

## AMP BROKER EDUCATION STREAM

### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

*Use the topic summaries below to evaluate your knowledge level within each knowledge domain. The National Competency Exam questions are based on these topics and sub-topics. The optional AMP courses are specifically designed to address these areas and help prepare you for your exam.*

#### TECHNICAL INDUSTRY KNOWLEDGE

##### **Residential Mortgage Underwriting from a Lender's Perspective (AMP1)**

Brokers must have a comprehensive understanding of the mortgage underwriting process, including the importance of the co-dependent relationship that exists between the mortgage originator and the mortgage lender, and the factors that affect this bond. Brokers must be aware of the goals, risks and regulations inherent to mortgage investment that influence lenders' underwriting guidelines, and fully appreciate their role in preparing complete and accurate mortgage submissions.

Knowledge of the measures lenders take to monitor their investments once the loan is funded, and the costs associated with mortgage arrears and defaults for borrowers, lenders and brokers, also reinforces the brokers' commitment to responsible professional practice.

##### **Section 1: Understanding the Lender's World**

- How brokers work with lenders
- Types of lenders
- The elements of building mortgage loan operations
- Loan portfolio risk management
- Mortgage default insurance

##### **Section 2: The Underwriting Process**

- The five Cs of credit
- Loan qualification and funding
- Information collection and verification
- Lender tips for submitting mortgage files
- Credit analysis
- Verification of security
- Loan approval
- Adjustments to financial terms
- Loan closing and funding

##### **Section 3: Loan Monitoring and Repayment**

- Ongoing mortgage administration or servicing
- Monitoring loan portfolios and collecting arrears
- Lender remedies for mortgage default
- Repayment and discharge

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### **KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY**

#### **Understanding Specialized Mortgages (AMP2)**

Brokers must have knowledge of the various financing considerations and alternatives available for borrowers and types of property. While brokers may not deal across the spectrum of specialized mortgages, they should have a basic understanding of the purpose of the specialized alternatives in order to appropriately advise their clients with respect to obtaining suitable mortgage products for their unique profiles. Specialized mortgages range from various repayment plans, private mortgages, leasehold, construction, and commercial financing.

An expert understanding of these mortgages will help mortgage professionals to serve a broader range of clients, or to specialize in specific sectors.

#### **Section 1: Mortgage Loan Repayment Plans**

- Interest accruing loans
- Interest only loans
- Straight line principal reduction loans
- Constant blended payment repayment plans
- Payment frequency
- Partial amortization and outstanding balances
- Variable rate mortgages (VRMs)
- Graduated payment mortgages (GPMs)
- Sinking fund assisted mortgages
- Reverse mortgages (Reverse Annuity Mortgages)
- Participation mortgages
- Addressing inflation directly in mortgages

#### **Section 2: Private Mortgages**

- What is a private mortgage?
- Private lenders
- Who needs a private mortgage?
- Underwriting the private mortgage
- Funding the private mortgage

#### **Section 3: Leasehold Finance**

- Types of leases
- Identification of leasehold interests
- Occupation and ground (or building) leases
- Analysis of ground leases
- Ground leases on First Nations lands
- Ground leaseholds and mortgage lenders
- Subordination agreements
- Sale-leaseback
- Methods for appraisal of leasehold interests

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### **KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY**

#### *Understanding Specialized Mortgages (AMP2) Continued*

##### **Section 4: Development and Construction Financing**

- Overview of the land development process
- Development financing
- Construction financing
- Structuring the construction loan
- Alternative development financing arrangements

##### **Section 5: Commercial Mortgage Underwriting**

- Application for commercial loans
- Cash flow analysis (income, allowances, and expenses)
- Lending constraints
- Nature of covenants

#### **Understanding Real Estate Transactions (AMP3)**

Brokers should have an enhanced understanding of the real estate purchase transaction. Knowledge of the detailed process including key aspects of contract law as they relate to real estate transactions, the Agreement of Purchase and Sale, how to evaluate property appraisals, the Canadian land title systems, fraud prevention measures, and disbursements will assist brokers in their communications with clients and lenders.

