINGULAR MEAN AND INCLUDE THE PLURAL AND VICE VERSA UNLESS OTHERWISE NOTED.

EXCEPTIONS TO ANY POLICIES OR PROCEDURES NOTED WITHIN THIS MANUAL ARE SUBJECT TO THE APPROVAL OF THE PRINCIPAL BROKER, ON A CASE-BY-CASE BASIS.

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INTRODUCTION

PROCEDURES MANUAL GUIDELINES

MANUAL AS SUPPLEMENT TO LEGISLATION

This procedures manual (the "Manual") is provided as an operational guideline and reference tool for ***AKAL Mortgages***'s authorized brokers, agents and/or employees and is intended to support compliance with applicable federal, provincial and territorial requirements.

For Ontario activities, this Manual is also intended to support compliance with O. Reg. 188/08 s. 40.[1]

While this manual is intended to be comprehensive, it is to be seen as a supplement to all applicable federal, provincial and territorial legislation, regulations and regulatory requirements governing mortgage brokering activities in the jurisdiction in which the activity is conducted and/or relevant in the context of mortgage brokering in any Canadian jurisdiction in which AKAL Mortgages is authorized to conduct business. Where a particular subject area is not specifically addressed in this manual, or in the event of a discrepancy between a policy and/or process found within this manual and any legislation in force or advice from a regulatory body, the legislation and/or regulatory advice shall apply.

This Procedures Manual should be read together with the AKAL Mortgages Policy Manual and, where applicable, the Anti-Money Laundering and Anti-Terrorist Financing Policy and Compliance Program. The Policy Manual establishes AKAL Mortgages' overarching policies and standards, while this Procedures Manual sets out the operational requirements and processes that support those policies.

Where this Manual references legislation, regulations, forms or regulatory requirements specific to a particular province or territory, those provisions apply only to activities conducted in that jurisdiction. Mortgage Professionals must comply with the applicable legislation, regulations, regulatory requirements and brokerage procedures of the jurisdiction in which the mortgage activity is conducted.

RELEVANT LEGISLATION

The procedures contained within this manual are informed by applicable federal and provincial legislation. The following includes legislation particularly relevant to AKAL Mortgages' current operations and is not intended to be an exhaustive list:

- *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA), S.O. 2006, c. 29[2]
- MBLAA Regulations (the Regulations)[3]
- *Personal Information Protection and Electronic Documents Act* (PIPEDA), S.C. 2000, c. 5[4]

While not directly referenced, all brokerage staff are expected to become familiar with the following legislation and comply with any requirements applicable to mortgage brokerage transactions and

[1] *O. Reg. 188/08 s. 40(1) Duty to establish procedures*
[2] *Available at https://www.ontario.ca/laws/statute/06m29*
[3] *Available at https://www.ontario.ca/laws/statute/06m29#regulations*
[4] *Available at http://laws-lois.justice.gc.ca/eng/acts/P-8.6/index.html*

apply best practices from such legislation as may be appropriate for the mortgage brokerage business. Such legislation includes, but is not limited to:

- *An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act* (Canada's Anti-Spam Legislation, "CASL") S.C. 2010, c. 23[5]
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), S.C. 2000, c. 17[6]

Additional Resources

All brokers and agents are encouraged to review the *Complying with the Act and Regulations*[7] section of the FSRA website, including the posted Frequently Asked Questions (FAQs)[8] and additional handouts and webinar resources.[9] [10]

Contents Subject to Change

This manual is intended to be a "living" document which will be updated and adapted as business practices change. Every effort will be made to advise of any updates to the contents of this manual; users must take reasonable steps to ensure that they are referencing the most recent version of the manual, as made available.

Annual Acknowledgment

Each calendar year, you may be asked to confirm that you have read, understood, and agree to abide by the contents of this policy and procedure manual by signing an acknowledgment form or by other means.

