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Written Submission to the Select Standing Committee on Finance and Government Services

B.C. Budget 2022 Consultation

Mortgage Professionals Canada
September 2021

To help B.C.'s middle class and improve housing affordability issues, we ask the Government of British Columbia to:

- 1) Support qualified first time home buyers by helping to provide them access to mortgage amortization periods of up to 30 years for insured mortgages and a less punitive mortgage stress test;
- 2) Support reducing zoning restrictions in key urban and suburban areas;
- 3) Support improvements to the Property Transfer Tax;
- 4) Support improved Property Transfer Tax exemption assistance for first time home buyers.



About Mortgage Professionals Canada (MPC)

Mortgage Professionals Canada is Canada's mortgage industry association representing almost 14,000 individuals and over 1,000 companies, including mortgage brokerages, lenders, insurers and industry service providers. Our members make up the largest and most respected network of mortgage professionals in the country whose interests we represent to government, regulators, media and consumers. Together with our members, we are dedicated to maintaining a high standard of industry ethics, consumer protection and best practices.

The mortgage broker channel originates more than 35% of all mortgages in Canada and 55% for first-time buyers, representing approximately \$110 billion dollars in annual economic activity. With this diverse and strong membership, we are uniquely positioned to speak to issues impacting all aspects of the mortgage origination process.

The mortgage broker channel is a critical and valuable profession. It creates possibility, fuels the economy and provides Canadians with choice when making the most important financial decisions of their lives.



Background

On behalf of our almost 1,500 members in British Columbia, and their tens of thousands of clients, thank you for this opportunity.

Last week's federal election confirmed to the B.C. Government that it would be working with the same federal partners it has for several years. The election also confirmed for us the recommendations we could confidently make to this committee and to your colleagues.

Page | 3

We believe that conversations and recommendations about B.C.'s ongoing housing affordability crisis should use this as reference: The June 2021 *Final Report of the Canada-British Columbia Expert Panel ("The Panel") on the Future of Housing Supply and Affordability*. The Panel's experts were appointed by the ministers of finance of British Columbia and Canada from the current respective governing parties, which allows for the Panel's recommendations to remain relevant and valuable. Much like Minister of Finance Selina Robinson, MPC does not endorse all of the Panel's recommendations, but we applaud the Panel's thorough work and desire for solutions. For the uninitiated, it is worth noting the report's highlighted "*Five calls to action*"¹, which were:

- Creating a planning framework that proactively encourages housing;
- Reforming fees on property development;
- Expanding the supply of community and affordable housing;
- Improving coordination among and within all orders of government; and
- Ensuring more equitable treatment of renters and homeowners.

Before we discuss our recommendations, we note that MPC is an association with a focus on homeownership. Our recommendations focus on existing and aspiring homeowners, but we trust that this not be interpreted as any slight on renters. We believe renting can be the correct and responsible housing choice for many Canadians. Those best suited to providing appropriate recommendations on renting and affordable housing are recognized associations tasked with defending the needs for renters. MPC's focus is on housing affordability, accessibility, and helping first time home buyers (FTHBs) responsibly achieve the dream of homeownership.

Even with new taxes and a historic pandemic - each of which, many experts believed, would slow the rise of home prices - demand for housing in B.C. is stronger than ever. With that, these are our recommendations to the B.C. Government.

¹ "Opening doors: unlocking housing supply for affordability - Final report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability"
https://engage.gov.bc.ca/app/uploads/sites/588/2021/06/Opening-Doors_BC-Expert-Panel_Final-Report_Jun16.pdf



Recommendations

- 1) Support qualified first time home buyers by helping to provide them access to mortgage amortization periods of up to 30 years for insured mortgages and a less punitive mortgage stress test;

While these recommendations are a cornerstone of our ongoing advocacy priorities for the federal government, the support of the B.C. Government through its own advocacy for them would be invaluable. Since 2018, we have asked the federal government for 30 year amortizations on insured mortgages for FTHBs, and a stress test which helps, not hurts, FTHBs. Many British Columbians remain particularly penalized by the stress test, one currently at 5.25% in an environment of sub-2% five-year fixed mortgages. The stress test should not continue to exacerbate wealth inequality, benefitting those who have access to a Bank of Mom and Dad, or other similar sources of capital not available to all. Another issue is how disproportionately and unequally the stress test prevents people who are single, by choice or circumstance, from better ensuring financial independence through homeownership. **We recommend that the province work with the federal government to make the mortgage stress test fairer and more equitable for aspiring B.C. homeowners.** MPC would be pleased to provide you with the relevant data and information to assist.

A frank re-evaluation of housing affordability and what might actually be obstructing young aspiring homeowners should also be considered. We hope as strong an effort can be given to assist aspiring single homeowners, held back by mortgage stress tests and other obstacles not facing couples, as was given to root out foreign buyers and dirty money.

- 2) Support reducing zoning restrictions in key urban and suburban areas

No housing affordability can be achieved without a concerted focus on housing supply. We share the Panel's prioritizing of housing supply as a near, mid, and long-term necessity for the province, and that supply must be improved in areas of B.C. where people want to both live and work, in order to better address the costs to our climate brought on by commuting between home and work.

As the Panel made clear, "the rules of the game governing how much housing gets built, where it gets built, and how quickly, must be updated. Provincial and local governments must better estimate and anticipate how many homes are needed to house a growing population with diverse needs. They must also clarify and speed up approval processes for the planning and construction of homes." We completely agree. There is ongoing frustration among our BC members and their thousands of clients that municipalities and the province continue to wait for the other to lead. Political courage to increase supply remains lacking.

