

May 6, 2021

The Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, ON, K1A 0A6

The Hon. Ahmed Hussen, P.C., M.P.
Minister of Minister of Families, Children and Social Development
House of Commons
Ottawa, ON, K1A 0A6

Re: OSFI consultation

Dear Ministers Freeland and Hussen:

On behalf of the Canadian Home Builders' Association (CHBA) and its more than 9,000 member companies across Canada, I am writing today regarding the the Office of the Superintendent of Financial Institutions (OSFI) consultation on the minimum qualifying rate for uninsured mortgages (or "stress test").

As the country looks towards recovery from the COVID-19 pandemic, several things are clear. A home is more important than ever to Canadians, and the serious affordability challenges and housing supply shortages that existed before the pandemic persist now. Homeownership is an essential part of ensuring that Canadians have a safe and healthy place to live, work, and relax. With 94 % of Canadians wanting to own their own home, there is more we can do to support homeownership and a robust economic recovery, while also maintaining stable markets and avoiding excessive house price escalation.

The residential construction sector will continue to be a critical part of Canada's economic recovery and a key source of employment as the country moves through the pandemic. Prior to COVID-19 the sector was contributing 1.3 M jobs, \$83B in wages and \$142.6 B in economic activity to Canada's economy. However, the sector needs strong federal leadership to create and maintain a conducive business environment for residential construction and its supply chain. Therefore, it is with these goals in mind, that the CHBA offers our feedback on the OSFI consultation on the minimum qualifying rate for uninsured mortgages, and, more specifically for your attention, considerations as you examine the potential of similar actions for insured mortgages.

- CHBA is always concerned about well qualified buyers being able to access the market, and the proposed change for uninsured mortgages will reduce that access by reducing buying power by approximately 3.5% based on our internal analysis across a range of house prices. A similar measure would likely have a more serious impact on the insured mortgage space. Before any measures are introduced for insured mortgages, there should

be a thorough review of the existing mortgage system through a lens of fairness and access for first-time homebuyers.

- Since the inception of the guideline, the Association has recommended adjustment of the stress test to make it more dynamic and align better with market conditions to reduce its severity. Some of those changes were set to be implemented in April 2020, but then the pandemic hit. CHBA recommends it is those changes that should be implemented.
- It is also our understanding that with the current proposal, the 5.25% minimum benchmark floor would not automatically rise should interest rates begin to rise slowly. Should the proposed changes go through, CHBA urges OSFI not to raise the minimum benchmark floor as interest rates rise to avoid affordability and access to homeownership being eroded further.
- The federal government should consider other measures that can help prospective first-time buyers make responsible decisions about homeownership, for example, by supporting, through necessary regulatory changes and direction to financial institutions, longer mortgage terms, including 7 – 10-year terms, that can support longer-term affordability and protect Canadians against future increases to interest rates, economic instability, and job uncertainty, while bolstering Canada’s financial system. Longer terms should also be used to step down the stress test for the longer the term, increasing affordable access to homeownership while also providing more financial market stability.

CHBA also recommends a return to 30-year amortization periods for first-time buyers. Such changes would go further support well-qualified home buyers access homeownership while strengthening the economy and the Canadian financial system.

From the Association’s perspective, again, it is more important than ever that any measures to address escalating house prices should be aimed at the need for more housing supply, and CHBA continues to advocate for measures to increase housing supply to create a more balanced market.

CHBA remains concerned with the negative impact of overly strict, blanket macroprudential measures on housing affordability – particularly for first-time buyers. During the recovery from the pandemic, it is important to look at how to make the housing system work better, offering wider and more diverse pathway through the system, and better support Canadians on their chosen path.

The Canadian Home Builders’ Association would be pleased to offer further insight into our recommendations on the OSFI consultation on the minimum qualifying rate for uninsured mortgages. Should you have any questions, or require more information, please do not hesitate to contact Nicole Storeshaw, Manager, Government Relations at nicole.storeshaw@chba.ca or 613-230-3060 ext. 241.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kevin Lee', with a stylized flourish at the end.

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

cc: Romy Bowers, President and CEO - Canada Mortgage and Housing Corporation