[5] *Available at http://laws-lois.justice.gc.ca/eng/acts/E-1.6/index.html*
[6] *Available at http://laws-lois.justice.gc.ca/eng/acts/P-24.501/*
[7] *Available at https://www.fsrao.ca/industry/mortgage-Brokering*
[8] *Available at https://www.fsrao.ca/industry/mortgage-Brokering/publications*
[9] *Available at https://www.fsrao.ca/industry/mortgage-Brokering/eblasts-mortgage-Brokering-sector*
[10] *Available at https://www.fsrao.ca/industry/mortgage-Brokering/webinars*

ABOUT AKAL MORTGAGES INC.

BROKERAGE INFORMATION

Licensed Name:	**AKAL Mortgages Inc. o/a AKAL Mortgages**
Licence No.:	ON 10845 | SK 514018 | NS 3000827
Primary Place of Business:[11]	238 Britannia Rd E Mississauga, ON L4Z 1S6
Main Telephone:	(416) 621-1300
Principal Broker[12] **Compliance Officer** **Complaints Officer**[13]	ON — Rashmeet Kaur BC | AB | NS — Kuljit Singh SK — Mohinder Pal Singh
Office Telephone:	(416) 621-1300
Email:	info@AKALmortgages.com
Trust Account Information:	***AKAL Mortgages*** does not maintain a trust account.
Syndicated Mortgages	***AKAL Mortgages*** does not authorize its Licensed Individuals to arrange syndicated mortgages

[11] *O. Reg. 188/08 s. 48(4) Records retention, hard-copy records must be kept at the principal place of business, unless the Superintendent is notified*

[12] *MBLAA s. 7(6) Principal broker*

[13] *O. Reg. 188/08 s. 41(2) Brokerages must designate one (or more) individuals to resolve complaints from the public*

SECTION 1: PROFESSIONAL CONDUCT

Contractors, sub-contractors, affiliates, and employees of ***AKAL Mortgages*** are expected to conduct themselves in a professional and ethical manner at all times. In this section, the term "staff" is used to refer to all independent contractors, sub-contractors, full and part-time employees, both licensed and unlicensed. The term "staff" in this manual is used for simplicity and does NOT imply an employer-employee relationship with any individual working through an independent contractor or sub-contractor arrangement.

AKAL Mortgages staff should always keep the following core values in mind when dealing with any and all parties to a transaction.

- We adhere to the highest standards of business conduct with respect to each business in which we engage.
- We conduct business in a manner respectful of all relevant laws.
- We honour agreements that we have entered into, and we take responsibility for our actions.
- We strive to respect the human rights, individuality, and dignity of everyone with whom we do business.

1.1 PROFESSIONAL CONDUCT GUIDELINES

AKAL Mortgages staff are expected to abide by the following professional conduct guidelines at all times while representing the brokerage:

ETHICAL STANDARDS

Staff shall conduct their activities with honesty, integrity and professionalism, ensuring that they are knowledgeable in the areas of the mortgage industry in which they participate. Staff shall act in compliance with the procedures set out by the brokerage as well as sound business practices, including "Best Practices" or professional standards as established from time to time by professional associations and/or regulatory bodies.

PROTECTION

Staff shall use their best efforts to protect parties to a mortgage transaction and the public against fraud, misrepresentation, unethical practices, or other conduct unbecoming of the profession.

COMPETENCE

Staff shall endeavor to be informed regarding the law, legislation in force, proposed legislation, and other essential facts relevant to public policies related to the services they provide. Staff shall provide timely service and respond on a timely basis to inquiries from participants in a mortgage transaction.

COOPERATION

Staff shall cooperate with internal brokerage investigations and any requests and/or investigations undertaken by a regulatory body for enforcement and/or informational purposes.

NON-DISCRIMINATION

Staff shall not, when acting in a professional capacity, discriminate or participate in discrimination against any person and shall be aware of the rights and obligations of the applicable Human Rights codes in the jurisdictions where he/she conducts business.

1.2 FOLLOWING THE LAW

Staff shall conduct their activities in full compliance with all federal, provincial, and municipal laws and regulations. Conduct by staff that results in a violation of any criminal or civil code is unethical.