##### **Section 1: An Overview of the Process**

- The resale home purchase process
- Deciding to buy and sell
- Receiving and accepting offers
- Buyer activity, inspections, and insurance
- Closing the deal

##### **Section 2: Purchase and Sale Agreements**

- The seven elements of a contract
- The key details of purchase/sale agreements
- Terms and conditions
- Preventing fraud
- Preventing termination and unenforceability

##### **Section 3: Property Valuation**

- Defining value and the appraisal process
- Analysis of the real estate market
- Appraisal results: error and fraud

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### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

#### *Understanding Real Estate Transactions (AMP3) Continued*

##### **Section 4: Title Registration**

- Registration of land in Canada
- Registration, priority, and indefeasibility of charges

##### **Section 5: Disbursements**

- The closing procedure and document preparation
- Deposits, commissions, and adjustments
- Transfer taxes and legal fees

#### **ETHICS AND PROFESSIONAL CONDUCT**

##### **Mortgage Practice Standards (AMP4)**

Ethics involve frameworks for value-based conduct and making decisions where there is no clear wrong answer. These are referred to as 'right-versus-right' decisions. Mortgage practice standards provide additional clear guidelines regarding competence, professionalism and broker responsibilities to clients.

Ethics and professionalism are pervasive traits that affect every area of business. Brokers must understand and be able to apply the guidance provided throughout the areas listed below in their daily activities.

##### **Section 1: Ethical Practice in the Mortgage Industry**

- Ethics and values
- Dynamics of ethical systems
- The ethical decision-making model

##### **Section 2: Agency and Fiduciary Duty**

- Agency relationships
- Fiduciary duty
- Obligations and responsibilities

##### **Section 3: Origination Standards for Fraud Avoidance**

- Mortgage fraud
- Origination standards
- Loan files
- Identity verification
- Credit reports
- Down payment and equity
- Employment and income verification
- Property and transaction details
- Appraisals
- Mortgage commitments

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### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

#### *Ethical Practice in the Mortgage and Lending Industry (AMP4) Continued*

##### **Section 4: Understanding Your Privacy Responsibilities**

- Privacy laws in Canada
- The CSA model code
- The role of the Privacy Commissioner
- Mortgage broker responsibilities

##### **Section 5: Maintaining Lender Relationships**

- Lender etiquette
- Scorecards
- Lender relationships

#### **REAL ESTATE AND MORTGAGE ECONOMICS AND INVESTMENTS**

##### **Real Estate and Mortgage Economics and Investments (AMP5)**

Brokers should be able to comfortably discuss the major factors that may influence a client's real estate-related decisions, ranging from an analysis of the real estate market as a whole to the current state of an individual's finances. Brokers should have a good overview of the macro-economic factors that affect housing markets and how mortgages fit within the broader financial system.

While the topics in this knowledge domain are not intended to help educate brokers to be financial planners, it is important for brokers to understand basic concepts about financial planning and budgeting in order for them to help their clients identify suitable mortgages for their unique needs. Brokers should also be informed of the alternative sources of mortgage funds such as Mortgage Investment Corporations and syndicated mortgages, and the role of mortgage investment products in raising funds.

##### **Section 1: Real Estate and Mortgage Market Economics**

- The economic importance of the real estate sector
- Factors that affect the demand and supply of housing
- Characteristics of real estate markets
- Considerations in establishing interest rates
- Characteristics of mortgage loans as investments
- Overview of mortgage market trends

##### **Section 2: Financial Planning and Budgeting**

- Household financial planning and budgeting
- Mortgage borrower qualification
- Types of mortgages
- Adjustments to financial terms
- Insurance considerations
- Prepayment clauses and costs
- A detailed look at credit score

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### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

#### *Real Estate and Mortgage Economics and Investments (AMP5) Continued*

##### **Section 3: Mortgage and Real Estate Investment Products**

- Bonds and securitization of mortgages
- Mortgage investment corporations (MICs)
- Syndicated mortgages
- Real estate investment trusts (REITs)

#### **REGULATION AND LEGISLATION**

##### **The Regulatory and Compliance Environment (AMP6)**

As mortgage brokerage activities and products become more diverse and greater public attention is placed on consumer protection and financial market oversight, there is a growing need for mortgage brokers to be aware of the regulatory environment in which they operate.

Brokers must be knowledgeable about the legislative framework governing mortgage brokers, lenders, and insurers, as well as other laws and regulations designed to ensure consumer protection. Importantly, they must also know how these rules are to be applied in practice in order to ensure they and their firms remain compliant with these requirements, while managing their business risks. Finally, the course looks at various common forms of mortgage-related fraud and how mortgage brokers may detect and handle these incidents in a compliant manner.

