Have your brokerage's compliance department approve the template before use and complete the licence and contact fields.

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]

[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].