1.2.1 LICENSING

As appropriate, all staff who will deal and/or trade in mortgages will maintain an appropriate licence through the applicable provincial regulatory authority in the jurisdiction in which they are authorized to conduct mortgage business[14]. Licensed agents/brokers must comply with all licensing requirements, including, but not limited to, reporting changes in contact information or circumstances, and successfully completing required continuing education course(s).

1.2.1.1 LICENSED BROKERAGE

Agents and Brokers may only be authorized by one (1) mortgage brokerage at a time.

1.2.1.2 MONETARY COMPENSATION FROM BROKERAGE ONLY

AKAL Mortgages staff authorized to deal and trade in mortgages on behalf of ***AKAL Mortgages*** may only receive monetary compensation earned for dealing and trading in mortgages from ***AKAL Mortgages***.[15]

1.2.2 COMMITMENT TO FRAUD DETECTION AND PREVENTION

AKAL Mortgages takes its obligations regarding fraud detection and prevention very seriously. All ***AKAL Mortgages*** staff will follow the fraud detection and prevention guidelines established in the following documents:

- *Mortgage Origination Standards* (Mortgage Professionals Canada)[16]
- *Checklist on Detecting and Preventing Mortgage Fraud* (FSRA)[17]

[14] *MBLAA s. 2*
[15] *O. Reg. 187/08 s. 4 Restriction re remuneration*
[16] *Available at https://www.mortgageproscan.ca/en/page/publications, and in Part 5*
[17] *Available at https://www.fsrao.ca/media/4586/download*

For mortgage activities conducted in Ontario, brokers and agents must take special notice of the following fraud detection and prevention requirements:

O. Reg. 187/08 Mortgage Brokers and Agents: Standards of Practice

s. 3.1 Dishonesty, fraud, etc.

A mortgage broker or agent shall not act, or do anything or omit to do anything, in circumstances where he or she ought to know that by acting, doing the thing or omitting to do the thing, he or she is being used by a borrower, lender, investor or any other person to facilitate dishonesty, fraud, crime or illegal conduct.

O. Reg. 188/08 Mortgage Brokerages: Standards of Practice

s. 12 Duty re unlawful transactions

A brokerage shall not act as a representative of a borrower, lender or investor in respect of a mortgage if the brokerage has reason to doubt that the mortgage, its renewal or the investment in it is lawful.

s. 13 Duty re borrower's legal authority

If a brokerage has reason to doubt the accuracy of information contained in a borrower's mortgage application or in a document submitted in support of an application, the brokerage shall so advise each prospective lender at the earliest opportunity.

s. 14 Duty re accuracy of mortgage application

If a brokerage has reason to doubt the accuracy of information contained in a borrower's mortgage application or in a document submitted in support of an application, the brokerage shall so advise each prospective lender at the earliest opportunity.

s. 14.1 Continuation of duty

The duty to advise a lender under sections 13 and 14 continues with respect to the lender after the borrower enters into the mortgage agreement or signs the mortgage instrument or a mortgage renewal agreement, as the case may be, with the lender

s. 14.2 Dishonesty, fraud, etc.

A brokerage shall not act, or do anything or omit to do anything, in circumstances where the brokerage ought to know that by acting, doing the thing or omitting to do the thing, the brokerage is being used by a borrower, lender, investor or any other person to facilitate dishonesty, fraud, crime or illegal conduct.

AKAL Mortgages expects all of its authorized brokers and agents, and all other staff to take proactive steps to prevent and detect fraud. Do not ignore something that looks suspicious and/or may involve mortgage fraud. Anyone found to be "willfully blind" to potential fraud, negligent toward their fraud detection and prevention duties, or whose actions result in their being used for the purposes of fraud will be subject to consequences up to, and including, termination.

Any matter that raises potential money laundering, terrorist financing or sanctions evasion concerns must also be handled in accordance with the AKAL Mortgages Anti-Money Laundering and Anti-Terrorist Financing Policy and Compliance Program.

