

# BMO GIVING AWAY CA\$H TO LURE MORTGAGE CUSTOMERS

By Mal Eccles, CMBA Chair, Regulatory Affairs

A number of years ago (7 or 8) Bank of Montreal vacated the Broker Channel with claims that they could do a better job of generating Mortgage Business internally! Well let's see how that is working for them.

A few days ago BMO announced that they would give a Ca\$h back of up to \$1,000 to each First Time Home Buyer who takes out a mortgage with them for their purchase.

In the wake of all the recent lending and qualifying cut-backs and restrictions, is this what BMO has to do to get business? Remember Mortgage Brokers are now accounting for approximately 40-45% of all First Time buyers mortgaging in Canada.

Let's look at the BMO Ca\$h Back Deal

- 1) It must be high ratio insured regardless of the loan-to-value.
- 2) The customer MUST take out a BMO bank account to process the payments (can you pronounce tied-selling?).
- 3) There is no indication as to whether the client will receive Prime Rate or not (what are the odds?).
- 4) The mortgage must be a minimum term of 4 years and a maximum amortization of 25 years.
- 5) The cash back is stepped:  
\$100,000- \$249,000 - \$500 cash back; \$250,000&up - \$1,000 cash back

*I was recently at RONA looking at purchasing a new dishwasher. They had a special deal on, a \$50 cash rebate on certain models but...and here's the But... you couldn't pick it up yourself. You had to have it delivered at a cost of \$70!*

As reported by the Globe & Mail, BMO has a residential Mortgage Portfolio, as at Oct. 31/2016 of \$103.6 Billion. As a comparison, 2 Mortgage Broker Lenders, First National Financial claims a \$90 Billion portfolio and MCAP \$61 Billion. Two Lenders with portfolios 50% greater than a member of the big 5 Banks who strictly deal with Mortgage Brokers.

So in summary, it seems that the Bank of Montreal is using Dishwasher Sales tactics to try to outperform the results, efficiencies and effectiveness of the Mortgage Brokerage Industry.

Good luck with that!