



June 2, 2016

The Honourable Diane Lebouthillier, P.C., M.P.
Minister of National Revenue
7th Floor
555 MacKenzie Avenue
Ottawa ON K1A 0L5

Dear Minister Lebouthillier,

Re: New format for 2015 NOA's

Please know that I write on behalf of the Canadian Mortgage Brokers Association (CMBA), which is an association representing mortgage brokers and their lender and service partners throughout Canada.

Many of our members have brought concerns to our attention regarding the new format for Notices of Assessment (NOA) issued by the Canada Revenue Agency. We understand these new forms were introduced to make them simpler, less cluttered and better understood by the public, and more specifically, the individual tax payers who receive them. In our view, the new format of the NOA's achieves these desired goals, and they are in fact, simpler and easier to read.

However, the new form appears to have been overly simplified, in that many of the features of the NOA which make them harder to replicate or manipulate have been removed, making them an easily deployed tool for the perpetration of mortgage fraud. NOA's are used to verify employment income in the mortgage application process by both lenders and mortgage default insurers, including the Canada Mortgage and Housing Corporation (CMHC). Fraudsters will often alter or create NOA's in order to qualify borrowers for mortgages for which they would otherwise not be approved.

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Mortgage fraud is a significant concern for the Canadian public, the mortgage industry, regulators, financial institutions, private lenders, government and a host of others. The losses associated with mortgage fraud are unknown, but many estimate that losses run into the many billions of dollars and are a key means for money laundering. As an association representing mortgage brokers, we want to ensure systems are designed as robustly as possible to combat mortgage fraud.

Accordingly, we have reviewed the current NOA form and identified the elements which cause concern, and have made recommendations to address the concerns. The concerns are as follows:

- The name and social insurance number of the tax payer appears on page one but not on page two, which contains the numbers relating to the tax filing and income amounts. It would be relatively easy for a fraudster to utilize page one containing the identifying information for a borrower and page two from a separate person with higher income, and present the mixed pages as one NOA belonging to the borrower.
 - WE RECOMMEND that page two of the new form be amended to contain identifying information relating to the tax payer, such as their name and social insurance number.
- The blue shaded paper which gradually fades to white was an important security feature of the old NOA which was difficult for fraudsters to replicate. This security feature has now been removed, making the new form easier to replicate by fraudsters.
 - WE RECOMMEND that the NOA be amended to add security features, such as the colour of the page coloured blue fading to white.
- The font of the new NOA, which we understand to be Helvetica is readily accessible by the public and widely used. The font of previous NOA forms was much rarer and less accessible by the public, making it a challenge for fraudsters to replicate in fraudulent NOA's.
 - WE RECOMMEND that the NOA be amended to be written in a font which is not easily accessed by members of the public.

For your convenience and review, attached are copies of an individual's NOA's for 2014 and 2015 (removing their personal details for their protection) demonstrating the recent changes noted above. Also attached are excerpts from CMHC's website noting their

recommended use and reliance on NOA's for the purpose of income verification and mortgage qualifying.

I trust that the above information and recommendations are clear. However, I would be happy to discuss these issues further if you would like clarification or have any questions.

Regards

A handwritten signature in black ink, appearing to read 'S. Gale', with a large, stylized initial 'S'.

Samantha Gale
Executive Director, the Canadian Mortgage Brokers Association



Canada Revenue
Agency

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du Canada

Notice of Assessment

T461 E (16)

3

Date	Name	Social Insurance No.	Tax year	Tax centre
Apr 27, 2015	NAME	SIN	2014	St. John's NL A1B 3Z1

Summary

0107568

Line	Description	\$ Amount
150	Total income	#
	Deductions from total income	#
236	Net income	#
260	Taxable income	#
350	Total federal non-refundable tax credits	#
6150	Total Nova Scotia non-refundable tax credits	#
420	Net federal tax	#
428	Net Nova Scotia tax	#
435	Total payable	#
437	Total income tax deducted	#
457	Employee and partner GST / HST rebate	#
482	Total credits	#
	(Total payable minus Total credits)	#
	Balance from this assessment	#
	Direct deposit	#

Andrew Treusch
Commissioner of Revenue



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0005274

ST. JOHN'S NL A1B 3Z1

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Notice details

Social Insurance number	SIN
Tax year	2015
Date issued	April 25, 2016
Tax centre	St. John's NL A1B 3Z1

7HK73KK8

1100 (D)

NAME & ADDRESS

Notice of assessment

We assessed your 2015 income tax and benefit return and calculated your balance.