1.3 PROFESSIONAL FEES AND CHARGES

AKAL Mortgages staff arranging mortgage financing which includes compensation from the lender (to be paid to the broker/agent) generally will not charge an additional brokerage fee to clients. However, in extenuating circumstances, if additional brokerage fees are warranted, the brokers/agents must provide details as to the reasons why additional fees are required and must disclose these reasons clearly to the borrower.

When arranging mortgage financing in which broker/agent compensation is not provided from the lender directly, brokers/agents must carefully establish a fee based on the complexity of the file and the amount of work involved. All brokerage fees and letters of direction must be included in the calculation of the cost of borrowing (APR).

Mortgage brokers and agents must be careful to ensure that they do NOT imply, whether directly or indirectly, that mortgage brokerage fees are set or approved by any government authority.[18]

1.3.1 ADVANCE FEES

AKAL Mortgages *does not* maintain a trust account.

AKAL Mortgages brokers/agents may require a borrower to make advance payments/deposits for services to be rendered or for expenses to be incurred in arranging financing for a residential[19], commercial/industrial[20] property with the approval of the Principal Broker.

Up-front Fee (Advance Payments):

- If the principal amount of a mortgage is $400,000 or less, agents/brokers are prohibited from collecting the up-front fee.
- If the principal amount is greater than $400,000 for a property, AKAL Mortgages brokers/agents may collect up-front fees, with the approval of the Principal Broker.
    - Up-front Fee agreements must clearly indicate which actions render the money "earned."
    - 'Non-refundable' Up-front Fees that are deemed "earned" must be made payable to the brokerage and deposited into the brokerage's accounts.
    - 'Refundable' Up-front Fees are considered to be deemed trust funds and must be placed in the trust account. *AKAL Mortgages does not maintain a Trust account* but allows agents/brokers to direct funds to the lawyer's trust account. At no time can an agent/broker receive funds directly from any source i.e., client(s), lender(s), referral partner(s), other brokerage(s) etc.

[18] *O. Reg. 188/08 s. 20, with the exception being fees for the registration or depositing of instruments under the Land Titles Act or the Registry Act*

[19] *In this context, residential properties include all properties with four (4) or fewer residential units in residentially zoned areas. Exceptions require the prior written consent of the Principal Broker.*

[20] *In this context, commercial properties include all properties with five (5) or more residential units (even where residentially zoned), mixed-use properties, retail, office, residential apartment and/or condo buildings, restaurants and any other commercial/industrial zoned properties. Exceptions require the prior written consent of the Principal Broker.*

SECTION 2: SUPERVISION

One of the intended outcomes of MBLAA is increased responsibility by brokerages for the conduct of their authorized brokers and agents. Consequently, a brokerage's processes for hiring and supervision are key to ensuring adequate screening and monitoring of all brokers and agents and enforcement action, if required, to ensure a brokerage's compliance with the Act.

2.1 SUITABLE BROKERS AND AGENTS

AKAL Mortgages's greatest source of pride is the individuals that represent it. We take the time to ensure that brokers and agents authorized to deal and trade in mortgages under this brokerage not only meet minimum licensing criteria, but also meet the suitability standards of the brokerage. In addition to the steps listed below, ***AKAL Mortgages*** will make use of the suggestions provided within the FSRA-provided *Suitability Assessment Principles for Mortgage Broker and Mortgage Agent Licence Applicants.*[21]

2.1.1 AUTHORIZING BROKERS AND AGENTS

The Principal Broker (or an assigned delegate) will maintain a file for each broker and agent licensed under ***AKAL Mortgages***. Each file should include:

- Professional resume (file copy or PDF summary of digital resource, e.g., LinkedIn profile)
- References:
  - *New Agent:* two (2) professional references (confirmation of verification to be included in file)
  - *Existing Broker/Agent:* reference/recommendation from at least two (2) lenders or other services partners (e.g., lender underwriter, business development manager, lawyer, insurer, etc.)
- Confirmation of education: approved agent and/or broker licensing course, mandatory continuing education as appropriate
- Confirmation of current licence(s): list of current and previous licenses held, confirmation against regulatory databases to confirm good standing and/or no offences or charges
- Authorization for credit report check: credit report does not need to be maintained on file; however, notation regarding how it did/did not meet standards should be kept
- Information regarding any bankruptcies and/or criminal record if any
- Any additional documentation or information supporting the individual's suitability for licensing as a mortgage broker or agent.

