August 22, 2019

<u>Delivered via electronic submission on FSRA website with cc to Huston.Loke@fsrao.ca</u>

<u>ATTENTION: Mr. HUSTON lOKE</u>
Executive Vice President, Market Conduct
Financial Services Regulatory Authority of Ontario

<u>RE: PROPOSED SUPERVISION APPROACH FOR HIGH RISK SYNDICATED MORTGAGE INVESTMENTS.</u>

Thank you for this opportunity to provide feedback on FSRA's proposed supervision approach for high risk syndicated mortgages ("**Supervision Approach**"). Foremost Financial Corporation ("Foremost") is an alternative mortgage lender funded by private investors who allocate capital to either a Mutual Fund Trust or via syndication. Foremost's assets under management are in excess of $250M.

We would like to commend FSRA for taking a targeted, fact based and data driven approach in devising the Supervision Approach. It is our understanding that the policy intention is to improve investor protection by requiring enhanced disclosure and we agree that this is the correct way to do so.

The Supervision Approach targets high-risk elements associated with a certain type of mortgage lending that has been problematic for investors and the mortgage lending industry in general. Enhanced disclosures, when combined with regulatory oversight and enforcement, will likely ensure that investors are aware of the risks and conflicts of interest associated with these investments. It should further mitigate the possibility of the few bad actors in the mortgage space capitalizing on regulatory arbitrage by selling products where regulation is the lightest. FSRA's proposed Supervision Approach increases disclosure requirements and attempts to reduce regulatory arbitrage.

Foremost supports the Supervision Approach as proposed. It demonstrates a real understanding of the true issues and strikes a balance by requiring appropriate disclosures without unduly increasing the regulatory burden. Special recognition should be given to the fact that the forms are written in simple English and are easy to understand and fill in. This is not the case with the prescribed forms 3.1 (Suitability Assessment for Investor/Lender in a Non-qualified Syndicated Mortgage) and 3.2 (Disclosure Statement for Investor/Lender in a Non-qualified Syndicated Mortgage). The burden of Forms 3.1 & 3.2 has caused us to materially reduce our syndication volumes, which was likely not the policy intention when the forms were originally introduced. We hope that FSRA can apply the same common-sense approach to Forms 3.1 & 3.2 as with the proposed Supervision Approach.

In addition, we hope that the definition of Non-Qualified Syndicated Mortgage will be examined with a similar fact-based and reasonable approach, as we feel the current definition was drafted too broadly, without sufficient understanding of the nuances of the alternative lending space.

Kind regards,

Ivan Stone
Founder, President

Evan Cooperman
Chief Executive Officer

Ricky Dogon
Chief Compliance Officer