



It's Not Just Toronto-Dominion Bank, Folks!

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has been quick to deny the allegations that it's forcing front-line tellers to upsell customers at every opportunity to drive revenues higher.

Where there's smoke, there's fire.

The reality is that all the banks are doing this to some extent, highlighting what I've been saying for some time — that the banks are not your [friends](#). If you invest in them — most of us do whether directly or through mutual funds and ETFs — you do so knowingly supporting these U.S.-style banking practices à la **Wells Fargo & Co.**

The business media love to point out what a great banking system we have and how wonderful it is that we have five big banks providing investors with safe, secure, and growing dividend payments.

They sure do — but it comes at a cost.

One of the better financial websites here in Canada is Boomer & Echo, run by mother and son team Marie and Robb Engen. They recently discussed this issue and urged Canadian consumers to be vigilant about their financial decisions.

“Consumers have every reason to be outraged by these recent stories of deception and aggressive sales tactics at PC Financial and TD Bank. But make no mistake; this is common practice at every bank,” wrote Robb Engen in his March 12 commentary on the subject of high-pressure sales tactics. “The ‘trusted bank advisor’ is a perfect cover for an employee looking to meet a sales quota.”

As I've said, the banks are not your friends, and it's only going to get worse as they run out of people to sell mortgages to.

For the past decade, the banks have lived off rising home prices (primarily in Toronto and Vancouver) and the insatiable thirst by Canadians for home ownership.

So fundamental is our right to own a home that groups such as Generation Squeeze are sprouting up

to help solve the so-called housing crisis that's preventing young people from getting in on the great Canadian dream.

Generation Squeeze founder Paul Kershaw believes specific changes can alleviate the supply problem that exists in the Greater Toronto Area (GTA).

"Much of the GTA is zoned for just one house per lot," Kershaw told the CBC. "We need to gently densify that to three or four homes per lot."

According to Kershaw, it takes the average person in the GTA 15 years to save for a 20% down-payment for a home compared to just six years in 1976.

That brings me to the CMHC and our mortgage insurance rules.

Currently, the Canadian taxpayer is on the [hook](#) for defaults on insured mortgages, not the banks. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), the last time I checked, had the highest level of insured mortgages at 56.9%, while **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) had the lowest at 47%. TD is somewhere in between the two.

This system incentivized banks to provide mortgages to almost anyone with a pulse, making income verification a mild inconvenience for those looking to borrow money to buy a home. Under such a system, it's not hard to understand why housing prices have risen so quickly.

If banks applied the same rules to buyers of homes that they do for loan requests by small-business customers, we wouldn't be in nearly the same predicament because rental housing would be a far more attractive proposition for developers and real estate investors.

Now, let's move on to the banks' new growth vehicle — wealth management.

According to the rating service DBRS, both RBC and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) saw their capital markets' businesses increase net income by more than 30% from Q4 2016.

Having spent some time in the recent past writing for the financial advisor audience, I can say with confidence that the banks have a laundry list of methods for securing new clients and persuading existing ones to spend more on their wealth management services. With mortgages being less of a growth vehicle, the banks have turned to managed portfolios and insurance to generate greater fees.

Let me repeat — the banks are not your friends.

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2. Investing

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4. NYSE:TD (The Toronto-Dominion Bank)
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