

September 23, 2022

### Fees and A, B and C (aka Private) Lenders

I am writing this short note, in an effort to bring clarity as to the differences are between the above-mentioned types of lenders.

I have been a licenced Mortgage Associate since June of 2006. To date I have not seen a document that designates a lender as being either "A", "B" or "C"; and I can't tell you where the classification began. But, it is very common for brokers, borrowers (and even lenders themselves) to dissect the industry into these categories.

If a borrower were to come to me, and demand that I explain the differences in one sentence, I would suggest "As you move from A lenders towards C (private); rates, fees and required down payment increase, while the demand for good credit and debt servicing decrease". This is an over-simplification, and not always is it true, but this explanation will work in a pinch.

The reality is that some C lenders actually do lend more than B lenders, but their fees are often so high that the benefit can sometimes be called into question. Removing this rare exception, the aforementioned explanation should more or less guide you.

If you've only ever borrower from an "A" lender (ie. a bank or credit union) then you might be saying "*fees?! I never had to pay a fee before!*". In my experience, on residential lending, I can't recall ever having an "A" lender charge a fee, and of the lenders that we are privileged to be able to broker through our regular platform, they pay us a fee for our services.

"B" lenders; however, almost-always (if not always) charge a fee to the borrower (often 1%). They do pay us a fee too, however, it is often conservative compared to the work involved, so we, as brokers, often charge the borrower a fee as well (often 1%).

"C" lenders don't pay us anything, and almost-always charge the borrowers a fee and we also charge the borrowers our full fee when working with these types of lenders.

But, if it is looking as though your file will result in a fee to you (from either the broker or lender), we will discuss this with you ahead of time, and if you are not interested in proceeding after hearing the figures, you can ask us to keep looking around, or we can simply agree to close your file and you will not be due any fee to the lender nor us (broker).

See a screenshot of section 11.1 (below) from the Service Agreement that I present use:

11.0 **Fees & Compensation**

11.1 Please note that not all lenders pay brokerages the same amount, and some don't pay brokerages at all; in certain instances, Concord may ask you (the borrower(s)) for a fee. In the event that Concord is to charge you a fee, **Concord will let you know before hand.**

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#### About the Author



Trevor Hickey is a Mortgage Associate with Concord Mortgage Group Ltd. and has been a licenced Associate since June 12, 2006. He has brokered many transactions with A, B and C lenders and also brokers commercial and agricultural mortgages.