You have a refund of \$ \$\$\$\$

We will deposit your refund into your bank account.

Thank you,

Andrew Treusch
Commissioner of Revenue

Account summary

You have a refund in the amount shown below.

Refund:

\$ \$\$\$\$

Go green, go paperless

Get your mail online through My Account.

1. log in at www.cra.gc.ca/myaccount
2. select "Manage online mail"

T451 E (16)

Canada

Tax assessment

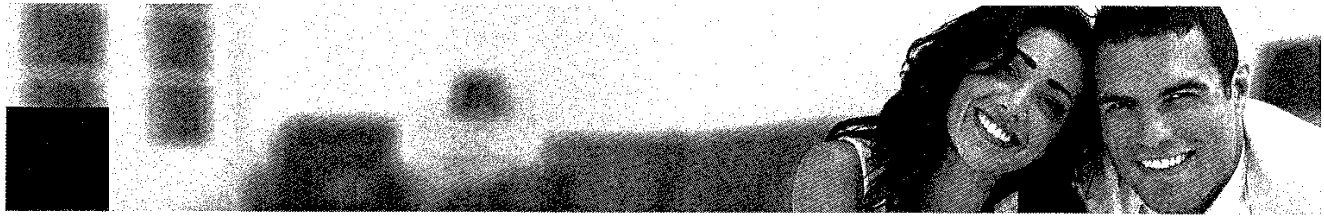
Page 2

We calculated your taxes using the amounts below.

We may review your return later to verify income you reported or deductions or credits you claimed. For more information, go to www.cra.gc.ca/reviews. Keep all your slips, receipts, and other supporting documents in case we ask to see them.

Summary

Line	Description	(\$)	Amount	CR/DR
150	Total Income		#	
	Deductions from total income		#	
236	Net income		#	
260	Taxable income		#	
350	Total federal non-refundable tax credits		#	
6150	Total Nova Scotia non-refundable tax credits		#	
420	Net federal tax		#	
428	Net Nova Scotia tax		#	
435	Total payable		#	
437	Total income tax deducted		#	
457	Employee and partner GST / HST rebate		#	
482	Total credits		#	
	(Total payable minus Total credits)		#	
	Balance from this assessment		#	CR
	Direct deposit		#	CR



CMHC Purchase

Helping to Make Dreams of Homeownership Come True

For most people, the hardest part of buying a home – especially a first home – is saving the necessary down payment. CMHC-insured financing can help open the doors to homeownership by enabling homebuyers to purchase a home with a minimum down payment starting at 5%*.

Features

- Loan-to-value ratios up to 95% for 1 – 2 unit owner-occupied properties.
- Loan-to-value ratios up to 90% for 3 – 4 unit owner-occupied properties.
- Down payment flexibility – In addition to traditional sources, non-traditional sources of down payment are permitted for loans with loan-to-value ratios from 90.01% - 95%.
- Flexible financing options – single advance and progress advances are available.
- CMHC-insured mortgages are portable – helping to reduce or eliminate the premium on the purchase of a subsequent home.
- CMHC homeowner mortgage loan insurance is available to a maximum of one property (1 – 4 units) per borrower/co-borrower at any given time.
- CMHC offers mortgage loan insurance premium refunds for homeowners who purchase an energy-efficient home or purchase and make energy-saving renovations to an existing home. See CMHC Green Home for more information.

* Minimum equity requirements are outlined in the Product Highlights section.

Benefits of CMHC Purchase

Access to Homeownership

With a minimum down payment starting at 5%* from flexible sources.

Competitive Interest Rates

Access to CMHC-insured financing, and as a result, competitive interest rates.

Availability

Products and services available coast-to-coast.



www.cmhc.ca
1-888 GO emili

Canada

This information provides product highlights on CMHC's Mortgage Loan Insurance products. Any requirements that are described would be subject to CMHC's mortgage insurance terms and conditions and underwriting policies. Products and their terms and conditions may change at any time. © 2016, Canada Mortgage and Housing Corporation.