[21] *https://www.fsrao.ca/industry/mortgage-brokering/regulatory-framework/guidance-mortgage-brokering/mortgage-agent-and-mortgage-broker-licensing-suitability*

2.1.2 Supervision

The Principal Broker serves as the ultimate chief compliance officer within the brokerage. Where brokerage size and geographic distribution require, the Principal Broker may assign compliance supervision and oversight responsibilities to other individuals. At ***AKAL Mortgages***, all individuals holding compliance and/or compliance oversight and supervisory responsibilities require a broker-level licence or commitment to complete a broker qualification course within a given time frame.

2.2 ONGOING SUPERVISION AND COMPLIANCE MONITORING

As part of our ongoing commitment to a compliant brokerage environment, ***AKAL Mortgages*** will make use of the following practices, as appropriate, to monitor and support compliance within the brokerage. Practices may include, but are not limited to:

- Regular performance reviews (e.g., annually)
- Timely update meetings (e.g., monthly, quarterly, as appropriate based on compliance changes and industry developments)
- Pre-submission file audits
- 100% post-submission compliance audit (required for commission release)
- Reconciling credit checks against completed deals and/or authorizations
- Requiring/monitoring of mandatory training sessions (as required by the brokerage and/or the Regulator)

2.2.1 Unsuitable for Licensing

If, at any time, a supervising broker and/or the Principal Broker are of the opinion (on reasonable grounds) that a licensed broker/agent is no longer suitable to be licensed and/or that remaining licensed would be contrary to the public interest, the Regulator will be informed immediately.

SECTION 3: BUSINESS CONDUCT

The primary business of ***AKAL Mortgages*** is acting as an intermediary between borrower and lenders to facilitate mortgage transactions. As such, there are key items to highlight to ensure a consistent client experience and maintain a compliant process. The policies below relate directly to regulatory requirements – any exceptions to these procedures require the written consent of the Principal Broker or Compliance Officer. The procedures outlined below are guidance *in addition* to the requirements of applicable legislation, regulations and regulatory requirements in the jurisdiction in which the mortgage activity is conducted.

3.1 THE ROLE OF THE BROKERAGE

Brokers and agents play an important role in connecting multiple parties for mutually beneficial transactions. In all transactions, the role of the brokerage must be clearly disclosed, and such disclosure must be acknowledged by all parties. This disclosure is not required if ***AKAL Mortgages*** is both the brokerage and the lender in the transaction. [22]

3.1.1 Representing the Borrower and the Lender

The nature of the intermediary role of the broker/agent requires that duties are undertaken on behalf of both borrowers and lenders. Unless otherwise noted, it is the policy of ***AKAL Mortgages*** to disclose that the brokerage is acting as a representative on behalf of both the borrower and the lender and is not giving preference to the interests of either.

With the exception of private investors, however, it is highly unlikely that lenders are relying only on the broker/agent's expertise in making their lending decisions. As such, it is important to consider that while representing both the borrower and the lender requires that there is no *preference* given to the interests of either, extra *care, explanation and support* must be provided to the borrower.

3.1.2 Representing only the Borrower or the Lender

Notwithstanding the policy of 3.1.1, there are certain cases in which the brokerage will act as a representative of one party in a transaction, the borrower, or the lender. Such cases typically arise when facilitating private lending transactions between borrowers and private investors, typically with the cooperation of another brokerage. In such cases, brokers/agents must clearly disclose (and receive an acknowledgment from all parties) the brokerage's representation of:

a) The borrower, but not the lender in the transaction; or

b) The lender, but not the borrower in the transaction.

In any of the above situations, ALL documents related to the mortgage transaction must be retained.

[22] *O. Reg. 188/08 s. 18, Disclosure re role of brokerage*

3.2 VERIFICATION OF IDENTITY

It is simply good business sense to know the parties you are dealing with when conducting a business transaction. In line with this practice, all licensees must take reasonable steps to verify each of the parties to a transaction, borrowers, lenders and/or investors, as the case may be.

