

Information Bulletin

Bulletin Number: MB 06-002

Topic: MISLEADING ADVERTISING AND REQUIREMENTS FOR MORTGAGE LOAN ADVERTISING
(REPLACES BULLETIN MB 95-001 MISLEADING ADVERTISING) LEGISLATION

Issue Date: JULY 18, 2006

Mortgage brokers are prohibited from making false, misleading or deceptive statements in any kind of advertising under section 14 of the *Mortgage Brokers Act*.

Examples of misleading advertising include providing sample monthly repayment figures for mortgage loans requiring no repayment of principal without identifying that the payments represent only the interest, or advertising payment amounts for mortgage loans with unusually long amortization periods that do not specify the amortization period. Advertisements containing repayment figures should contain an indication of the amortization period used to determine the repayment figure. Likewise advertisements for interest only mortgages should specify that the repayments do not include any principal amounts. Failure to disclose this information may be viewed as misleading and a violation of section 14 of the *Mortgage Brokers Act*.

In addition, certain provisions in the *Business Practices and Consumer Protection Act, Part 5*, came into force on July 1, 2006 which impose additional requirements on mortgage loan advertising.

These new provisions require that advertisements for fixed credit, which state the interest rate or any amount of repayment, must also state the term and the annual percentage rate ("APR"). The APR must be displayed as prominently as the repayment figure or the interest rate.

If an advertisement states or implies that no interest is payable for a certain period, it must clearly state that the mortgage loan contains an interest free period or a grace period. Any such advertisements must also state the conditions which apply to interest free or grace periods and state the APR which will apply if the conditions are not satisfied.

If the advertisement fails to state that there is a grace period, describe the conditions or state the APR, **then the advertisement is deemed to represent the loan as being unconditionally interest free during the relevant period.**

If information, which is required to be included in an advertisement, is different for different mortgage loans, then the advertisement must explain that the information relates to a representative transaction. A representative transaction must be reasonably typical of the mortgage loans to which the advertisement relates.

Advertisements that do not disclose the required information may lead to regulatory action.

For any additional information on misleading advertising, please contact our office at mortgagebrokers@ficombc.ca.

At the office of the Registrar of Mortgage Brokers, we issue information bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Mortgage Brokers Act, Business Practices and Consumer Protection Act* and Regulations. While the comments in a particular part of an information bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an information bulletin generally applies as of the date on which it was published, unless otherwise specified.