



MID-ELECTION UPDATE

During the past few weeks, we have been working diligently to reinforce the message that the Board of Directors and members have asked that we discuss with policymakers since the beginning of 2018; namely the following changes to the mortgage macro-prudential rules:

- A reduction in the mortgage stress tests
- The reintroduction of a mortgage insurance-eligible 30-year amortization for first-time homebuyers
- A stress test exemption for borrowers who have paid as agreed through their first term and who wish to renew with another lender

These recommendations were primarily made in the interest of supporting access to homeownership for younger, aspiring middle-class Canadians, whose long term economic well-being has been disproportionately disadvantaged by the recent changes.

In July, J.P. Boutros, our Director of Government Relations and Regulatory Affairs, wrote an article for MPC's *Perspectives* magazine detailing the government relations efforts the association has undertaken on behalf of members. It provides an overview of meetings with senior policymakers from all parties, and what we hoped would happen during the current election campaign.

I encourage you to read the article published in August, as it has predicted some recent election campaign events. Entitled, [*Housing Affordability: The Inescapable Federal Election Issue*](#), the article:

- Showed support for the Liberal Government's First Time Home Buyer Incentive, with the caveat that it needed to be improved for the Toronto and Vancouver markets (the Liberals have since committed to increase income limits and loan multiple limits if re-elected, based in part on our advice).
- Explained, in some detail, how we have discussed your issues with the New Democratic Party, Conservative Party, and the Liberal Party.
- Explained the value of voting, and how elections in Canada work.
- Complimented CMHC, who were tasked by the government with coming up with a program which was as "Goldilocks" as possible for an uneven national housing market.
- Showed, in retrospect, the power of our advocacy, and how volunteering and being a member yields results.
- Most importantly, clearly stated that, "Our overriding government-relations goal is to remain apolitical while we deliver the goals our members, through the board, insist upon."



In retrospect, the article explains how effective MPC has been - and is - during this election. It explains the strategy and tactics we have employed, and the results we're now witnessing. We believe the article helps explain how we operate as a non-partisan association, biased only towards our members and their clients.

History tells us that federal political parties in Canada can win a majority government with fewer than 40% of voters choosing them. This further demonstrates the importance of your vote, a right we urge you to exercise.

Prior to the official election call, we asked each of the six political parties with seats in the House of Commons the following questions regarding housing policy in Canada:

- Does your party support reducing the mortgage stress test qualifying rate, currently at 5.19% despite five-year closed terms being available for under 3%? If yes, what do you consider an acceptable level or alternate mechanism; if not, please provide details.
- Does your party support a stress test exemption for borrowers who have paid as agreed through their most recent mortgage term and who wish to renew with a different lender?
- In your first year in office, will your party reintroduce mortgage insurance-eligible 30-year amortizations for first-time buyers? If not, does your platform contain an alternative provision to provide additional financing options for aspiring middle-class Canadians, or does your party feel the housing market is now well structured and needs no adjustment? Please provide details.
- How will you support or incentivize new home starts to prevent steep price increases due to lack of supply?
- What other measures in your party's platform address and acknowledge the concerns of the mortgage brokering community and its clients?

Below, in order of their party's caucus size in the last parliament, we detail what political parties have told us, directly and through the campaign to date.

Liberal Party of Canada

The federal changes to mortgage insurance eligibility, and subsequent increased mortgage insurer minimum capital requirements and B20 amendments were introduced while the **Liberal Party of Canada** has governed. As such, most of our discussions through the last three years have been with their members.

In March, 2019, MPC (testifying before the standing committee on finance) told Parliament and CMHC that the shared equity mortgage program known as the First Time Home Buyer Incentive (FTHBI) was not going to meet the government's projections unless changes were made to it, because the qualification limits were too restrictive to assist almost all would-be first-time buyers in the important Vancouver and Toronto markets. On September 2, FTHBI officially began taking applications; a mere 10



days later, the Liberal Party [announced](#) changes to the FTHBI to “increase the value of a qualifying home from approximately \$500,000 to \$800,000” in the Greater Vancouver and Greater Toronto areas. With this significant change (contingent on the Liberals being re-elected) the FTHBI program would undoubtedly be improved. We appreciate that they heeded our advice.