All staff must confirm the identity of each borrower, lender and investor with whom they intend to transact business.

The ID type and number used to verify the identity of the borrower must be documented on the signed privacy and consent agreement. Where permitted and appropriate photocopies of identification are to be kept with the file, with client authorization.

If you are unable to verify the identity of another party[23] to the transaction, do not proceed without the prior approval of the Principal Broker.

Where identity verification is required for AML/ATF purposes, the requirements and approved verification methods set out in the AKAL Mortgages Anti-Money Laundering and Anti-Terrorist Financing Policy and Compliance Program, and related procedures, must also be followed.

3.3 SUITABILITY FOR A MORTGAGE OR INVESTMENT IN A MORTGAGE

It is the duty of every mortgage broker and agent to take reasonable steps to ensure that the product, whether it be a mortgage or an investment in a mortgage, is suitable having regard to the needs and circumstances of the individual(s).[24] Suitability must be reviewed for lenders/investors within the *Designated Classes of Lenders and Investors* as defined in O. Reg. 188/08 section 2(1). This section does not apply for a borrower, lender or investor in the transaction who is another brokerage or financial institution.

3.3.1 Determining Suitability for a Borrower

When assisting borrowers with their mortgage financing needs, all brokers and agents will take care to ensure that a holistic approach to suitability and affordability is considered.

It is imperative that suitability analysis goes beyond simple qualification guidelines. The product must be affordable and not place the borrower at undue risk of financial hardship. Staff are expected to work carefully to "know their client" including their financial and borrowing history, their budget and general spending and credit habits, their key lifestyle expectations and their general financial knowledge.

While the ultimate decision remains that of the borrower, staff must only present product options that suit the profile of the borrower based on their needs and circumstances at the time of the transaction. Wherever possible, it is highly recommended that staff provide a clear outline, in plain language, explaining *why* the product is being recommended for the borrower.

[23] *O. Reg. 188/08 s. 11(6), Duty to verify other party's identity*
[24] *O. Reg. 188/08 s. 24, Duty re suitability of mortgage for customer*

3.3.2 Determining Suitability for an Investment in a Mortgage

Determining the suitability of an investment in a mortgage for a private lender/investor is a two-staged approach. First, the overall financial profile of the lender/investor must be determined. Second, the specific investment details must be compared to the investment parameters of the lender/investor's profile before determining if it is appropriate for presentation as an investment opportunity.

3.3.2.1 Overall Financial Profile and Investment Parameters

To determine the overall financial profile of the lender/investor and establish his/her general investment parameters. Key areas to discuss include: personal/financial history, prior investment experience, source of funds, administration considerations, transactional maximums and preferences (e.g., maximum LTV, maximum amount, interest rate range, mortgage rank, etc.), and determining whether the investor/lender can and/or should be qualified as a designated class of lender/investor as defined in O. Reg. 188/08 section 2(1).

This overall profile, including any supporting documentation collected and copies of identification confirmation, will establish the investor/lender's "Lender Info File" which should be reviewed and updated on an annual basis. The information contained therein is what each individual mortgage investment opportunity will be measured against for suitability prior to presentation as a potential investment.

3.3.2.2 Investor/Lender Disclosure (Form 1)

For mortgage activities conducted in Ontario**,** under the MBLAA, the Investor/Lender Disclosure (Form 1) must be signed by a 'Broker' and submitted to the potential investor or lender for review and signature. This means that the form cannot be issued or signed by an individual who is licensed as a Mortgage Agent.
The Investor or lender needs to review and sign the Form 1 at least 2 days prior to issuing of the commitment.

Prior to the signing of the form by your investor or lender, each Investor Lender Disclosure form is to be forwarded to the Principal Broker (or an assigned delegate) for approval. Once the form is reviewed and approved you will be able to move forward with the transaction.