Everything you need to open new doors



CMHC Purchase

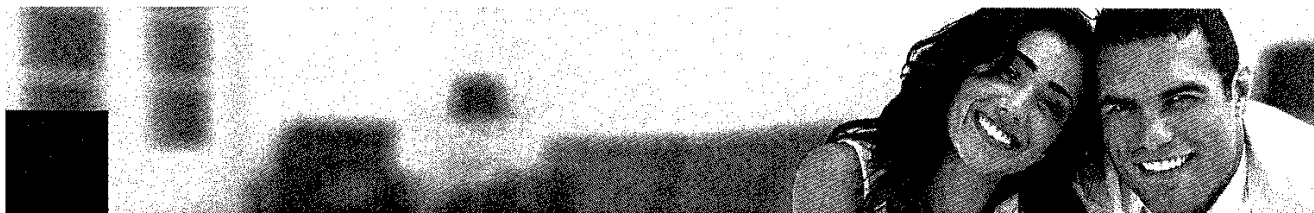
Product Highlights:

	Traditional Sources of Down Payment	Non-Trad. Sources of Down Payment
Loan Purpose	Purchase	
Loan-to-Value Ratio	Up to 95% for 1 – 2 units Up to 90% for 3 – 4 units	90.01% to 95% for 1 – 2 units
Down Payment	Applicant savings, RRSP withdrawal, funds borrowed against proven assets, sweat equity (<50% of min. required equity), land unencumbered, proceeds from sale of another property, non-repayable gift from immediate relative, equity grant (non-repayable from federal, provincial or municipal agency).	Any source that is arm's length to and not tied to the purchase or sale of the property such as borrowed funds, gifts and 100% sweat equity.
Number of Units	1 – 4 units	1 – 2 units
Maximum Amortization	25 years	25 years
Minimum Equity Requirement	5% down payment for the purchase price (or lending value) portion ≤ \$500,000. 10% down payment for the purchase price (or lending value) portion > \$500,000.	
Maximum Purchase Price	Maximum purchase price or as-improved property value must be below \$1,000,000.	
Occupancy	At initiation, the property that secures a CMHC-insured mortgage loan must be intended for occupancy at some point during the year by a borrower; or a relative of the borrower on a rent-free basis. Lenders must confirm owner occupancy and maintain the confirmation on file.	
Borrower Eligibility	Permanent residents including newcomers to Canada. Self-employed borrowers with <u>3rd party documentation to support their income</u> . Non-permanent residents are limited to 1 unit owner occupied property and a maximum LTV of 90%.	Permanent residents including newcomers to Canada. Self-employed borrowers with 3 rd party documentation to support their income. Not available for non-permanent residents.
	Approved Lenders are to verify, prior to submitting an application to CMHC, that the borrower(s) does not have existing CMHC-insured homeowner financing.	
General Property Requirements	The property can be located anywhere in Canada and must be suitable for, and available for, year-round occupancy. Properties that are constructed for seasonal use, or have seasonal access, are not eligible. Properties located on an island must have year-round bridge or ferry access. Time-share interests, life leases and properties in rental pools are not eligible.	
General Guideline for History of Managing Credit* (Credit Score)	LTV > 80%: Recommended min. score of 600 LTV 60.01 - 80%: Min. score of 580 LTV ≤ 60%: No min. score required Standard variable rate mortgages (LTV 90.01% - 95%): Recommended min. score of 610	Recommended min. credit score of 650
Debt Service Guideline*	Credit score: GDS/TDS: < 680 : 35% / 42%, 680+ : 39% / 44%* *Debt service flexibilities are based on an assessment of the strength of the overall application. Satisfying the minimum credit score alone does not automatically entitle the borrower to debt service flexibilities.	
Loan Security	First Mortgages and Chattel Mortgages	First Mortgages Only
Interest Rate Types	Fixed, capped and standard variable, and adjustable	

* Individuals can access their scores and credit reports from the following credit reporting agencies: www.equifax.ca or www.transunion.ca

Applicable Premiums (Owner-occupied properties)	
Loan-to-Value Ratio	Premium on Total Loan Amount
Up to and including 65%	0.60%
Up to and including 75%	0.75%
Up to and including 80%	1.25%
Up to and including 85%	1.80%
Up to and including 90%	2.40%
Up to and including 95%	
Traditional Down Payment	3.60%
Non-Traditional Down Payment	3.85%

Premiums in Manitoba, Ontario and Quebec are subject to provincial sales tax – the sales tax cannot be added to the loan amount.



CMHC Self-Employed

Streamlining the Home Financing Process for Self-Employed Borrowers

CMHC offers mortgage loan insurance options for self-employed borrowers with traditional third party validation of income.