It should be noted, the real constraint on qualification for the FTHBI is not the home value, but rather the household income of the purchaser(s) and the income multiple. The maximum home values are only achievable by those fortunate enough to be making exactly the limits permitted. Maximum purchase prices for those who qualify, on a case by case basis, will be determined by the size of the down payment, the shared equity percentage chosen (5 or 10% if new construction) and currently, four times the household income if less than \$120,000 annually. Given that the purchaser(s) must have an insured mortgage to qualify for the program, and the minimum shared equity amount is 5%, the simple calculation would see four times the household income to represent 85.01% of the maximum home price available. (80.01% loan-to-value insured mortgage and 5% equity with slightly less than 15% down payment).

The Liberals have also pledged to add a one per cent tax to non-resident, non-Canadian homebuyers to “address the impact of foreign speculation.” This has been implemented on a provincial level, but not nationally. The Liberals would also work to complete the National Housing Strategy, funding the construction of approximately 140,000 more housing units by 2028.

The complete Liberal platform can be found here:

<https://2019.liberal.ca/wp-content/uploads/sites/292/2019/09/Forward-A-real-plan-for-the-middle-class.pdf>

Conservative Party of Canada

The **Conservative Party of Canada** (CPC) responded to MPC’s request and recommendations with a notable four-point plan, which included our three primary asks. CPC officials told us last month that our top recommendations, discussed with them since fall last year, would be included as part of an official CPC election announcement, which Leader Andrew Scheer made on Monday, September 23.

If elected to government, the Conservative Party of Canada has committed to:

- Fix the mortgage stress test to ensure that first-time homebuyers aren’t unnecessarily prevented from accessing mortgages and work with OSFI to remove the stress test from mortgage renewals to give homeowners more options.
- Increase amortization periods on insured mortgages to 30 years for first-time homebuyers to lower monthly payments.
- Launch an inquiry into money laundering in the real estate sector and work with our industry partners to root out corrupt practices that inflate housing prices.
- Make surplus federal real estate available for development to increase the supply of housing.



It must be noted again that the top two items on this list contain MPC's top three asks of the government and all parties. We shared this announcement in an email to members last month as we are pleased that the CPC's promise comprehensively delivers what we have been working towards.

The official announcement of the Conservatives' four-point homeownership plan can be found here: <https://www.conservative.ca/andrew-scheer-announces-four-point-plan-to-make-home-ownership-more-affordable/>.

New Democratic Party

The **New Democratic Party** (NDP) provided us the most thorough written response from any party. Also of note, the NDP had, in February, reached out to MPC and other stakeholders to discuss the merits of insurance-eligible 30-year amortizations for first-time homebuyers, which then became a campaign pledge of leader Jagmeet Singh. We [issued a press release](#) following this announcement, to acknowledge the NDP's support of our position, and to draw additional attention to the issue mere weeks before the delivery of the federal budget.

What follows are relevant comments by the NDP to MPC:

- “The existing 5.19% mortgage stress test qualifying rate does limit ability of homebuyers to select the mortgage that works best for them, and may not accurately represent the market realities across Canada (including rural and remote communities).”
- “New Democrats are committed to making homeownership a reality for those Canadians currently left out of the market. An NDP government would undertake a study of the existing qualifying rate and include the input of diverse regional partners and industry experts – not just those in Vancouver or Toronto.”
- “New Democrats understand that repeated stress tests can make buying a new home or renewing a mortgage difficult.”
- “New Democrats would consult with stakeholders, industry experts, and consumers for best practices on creating an exemption for borrowers wishing to renew their mortgage through a different lender.”
- “New Democrats believe that homeownership shouldn't be forever out of reach for Canadian families. New Democrats are committed to reintroducing 30-year terms to CMHC insured mortgages on entry-level homes for first-time homebuyers. This will allow for smaller monthly payments, freeing up funds to help make ends meet for young families.”
- “To help put an end to speculation that is fueling high housing prices, New Democrats will put in place a Foreign Buyer's tax on the sale of homes to individuals who aren't Canadian citizens or permanent residents.”
- “New Democrats are also fighting money laundering, which fuels organized crime and drives up housing prices. We will work with the provinces to create a public beneficial ownership registry to increase transparency about who owns properties, and require reporting of suspicious transactions in order to help find and stop money laundering.”



MPC appreciates the thoroughness of the NDP in their response to us. Their platform can be found here, with housing on pages 12-13:

https://action.ndp.ca/page/-/2019/Q3/PDF%20Assets/2019-09-28_NDP-Vision-Doc_EN-Accessible.pdf

Bloc Québécois

The **Bloc Québécois** (BC) has mentioned very little related to housing in their platform, discussing green energy programs for renovations, and sensibly discussing how victims of natural disasters (such as flooding) [should be allowed to take money out of their RRSPs](#) to pay for repairs and rebuilding. Specifically, the Bloc Québécois “ont proposé de permettre le retrait d’argent des REER, sans pénalité ni impôts, pour la rénovation des maisons des victimes de sinistres majeurs liés aux changements climatiques.” <http://www.blocquebecois.org/2019/09/aide-aux-sinistres-le-bloc-veut-permettre-lutilisation-des-reer-pour-renover/>

The BQ platform can be found here:

https://www.blocquebecois.org/wp-content/uploads/2019/09/Plateforme_Bloc2019_web-1.pdf

Green Party of Canada

In its platform, the **Green Party of Canada** states that it would “re-focus the core mandate of Canada Mortgage and Housing Corporation (CMHC),” adding that, “individual homeownership should not be the preoccupation of a public service housing agency and a national housing strategy.” The Green Party also indicates that, if elected, it will:

- End first-time homebuyer grants and programs, focusing instead on affordable rental housing.
- Create a Canada Co-op Housing Strategy, updating how co-op housing would be financed, “in partnership with CMHC, co-op societies, credit unions and other lenders.”
- Remove the “deemed” GST whenever a developer with empty condo units places them on the market as rentals.
- Appoint a Minister of Housing (an overdue requirement for any Canadian government).

The Green Party platform can be found here, on pages 60-61:

https://www.greenparty.ca/sites/default/files/platform_2019_en_web_-_update_sep17.pdf

People’s Party of Canada

Sometimes, organizations such as ours, who send questions to parties for comment, are informed that the platform speaks for itself. With the **People’s Party of Canada** (PPC), they informed us directly that they had no firm housing platform, and that the PPC “have not developed positions on every issue and do not have the resources to do so”.

MPC’s mission statement is simple: *Advancing the mortgage broker channel*. In our advocacy efforts, we strive to be Canada’s unified, authoritative voice of the mortgage broker channel, and through the considerable time and contributions of many volunteer members, I am proud to say this is how we are

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now widely regarded. I understand that voting is a deeply personal activity, and many factors will drive each of your personal choices. MPC is deliberately non-partisan, and I have no request of you other than to please ensure to exercise your right and vote for the party of your choice. As an association representing individuals working in the housing finance sector, our presentation of the respective parties' housing platforms is made to assist you when weighing all elements of your decision.

We always welcome your questions and comments so please do not hesitate to contact me directly, or J.P. Boutros at jpboutros@mortgageproscan.ca.

Thank you,

A handwritten signature in blue ink, appearing to be 'Paul Taylor', with a long horizontal flourish extending to the right.

Paul Taylor
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