3.4 IDENTIFICATION AND DISCLOSURE OF MATERIAL RISKS

The identification and disclosure of material risks is a key part of ensuring that borrowers, lenders and investors, as the case may be, enter into transactions informed and with "eyes wide open." All transactions completed through ***AKAL Mortgages*** must include the disclosure of (and signed acknowledgment of) the material risks based on the specific product recommended for each borrower, lender and/or investor. This disclosure and acknowledgment is not required for lenders/investors who are members of a *Designated Classes of Lenders and Investors* as defined in O. Reg. 188/08 section 2(1).

3.5 CREDIT BUREAU AND YOUR RESPONSIBILITIES

AKAL Mortgages professionals are expected to conduct mortgage business in an ethical and professional manner. The corporate agreement with Equifax Canada grants individual Agent/Broker member codes and passwords. Agents/Brokers agree to maintain and adhere to all duties and responsibilities regarding consumer protection and privacy legislation.

The Agent/Broker agreement with AKAL Mortgages and Equifax Canada states the following:

- You will not pull any credit files without the proper written approval of the subject and/or subjects
- You certify that you will order consumer credit reports only for the purposes of mortgage financing
- You agree that you will obtain each consumer's written consent(s) before pulling their credit report from Equifax
- You are responsible to reproduce such written approval if required to do so by either AKAL Mortgages, Equifax or to a legal representative

It is also against the applicable privacy legislation and the Agent/Brokers agreement to share any personal and/or credit information with anyone other than the individual(s) whose credit report was obtained. The Agent/Broker cannot provide a copy of the credit report to the consumer. The Agent/Broker cannot share credit report with any lender via email.

The Agent/Broker is not to accept third party applications without speaking directly to the consumer and receiving their written consent to access their credit file. The Agent/Broker is never to give access to anyone their Equifax code.

There are two ways to have proper written consent from the consumer

1. Printing the "Privacy Agreement/Suitability/Consent" form found on AKAL Mortgages Website [LINK] & having the consumer sign it.

   OR

2. The Agent/Brokers' personal AKAL Mortgages website has an online application. The Privacy Agreement statement is part of the application, therefore when the consumer "Ticks" the consent box, it provides the Agent/Broker proper consent.

SECTION 4: FILE FOR AUDIT GUIDELINES

It is important that all mortgage files are completed in line with AKAL Mortgages policy. All disclosures and required documents must be collected and included in the file when submitting for approval.

4.1 DOCUMENTS FOR AUDIT

- The documents to be audited are to be in one '.pdf' file
- Documents are to be in the order shown in the Invoice Checklist
- Files in BOSS might have numerous attachments. The documents to be audited need to state: "File for Audit" in the 'Note' section of the attachment.

4.2 NOTES

If something needs to be pointed out, write it in the 'Note' section where the documents are attached, so the auditor isn't looking for certain items:

> e.g. This is a Switch mortgage, so appraisal and legal fees are not required. There was no Credit Bureau pulled for this file, hence no report.

4.3 PRIVACY/SUITABILITY/CLIENT CONSENT AGREEMENT

- Initials and signatures are required in all places.
- Dollar amount to be stated in the Suitability section – Privacy Agreement
- Photo ID information needs to be stated – Privacy Agreement

4.4 CREDIT BUREAU PULLED PRIOR TO CONSENT

- Written consent must always be provided prior to or on the same day as the pulling of one's Credit Bureau
- The date of the Privacy Agreement/Suitability/Client Consent Agreement form or other acceptable consent form must be prior to or the same day of the Credit Bureau

4.5 MORTGAGE AMOUNT

- The mortgage amount in the Lender's Commitment needs to match the mortgage amount in the Disclosure to Borrower form, Am Schedule and Creditor mtg. insurance application
- If a specific mortgage 'splits' the mortgage amount, then it must be disclosed in the 'Notes' section of the Disclosure to Borrower form.

  e.g. - Scotia 'Step Mortgage':

  - The different mortgage portions of the 'Step' needs to be disclosed in the 'Notes' section of the Disclosure to Borrower form
  - For instance - $500K broken down as: $375K 5yr fixed rate, $75K Variable rate @ Prime – 0.25% and $50K L/C @ Prime + 0.50%

4.6 MORTGAGE PAYMENTS OF PRINCIPAL + INTEREST (P&I)

Lender Commitment of 'P&I' payment is to match the payment on the Disclosure to Borrower form and Amortization (Am) Schedule. If there is a difference, disclose the reason in the 'Notes' section of BOTH the Disclosure to Borrower form AND the 'Notes' section in the 'File for Audit' attachment.