Features

- Available for purchase, refinance, and improvement.
- Flexible financing options - single advance and progress advances are available.
- Interest rate types include: Fixed, capped and standard variable, and adjustable.
- Self-employed borrowers with documentation to support their income have access to all existing 1 – 4 unit CMHC Mortgage Loan Insurance products subject to the same product criteria and insurance premiums as salaried borrowers.
- CMHC homeowner mortgage loan insurance is available to a maximum of one property (1 – 4 units) per borrower/co-borrower at any given time.
- CMHC offers mortgage loan insurance premium refunds for homeowners who purchase an energy-efficient home or make energy-saving renovations to an existing home. See CMHC Green Home for more information.

Benefits of CMHC Self-Employed

Access to Homeownership

With a minimum down payment starting at 5%.

Competitive Interest Rates

Access to CMHC-insured financing, and as a result, competitive interest rates.

Availability

Products and services available coast-to-coast-to-coast.



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CMHC Self-Employed

Product Highlights:

Loan Purpose	Purchase, refinance, purchase or refinance with improvements, single and progress advances
Loan-to-Value (LTV) Ratio	Purchase: up to 95% LTV (1 – 2 units) up to 90% LTV (3 – 4 units) Refinance: up to 80% (1 – 4 units)
Down Payment	Traditional* and Non-Traditional** Sources
Number of Units/Occupancy	1 – 4 units
Maximum Amortization	25 years
Minimum Equity Requirement	5% down payment for the purchase price (or lending value) portion ≤ \$500,000. 10% down payment for the purchase price (or lending value) portion > \$500,000.
Maximum Purchase Price	Maximum purchase price or as-improved property value must be below \$1,000,000.
Borrower Eligibility	Permanent residents including newcomers to Canada. Non-permanent residents are limited to a 1 unit owner-occupied property and a maximum LTV of 90%. Income taxes must be paid and up to date. Approved Lenders are to verify, prior to submitting an application to CMHC, that the borrower(s) does not have existing CMHC-insured homeowner financing.
Lender Requirements	Borrower's Notice of Assessment, audited financial statements or review engagement financial statements prepared by practising accountant. Income determined by averaging the income of the previous two year period or using most recent year if income has increased year over year for 4+ years. Confirmed NOA income can be grossed up 15%.
Employment Requirements	Minimum 2 years in same type of work, even if not in a self-employed capacity.
General Guideline for History of Managing Credit*** (Credit Score)	LTV > 80%: Recommended minimum score of 600 LTV 60.01 - 80%: Minimum score of 580 LTV ≤ 60%: No minimum score required
Debt Service Guideline****	Credit score: GDS/TDS: < 680 : 35% / 42%, 680+ : 39% / 44%* *Debt service flexibilities are based on an assessment of the strength of the overall application. Satisfying the minimum credit score alone does not automatically entitle the borrower to debt service flexibilities.
Loan Security	First Mortgage or Second Mortgage (Refinance)

Applicable Premiums (Owner-occupied properties)			Surcharge
Loan-to-Value Ratio	Premium on Total Loan Amount	Premium on Increase to Loan Amount for Refinance	Blended Amortization Refinance**** 0.60%
Up to and including 65%	0.60%	0.60%	
Up to and including 75%	0.75%	2.60%	
Up to and including 80%	1.25%	3.15%	
Up to and including 85%	1.80%	N/A	
Up to and including 90%	2.40%	N/A	
Up to and including 95%	3.60%	N/A	
Traditional Down Payment*	3.85%	N/A	
Non-Traditional Down Payment**			

* Traditional sources of down payment include: Applicant's savings, RRSP withdrawal, funds borrowed against proven assets, sweat equity (< 50% of minimum required equity), land unencumbered, proceeds from sale of another property, non-repayable gift from immediate relative, equity grant (non-repayable grant from federal, provincial or municipal agency). ** Non-traditional sources of down payment include: Any source that is arm's length to and not tied to the purchase or sale of the property such as borrowed funds, gifts and 100% sweat equity. *** Individuals can access their scores and credit reports from the following credit reporting agencies: www.equifax.ca or www.transunion.ca. For purchase transactions the premium payable is the Premium on Total Loan Amount. For refinance, the premium is the lesser of Premium on Increase to Loan Amount or the Premium on Total Loan Amount. Premiums in Manitoba, Ontario and Quebec are subject to provincial sales tax – the sales tax cannot be added to the loan amount. **** Where there is an increase to the loan amount, the amortization period of the existing CMHC-insured loan and the loan increase may be blended using a weighted average provided the resulting amortization does not exceed the remaining economic life of the property. For refinance transactions the resulting amortization may not exceed 25 years. A 0.60% blended amortization surcharge to the loan increase applies to the Premium on Increase to Loan Amount.