Template letters for mortgage brokers

Letter 1: the buyer who cannot close a pre-construction purchase

Subject: Your closing, and what to look at first

Dear [client name],

Thank you for telling me straight that the closing may not go ahead. That is the right moment to raise it, not after.

A few things worth knowing before anything else:

1. What happens if a purchase does not close starts with your agreement of purchase and sale, and the consequences can reach beyond the deposit. A real estate lawyer should read that agreement before you speak to the builder, so that you know your position rather than guessing at it.

2. The mortgage is only one part of this. If the appraisal, the rate or your income has moved since you signed, we should look at what financing is realistically available and what it would cost you month to month. I can do that part with you.

3. The question underneath is whether the shortfall is a one-time gap or a sign that the whole household budget is under strain. Bridging a gap with more borrowing only helps if the payments after closing are ones you can actually carry.

I arrange mortgages; I am not a lawyer or a Licensed Insolvency Trustee, so I will not pretend to advise you on the legal side. What I can do is point you to something genuinely useful. The Insolvency Report is an educational site written by a Licensed Insolvency Trustee in Toronto. It is free to read and explains the options in plain language. Its research report on pre-construction closing failures is here:

https://insolvencyreport.ca/pre-construction-closing-risk-ontario/

And if the wider debt picture is part of the worry, its plain guide to what a consumer proposal is, and is not, is here:

https://insolvencyreport.ca/consumer-proposals/

Those options exist only for a person who is insolvent under the Bankruptcy and Insolvency Act, and the first thing a trustee does is assess whether that is your position. Any Licensed Insolvency Trustee can explain these options. The Office of the Superintendent of Bankruptcy keeps a public directory of licensees.

Read both, then let us talk about the financing options that remain. Looking early gives us the best chance to see which options remain.

Kind regards,

[Licensee name as licensed], [Mortgage Broker | Mortgage Agent Level 1 | Mortgage Agent Level 2]

[Brokerage authorized name], Brokerage Licence No. [brokerage licence number]

[Independently owned and operated.]

[Ontario mailing address] | [telephone] | [e-mail]

I arrange mortgages. I am not a lawyer or a Licensed Insolvency Trustee, and this letter is general information, not legal, tax or insolvency advice about your situation. It recommends no mortgage. Any mortgage or renewal I present to you will come with the written disclosures Ontario law requires before you sign.

I receive no fee, commission or other benefit for referring you to any resource, professional or service named in this letter.

Questions or concerns about our services: [name and e-mail of the brokerage's designated complaints contact].

Letter 2: the homeowner who cannot get a renewal

Subject: Your renewal, and the three different things that word can mean

Dear [client name],

You asked whether you can renew, and I want to give you a clear answer rather than a vague one.

"Renewal" covers three different situations, and they do not behave the same way:

1. Renewing with your existing lender. This is often the simplest of the three situations. You are continuing a mortgage the lender already holds, not asking for new money, but renewal is not guaranteed. The law does not force a lender to renew, but in practice this is the least dramatic case.

2. Switching to a new lender at renewal. The new lender treats you as a new borrower: new application, new review of income, credit and the property. That is where a rough credit history matters most.

3. Refinancing, meaning borrowing more against the home. That is a new credit decision in every case.

A lender does not have to renew. If it will not, and you cannot pay out the balance, you are in default the day the term ends, and the same clock runs as if you had missed a payment. Once the default has lasted fifteen days the lender can give a notice of sale, and under a mortgage that contains a power of sale, which nearly all do, no sale can take place until at least 35 days after the notice is given. The notice is not a lawsuit or a seizure, but the time is short and the earlier we look at alternatives the more there are.

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Mortgages: renewing, refinancing and buying, and what a consumer proposal does and does not change

https://insolvencyreport.ca/consumer-proposals/mortgages/

Those options exist only for a person who is insolvent under the Bankruptcy and Insolvency Act, and the first thing a trustee does is assess whether that is your position. Any Licensed Insolvency Trustee can explain these options. The Office of the Superintendent of Bankruptcy keeps a public directory of licensees.

Power of sale in Ontario, including how private lenders use it and what the 35 days mean

https://insolvencyreport.ca/power-of-sale-ontario-private-lenders/

Send me your current statement and the renewal letter, and we will go through the options together.

Kind regards,

[Licensee name as licensed], [Mortgage Broker | Mortgage Agent Level 1 | Mortgage Agent Level 2]

[Brokerage authorized name], Brokerage Licence No. [brokerage licence number]

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Letter 3: the client who may be in financial distress

Subject: The question you asked me, answered honestly

Dear [client name],

You asked me something most people do not say out loud: whether you are in over your head, and what happens to the house if you are. Thank you for trusting me with it. Here is what I can tell you.

1. Your mortgage and your other debts are two different problems. A mortgage is secured against the home. Credit cards, unsecured lines of credit, unsecured loans and tax debt are not. Most of the formal debt solutions in Canada deal with the second group, and they leave a mortgage in place as long as its payments stay current.

2. There is more than one path. A consumer proposal, for example, is a formal arrangement with unsecured creditors, filed through a Licensed Insolvency Trustee, that stops interest and collection while a fixed payment is made. It is not bankruptcy. A consumer proposal and a bankruptcy are not options that everyone has. They are for a person who is insolvent under the Bankruptcy and Insolvency Act: someone who owes at least $1,000 and who either cannot pay their debts as they come due, has stopped paying them, or owns less than they owe. The first thing a Licensed Insolvency Trustee does, before anything else, is assess whether that is your position. If it is not, these are not your options, and the trustee will tell you so. Whether a proposal fits you is a question for a trustee, not for me, but it is worth knowing it exists before anything is decided.

3. Do nothing hasty with the house. Refinancing to pay unsecured debt can be the right move or exactly the wrong one, depending on whether the payments afterwards are ones you can carry. That is a numbers question, and it is one I can work through with you.

I arrange mortgages; I am not a lawyer or a Licensed Insolvency Trustee, and I will not guess at things outside my lane. What I will do is point you to the best plain-language material I know of. The Insolvency Report is an educational site written by a Licensed Insolvency Trustee in Toronto. It charges nothing to read. Any Licensed Insolvency Trustee can explain these options. The Office of the Superintendent of Bankruptcy keeps a public directory of licensees. Start here:

What a consumer proposal is, in plain English

https://insolvencyreport.ca/consumer-proposals/

Mortgages and a consumer proposal: keeping the home, renewing, refinancing

https://insolvencyreport.ca/consumer-proposals/mortgages/

Read those, and then let us sit down with the actual numbers. Looking at this early is what keeps the options open.

Kind regards,

[Licensee name as licensed], [Mortgage Broker | Mortgage Agent Level 1 | Mortgage Agent Level 2]

[Brokerage authorized name], Brokerage Licence No. [brokerage licence number]

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