4.7 DISCLOSURE OF FEES

All costs and fees incurred in arranging a mortgage must be disclosed to the borrower. Some examples of fees - but not limited to - that must be disclosed and included in APR:

- Appraisal fee –for a Purchase or Refi. (Not needed for a Switch/Transfer).
  - If actual is not known state "Estimate"
  - Watch for 'Valuation Fee' or other Lenders performing an internal valuation that they charge the client. Their fee must be disclosed.
- Legal Fee - for a Purchase or Refi. (Not needed for a Switch/Transfer).
  - Type in "Estimate" if actual is unknown.
- Lender/Commitment fee
- Brokerage fee
- Title Insurance Closing Service fee – only if actually stated in a Lender's commitment.
  - e.g., Home Trust, Equitable etc.
- Credit Union membership fee
- Any other fee required for the borrower to obtain the mortgage

4.8 VARIABLE RATE

- If the Disclosure to Borrower form doesn't disclose that the rate is Variable, then the Disclosure to Borrower form basically states that the rate is at fixed for (say) a 5yr term.
- On pg1 of the Disclosure to Borrower form it states:

  "Where the annual interest rate may change, the method for determining the annual interest rate is:"

  It needs to disclose (for example):

  "Prime less ____%" if there is a discount

  Or

  "Prime plus ____%" if there is a premium for example L/C

4.9 BROKERAGE INFORMATION - NUMBER OF LENDERS

"The Brokerage has acted for _____ lenders during the previous fiscal year":

The beginning of each year a number will be provided to the network, you must include the correct number of lenders for the prior year.

4.10 APPRAISAL

If an appraisal is required by the Lender, a copy of the appraisal must be in the 'File for Audit'.

4.11 DISCLOSURE TO BORROWER DATE OF ACCEPTANCE

For mortgage activities conducted in Ontario, the Disclosure to Borrower form must be signed 2 days prior to the commitment.

It can be signed the same day as the commitment if the '2 business days waived' section is signed. (second signature section on the Disclosure to Borrower form)

SECTION 5: ADVERTISING AND PUBLIC RELATIONS

Advertising and public relations materials must comply with the requirements of the applicable jurisdiction. For mortgage activities and advertising in Ontario, O. Reg. 188/08 section 1 defines "public relations materials" as follows:

a) any advertisement by the brokerage in connection with its business as a brokerage that is published, circulated or broadcast by any means, or

b) any material that a brokerage makes available to the public in connection with its business as a brokerage.

Therefore, ANY materials that the mortgage brokerage, a broker or agent makes available to the public about mortgage brokering business is considered public relations material, which includes any advertisements, public web pages and other materials that are published, circulated or broadcast by any means.

All ***AKAL Mortgages*** advertising materials must include:

- The brokerage's licensed name (AKAL Mortgages Inc.) or trade name (AKAL Mortgages)
- The brokerage's licence number and statement (Lic#, Independently Owned and Operated). AKAL Mortgages license numbers for provinces are: ON 10845 | SK 514018 | NS 3000827.

If the material contains a reference to a specific individual, it must also include:

- The individual's licensed name
- The individual's approved title (Mortgage Broker, Broker, Mortgage Agent, Agent)

  *(While it is not mandatory, **AKAL Mortgages** encourages all brokers and agents to include their individual licence number on all advertising and public relations materials.)*

All advertising and public relations material must be submitted to the Principal Broker (or an assigned delegate- Team Leader/BDM, Marketing Department at marketing@AKALmortgages.com) for approval prior to publication. Mortgage brokers and agents should use an *Advertising & Public Relations Materials Checklist* prior to submission to ensure that all materials are compliant.