The Panel's report discussed NIMBYism and other obstacles at the municipal level which the Panel believes holds back progress. We encourage this committee to note the Panel's call to action for the provincial government:



“many of the most significant policy levers specifically pertaining to the supply of housing belong to local governments, which, for a number of reasons outlined in this report and elsewhere, face important barriers—notably political—preventing them from making greater progress toward a more abundant housing supply. We therefore believe that it falls on the provincial government, which is ultimately responsible for local governments, to enact many of our most impactful recommendations.”²

At all levels of government, the political currency which comes with a new mandate is often, regrettably, squandered. We believe it is incumbent on the provincial government to do more in insisting that municipalities work harder to implement the goals of the province, with all tools at its disposal, rather than limiting itself to mere suasion.

MPC members in the Lower Mainland asked us to **recommend allowing for easy conversion of commercial space, especially in Downtown Vancouver, to rental units**. With the changes COVID has wrought on commercial real estate, we believe this is worth strong consideration.

MPC members from the Interior also asked us to **recommend that the province further explore policy changes surround First Nations land and lending on it to assist first time buyers**. All parties – indigenous communities, anxious FTHBs, mortgage professionals, and the province – could benefit greatly. We would be happy to discuss these issues and possible solutions in meetings with provincial policymakers.

Municipalities like Nanaimo³ are trying to improve their planning departments with greater staffing. Nanaimo applied for “grant money available through the Ministry of Municipal Affairs’ local government development approvals program”. We encourage the government to continue providing and increasing such support to municipalities, with the Ministry of Municipal Affairs ensuring that any such grant money be used exclusively for the purposes applied for.

3) Support improvements to the Property Transfer Tax

In 1987, the provincial government introduced the Property Purchase Tax, which became the PTT, “as a wealth tax to discourage speculation.” Initially, it was 1% of the first \$200,000 of the home price and 2% on the remainder. According to REBGV, the 2% tax level “applied to only 5% of all sales at the time since 95% of homes sold for less than \$200,000.” Needless to say, those figures are antiquated.

For reference, the general property transfer tax (PTT) rate is:

- 1% of the fair market value up to and including \$200,000
- 2% of the fair market value greater than \$200,000 and up to and including \$2,000,000
- 3% on the balance greater than \$2,000,000; and
- if the property is residential, a further 2% on the portion greater than \$3,000,000.

² P. 24, [Final report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability](#)

³ <https://www.bclocalnews.com/news/nanaimo-explores-ways-to-fast-track-building-permit-applications/>



While the PTT rate was increased in 2018 on homes greater than \$3,000,000, there was no adjustment made for properties at the lower end of the spectrum. Many clients of MPC members continue to be frustrated that the 1% threshold has never been changed since the tax was introduced. Those clients, especially FTHBs, aren't necessarily wealthy. **We recommend adjustments, first by exempting certain properties from the 1% property transfer tax rate, and that the threshold between 1% and 2% be raised from \$200,000 to \$300,000 for all transactions.**

4) Support improved Property Transfer Tax exemption assistance for First Time Home Buyers

Our members and their clients appreciate the government's existing PTT exemptions and assistance programs, and ask that they be improved wherever possible. The First Time Home Buyers' Program (FTHBP) is an essential affordability tool, one which has previously been adjusted as average home values have risen, albeit not proportionally.

We recommend harmonizing the First Time Home Buyers Program home qualifying value to match the Newly Built Home PTT exemption home qualifying value. For a full exemption of the PTT, the home qualifying value for a Newly Built Home is up to \$750,000⁴, while the First Time Home Buyers Program exemption's home qualifying value is up to \$500,000⁵. Of note, of the 12,960 total listings in the Lower Mainland on Realtor.ca as of September 28, 2021, only 558 homes with at least one bedroom and a den were being offered for up to \$500,000. Allowing FTHBs, under existing criteria, a better chance at a first home priced between \$500,000 and \$750,000 would be of great assistance to this cohort at this urgent stage of their financial lives.

In addition to our recommendations above, MPC would also like to acknowledge our strong relationship with BCFSa. We thank them for their efforts through the pandemic. We ask that BCFSa be given the support it needs to ensure ongoing consumer protections through continuing education of mortgage professionals. Also, as almost all of our members are part of small businesses, **we ask that professional fees levied on mortgage professionals are not increased by BCFSa until the pandemic is behind us.**

We also want to thank the B.C. Government for its Mortgage Brokers Act Consultation Review⁶ of early 2020, and look forward to further discussions with the government on modernizing this legislation. Our submission⁷, made at arguably the most difficult time of the pandemic, [can be found here](#).

⁴ <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions/newly-built-home-exemption>

⁵ <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions/first-time-home-buyers>

⁶ <https://www2.gov.bc.ca/gov/content/housing-tenancy/real-estate-bc/consultations/mortgage-brokers-act-review>

⁷ <https://mortgageproscan.ca/docs/default-source/government-relations/2020/bc-mortgage-brokers-act-review---mortgage-professionals-canada-mpc---fin.pdf>



Conclusion

MPC's recommendations are primarily driven by a desire to ensure responsible Canadians are not unduly prevented from owning their first home. Mortgage lending rule changes have disproportionately affected an essential cohort from establishing themselves into Canada's middle class, and to then help grow our economy in a more equitable way. Current policies and restrictions by all levels of government in this historically low interest rate environment help to exacerbate wealth inequality, disqualifying aspiring homeowners who no longer wish to have or pay a landlord while helping investors. Our recommendations reflect this position.

Page | 7

We will always appreciate your thoughts, insight, and perspective. If you require additional information from us, our members and/or their clients, please contact our Director of Government Relations and Regulatory Affairs, J.P. Boutros, at jpboutros@mortgageproscan.ca.

On behalf of our board of directors, including our directors from British Columbia, Megan McDonald and Hali Noble, and our almost 1,500 members from B.C., thank you for your service and for considering our recommendations.

Sincerely,

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