##### **Section 1: Regulatory Overview**

- Principles-based regulation
- Mortgage broker regulation in Canada
- Mortgage lender regulation in Canada
- Mortgage insurer regulation in Canada
- Consumer protection laws (personal information, consumer reporting, anti-spam)
- The Mortgage Broker Regulators' Council of Canada (MBRCC)
- Industry association codes of ethics and professionalism

##### **Section 2: Compliance and Risk Management**

- Definition of compliance and compliance risk
- Roles of compliance function
- Designated individual, authorized official, and principal broker
- Elements and benefits of creating effective compliance environments
- Required competencies for compliance roles
- Consequences of non-compliance
- Elements of risk and risk tolerance
- Basic approach to risk management
- Reputational risk
- Risk response options
- Enterprise risk management
- Monitoring risks

## AMP BROKER EDUCATION STREAM

### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

#### *The Regulatory and Compliance Environment (AMP6) Continued*

##### **Section 3: Fraud Prevention**

- Overview of mortgage fraud
- Tools used by fraudsters
- Fraud for shelter
- Appraisal fraud
- Illegal property flipping
- Air loan fraud
- Title fraud
- Fraud to further other criminal activities
- Prevention measures for brokers and principal brokers
  - Face-to-face verification
  - Non face-to-face verification
  - Verifying application, employment, down payment, property, and credit report information
- What to do if fraud is suspected

#### **STRATEGY AND BUSINESS MANAGEMENT**

##### **Strategy and Business Management (AMP7)**

Brokers should have a good understanding of strategy and business planning fundamentals in order to be able to define and communicate their business goals to their clients, lenders, regulators, and other industry stakeholders. They must be up-to-date with the technology available to facilitate their businesses and the marketing practices which can be used to reach and engage their target audiences.

##### **Section 1: Strategy, Entrepreneurship, and Business Plans**

- Defining and creating good strategy
- Vision, mission, and strategy
- Entrepreneurship strategies
- Characteristics of entrepreneurs
- Writing a business plan
- Suggested template for structuring a business plan

##### **Section 2: Technology and Mortgage Brokerage**

- Determining your technological needs
- Key considerations when purchasing or upgrading technology
- Computer hardware
- Computer software (general productivity, accounting, mortgage broker origination, mortgage lender and fraud detection and prevention software)
- Database applications and customer relationship management (CRM) software
- Software copyright
- Internet connectivity, Bluetooth, and websites
- Computer and Internet network security
- Viruses, malware, phishing, and spam

## AMP BROKER EDUCATION STREAM

### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

- Ensuring privacy of information

#### Section 3: Marketing and Communications

- The communication process
- Developing a communications message
- Communication noise and filtering
- Source, medium, and message
- Non-verbal communications
- The mortgage broker's personal marketing program
- Developing an integrated marketing program
- Decisions and strategies for price, product, promotion, and place (Four Ps)
- Internet marketing, email, mailing lists, websites, and social networking
- Copyright and sharing information
- Advertising and direct mail

## HUMAN RESOURCE MANAGEMENT

### Human Resource Management (AMP8)

Brokers should be familiar with the laws affecting employment contracts, and the processes for attracting, developing and retaining talent – as these relate to themselves or in the case of hiring managers, as they relate to job candidates and new recruits. An enhanced understanding of the factors which affect critical thinking and frameworks for problem-solving is directly applicable to the brokers' abilities to conduct thorough assessments of borrower needs.

The review of leadership styles, change management and conflict resolution should provide brokers with opportunity for self-reflection and professional development, which in turn may be manifested in dealings with clients, staff, colleagues and other industry stakeholders.

#### Section 1: The Legal Environment and Human Resources Management

- Canadian legal environment
- Discrimination and human rights legislation
- Recruitment of job applicants
- Employee selection
- Orientation and training
- Supervision
- Performance appraisal
- Discipline and termination
- Employee vs. contractors

#### Section 2: Critical Thinking and Problem Solving

- Key aspects of critical thinking
- Problem solving: understanding problems, generating ideals, planning for action
- Application of critical thinking in a problem solving framework

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## AMP BROKER EDUCATION STREAM

### KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

#### Human Resource Management (AMP8) Continued

##### Section 3: Understanding Leadership

- The nature of leadership
- Leadership and management
- Sources of a leader's power and influence
- Leadership traits
- Advances in understanding leadership traits
- Leadership behaviour
- Contingency theories of leadership
- Coaching
- Participative leadership
- Change management
- Conflict resolution

## NATIONAL COMPETENCY EXAM

### Broker Stream Knowledge Domain Weightings



*\*These weightings may be higher given that: ethics and professionalism are pervasive attributes reflected across multiple domains; and knowledge of regulation and legislation underpin all activities.*