



MORTGAGE  
PROFESSIONALS  
CANADA

**Housing Accessibility and Affordability:  
A Pre-Budget Submission by Mortgage Professionals Canada**

**February 2023**

## Recommendations

1. Introduce a return to 30-year amortization periods for insured mortgages to allow greater opportunities for home ownership and to level the playing field for all homebuyers
2. Eliminate the stress test on mortgage transfers, switches and renewals to help Canadians find the financing solutions that best fit their needs and budget
3. Increase the insured mortgage cut off from \$1 million to \$1.25 million, and index it to inflation to better reflect today's housing prices
4. Grant a digital income verification tool to the mortgage industry to help crack down on fraud

## Introduction

Mortgage Professionals Canada (MPC) on behalf of its 15,000 members, is committed to improving housing affordability, strengthening Canada's middle class, and bringing the dream of home ownership to life for Canadians across the country.

Canadians are facing persistent affordability challenges due to inflationary pressures. With interest rates now at the highest levels in more than a decade, Canadians are also facing real challenges in the housing market. Things are particularly tough on young people considering whether they will be able to afford a home. A crucial component in Canada's economic recovery is a return to stability for Canadians. A significant component of this stability is Canadians being able to afford homes in which to live. With the right policies in place, the federal government can help ensure the dream of homeownership remains available to Canadians.

Our members strive to provide Canadians with flexibility and power of choice, so they can feel secure and confident in the mortgage that fits them, their budget, and their personal family circumstances.

The stress test has protected Canadians from financial vulnerability in the face of rising interest rates. With changing market conditions, we believe the following recommendations help address Deputy Prime Minister Freeland's mandate to tackle housing affordability for middle class Canadians, giving people greater flexibility to face unforeseen circumstances, while improving mortgage affordability.

One additional opportunity for improving the ability of Canadians to secure homes and become homeowners is cracking down on mortgage fraud; an insidious problem that contributes to an inability for honest actors to secure housing.

In support of Minister LeBouthillier's mandate to engage in fraud prevention, particularly around real estate and housing transactions, we believe granting a digital income verification tool to the mortgage industry is a timely and urgent solution that will eliminate a vulnerable and exploited loophole in current digital transactions.

## Mortgage Professionals Canada Recommendations

### 1. Return to 30-year amortization periods for insured mortgages

Expanding the maximum amortization period for insured mortgages to 30 years will allow greater opportunities for home ownership and will contribute to economic revival and recovery.

#### Why It Matters to Canadians

Housing costs are the largest and fastest growing expense for households in Canada, with housing prices having risen higher than income. Rising costs put a disproportionate burden on middle class households and young families<sup>1</sup>. In its latest fiscal outlook on November 2022, the OECD recommended that "Canada's federal and provincial governments should scale back and re-target living cost relief as price pressures abate".<sup>2</sup> Allowing home buyers a choice between 25 year and 30 year amortization for insured mortgages would help level the playing field for first-time homebuyers and improve their ability to afford a home by lowering their overall mortgage payment.

### 2. Eliminate the stress test on transfers, renewals and mortgage switches

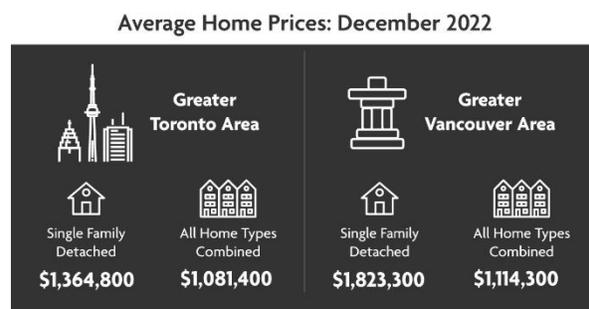
Eliminating the stress test on mortgage transfers and renewals will allow Canadians greater choice and create more affordability by promoting competition amongst mortgage providers, ensuring Canadians are getting the best mortgage rates and products that suit their needs. Similarly, we recommend that mortgages switched between properties should not be stress tested, provided that there is no increase in the principal.

#### Why It Matters to Canadians

Canadians looking to switch mortgage providers face the obstacle of repeating the stress test if they decide to transfer or renew their mortgage with another institution. With interest rates much higher than previously, there will be large numbers of renewing borrowers who risk failing the stress test if they choose to move their mortgage to another provider. The current situation creates the risk of trapping many Canadians in a precarious financial scenario; one that rewards predatory lenders at the expense of Canadians trying to make ends meet.

### 3. Increase the insured mortgage cut off from \$1 million to \$1.25 million

Increasing the insured mortgage cut off to \$1.25 million, and indexing it to inflation will help to better reflect today's home prices, enabling first-time home buyers and young families, particularly those in urban settings, achieve their dreams of home ownership.



