



August 13, 2020

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
House of Commons, ON K1A 0A6

The Honourable Ahmed Hussen
Minister of Families, Children and Social Development
Employment and Social Development Canada
House of Commons, ON K1A 0A6

RE: CMHC Letter to Lenders on Private Mortgage Insurers and CMHC Market Share

Dear Ministers:

On behalf of the Canadian Home Builders Association (CHBA), I am writing today to reiterate our ongoing concern about the persistent anti-homeownership rhetoric being expressed by the head of the Canada Mortgage and Housing Corporation (CMHC)--Canada's national housing agency--that continues to have destabilizing effects on the housing market and economy, vilify those working in the housing industry, and seemingly seek to undermine the actions and priorities set by your government as it relates to homeownership and economic recovery.

In the view of CHBA and our almost 9000 members, the CMHC letter sent by President and CEO Evan Siddall on August 10, 2020, to CMHC-approved lenders that tries to alternately use moral suasion and threats to dictate the behaviour of financial institutions is inappropriate and well outside CMHC's purview. It also seemingly seeks to advance an anti-homeownership agenda that we understand is not supported by you and your government, but has yet to be corrected, given the inconsistent and destabilizing message it sends.

Regarding this current situation, private mortgage insurers were given the opportunity and chose to maintain their underwriting policy (which has been CMHC's) related to debt service ratio limits, minimum credit score and down payment requirements, following CMHC's June 4th announcement. As expected, this continues to reduce CMHC's market share. CHBA was pleased that private mortgage insurers were not compelled by the Minister of Finance to follow CMHC's lead in this regard, ensuring that qualified first-time buyers that were abandoned by CMHC still maintained an option to secure an insured mortgage.

Also concerning was the assertion by Mr. Siddall that even though Canadians can and do prudently manage their mortgage debt, and mortgage rules already limit the gross and total amount of debt Canadians can have to be approved for a mortgage, they would add a "very significant economic drag" on Canada's outlook holding back the Canadian economy. It signals that mortgage debt is detrimental, but consumer debt is acceptable if it helps the economy, when it is true that homeowners are consistently more financially secure in the medium-and long-term. It also ignores the spin-off consumer spending that home purchasing drives, and the many jobs it creates.

Furthermore, there is no evidence home buying indeed holds the economy back at all. Quite the opposite is known to be true, especially in times of needed economic recovery, as has been proven in Canada in the past,

and is being encouraged at this very time in other countries globally. Our assessment of the 2019 data from CMHC and Statistics Canada shows residential construction and the sales of new homes alone generated \$160.8B in economic activity in communities across Canada and supported 1.2M jobs. As we continue to navigate the economic impact of the pandemic, there are tremendous economic benefits in the near and long-term to ensuring that well-qualified first-time buyers can leverage the low-interest rate environment the Bank of Canada has intentionally set to provide themselves more stable tenure (a serious concern for Canadians amid the pandemic) and better financial footing.

Restricting access to homeownership, especially for first-time buyers, jeopardizes Canada's economic recovery, and serves to widen financial inequality that Mr. Siddall is supposedly trying to rally against. Restricting market access to well qualified first-time buyers will ultimately boost wealth and real estate concentration amongst a few: those who can leverage existing equity or who already have strong finances and can borrow at historically low rates without mortgage insurance, purchasing properties or secondary properties as investors for rental.

While Mr. Siddall paints a picture of industry as part of a "dark economic underbelly" with "narrow interests", it is clear that he has his own personal philosophical agenda against homeownership that he is driving from his crown-corporation platform. Mr. Siddall consistently declares objectivity when in fact his anti-homeownership agenda flies directly in the face of the aspirations of the vast majority of Canadians, and the support for would-be first-time homebuying Canadians you have stated your government is seeking to provide.

CHBA and our members are key partners with governments in seeking to address housing affordability in Canada and supporting measures that help all those along the housing continuum. In light of this latest attempt to destabilize the market and diminish and discourage homeownership, CHBA is calling on the Government of Canada to reiterate its commitment to homeownership, address the affordability crisis, and recognize the key role of residential construction in Canada's economic recovery. This should include implementing measures to help Canadians to meet their housing needs and aspirations at a time when a secure, safe and appropriate home means more than ever.

As we navigate the road ahead, the residential construction sector stands ready to collaborate with government to help Canada's economy survive and thrive. I would be happy to discuss any of the above further at your earliest convenience.

Sincerely,



Kevin Lee, P.ENG., M.ARCH.
CEO, CHBA