<sup>1</sup> Toronto Regional Real Estate Board, "MLS Home Price Index: December 2022" (2022)  
<sup>2</sup> Real Estate Board of Greater Vancouver, "MLS HPI Home Price Comparison" (2022)

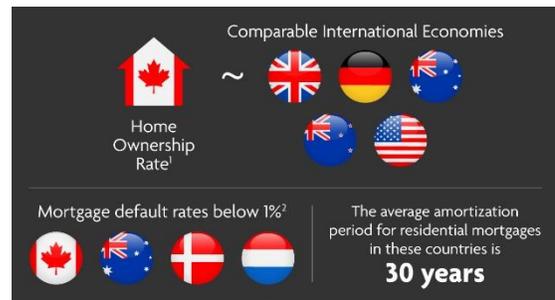
1 OECD, "Brick by Brick: Building Better Housing Policies," (2021)

2 OECD, "OECD Economic Outlook", Volume 2022: Issue 2, (2022)

## Why It Matters to Canadians

On average, real housing prices increased in 31 OECD countries between 2005-2019 with Canada, Sweden, Israel and Colombia recording the largest increases (over 80%).<sup>3</sup> Despite the transition to a higher cost borrowing environment and an overall decline in housing prices, many first-time home buyers who do not have a 20% down payment are currently being priced out of the housing market.

The increased pressure is also reflected in the year-over-year increase in the number of people who required outside help from family members or others to make their downpayment, who would otherwise have been unable to afford their home. This was at 56% at 2021 year-end, increasing to 62% by the end of 2022.<sup>4</sup>



## 4. Grant a digital income verification tool to the mortgage industry to help crack down on fraud

From brokers to lenders and banks, our industry is committed to routing out and protecting against fraud. This starts with keeping the personal financial information of consumers safe, secure, and confidential. But it relies on secure access to confidential consumer information.

Currently, mortgage applicants can only provide the necessary income verification information (Line 15000) on a tax return, which lists gross income to brokers and lenders by:

1. downloading their own T1 Assessment, Notice of Assessment, CCB Letter, Statement of Accounts, and T4 via the CRA's My Account service; or
2. ordering a copy of a proof of income statement to be mailed to them, which can take up to 10 days to receive by mail.

Further complicating the ability of our industry to verify the validity of these documents is a recent revision to the My Account service, which removes an individual's name from their own T4 when downloaded. Without any official method of confirming the identity of the T4 in question, the risk of fraud has increased tremendously.

Recently, Equifax Canada has warned that increasing financial pressures on Canadians could lead to a spike in fraud, particularly mortgage fraud. Mortgage fraud remains 29.5% higher than before the



<sup>3</sup> OECD, "Building for a better tomorrow: Policies to make housing more affordable" (2021)

<sup>4</sup> MPC 2022 Consumer Survey Report

pandemic. First party fraud in the form of falsified documentation such as income and employment data accounts for 92% of mortgage fraud.<sup>5</sup> This is a growing concern to be addressed.

We are encouraged that the Canada Revenue Agency has already been engaged on validation options such as a simple yes or no validation of Line 15000. In the context of a more restrictive market than previously, where mortgage qualification has become more difficult, the risk of fraud has increased considerably. This tool is a timely and necessary solution required by the mortgage industry, which will help to reduce fraud across the housing sector. A digital income verification tool is an urgently required fraud prevention solution, in the context of the growing importance of technology to the mortgage sector, particularly as client communications have evolved from traditional in-person to remote, technology-based client interactions. Mortgage Professionals Canada is not committed to one particular solution, and supports the Canada Revenue Agency assessment of the best delivery mechanism for such a tool.

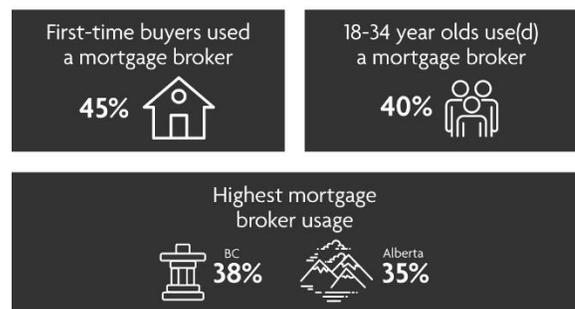
- ✓ By enabling the option of digital income verification for mortgages by banks, brokers, insurers, and lenders – with clients granting the appropriate permissions – the CRA would be providing a tool to validate the accuracy of financial details in mortgage applications and protect the confidentiality of personal information.
- ✓ By granting the mortgage industry a secure income verification tool would:
  - significantly increase the ability for lenders to meet the requirements outlined in Guideline B-20, and
  - ultimately better protect banks, credit unions and lenders from fraudulent misrepresentation.

### Why It Matters to Canadians

In providing digital income verification to the mortgage industry, the CRA would help preserve the integrity and confidential financial security of Canadians making the largest financial purchase of their lives, as well as reduce the potential opportunity for fraudulent misrepresentation. With reports of increased instances of title and mortgage fraud in the Greater Toronto Area and British Columbia, this is a growing concern for both brokers and home owners.

### About Mortgage Professionals Canada

We are Canada’s mortgage industry association with over 15,000 members and more than 1,000 member firms. We are a non-profit association representing mortgage brokers and agents, as well as banks, lenders, insurers, and service providers, making up the largest network across the country. 45% of first-time home buyers in Canada choose brokers for their mortgage.



We are proud to be the industry that provides Canadians with choice when making the most important financial decision of their lives and help people achieve the dream of home ownership. You can find one of our licensed members on [findmeabroker.ca](http://findmeabroker.ca).

<sup>5</sup> Equifax Canada, "High Cost of Living and Credit Demand Could Lead to Higher Probability of Fraud": Canada Market Pulse Fraud Trends, October 2022.