

# Submission to OSFI

## In respect to proposed changes to Guideline B-20



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On behalf of our 1,900 members serving Winnipeg and the surrounding rural municipalities, WinnipegREALTORS® wholeheartedly supports the Canadian Real Estate Association's (CREA) submission to the federal government's Office of the Superintendent of Financial Institutions (OSFO) with regard to its proposed revisions to Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures.

The one most concerning amendment amongst the proposed changes is requiring a higher qualifying stress test for an uninsured mortgage. If approved, it will require a borrower purchasing a home of at least 20 per cent of the purchase price to qualify for a rate two percentage points higher than a mortgage rate they can get from a mortgage broker and/or financial institution.

As CREA states in its submission:

“Introducing additional tightening measures while the housing market is still absorbing numerous changes over the last several years puts affordability at risk, could imbalance local markets across the country and has the potential to negatively impact the Canadian economy.

Not only is homeownership a key contributor to the country's GDP and overall economic health, it provides stability to communities and neighbourhoods and remains a cornerstone of Canadians' investment goals, allowing individuals and families to invest in an asset that can grow in value and generate financial security for their retirement.

The economic and social benefits of homeownership justify careful reflection by the federal government as it implements any new measures that may impact the housing market. The benefits of homeownership are universal, but all real estate is local. It is important to take into account that markets in Toronto and Vancouver have different realities compared to markets elsewhere in the Canada – the vast majority which are either well balanced or amply supplied. It is critical to consider and reflect on different areas of the country when enacting policy that impacts a wide swath of housing markets.

CREA goes on to say they are concerned “changes to housing finance rules are being driven by the realities of specific geographic markets and may ultimately negatively impact the economy.”

Winnipeg's local market is a good example of one that is more balanced, stable and affordable with very low default rates on mortgages. Why should Winnipeg be penalized for overheated markets such as Toronto and Vancouver where now based on provincial measures both B.C. and Ontario have brought in, things are starting to slow down?

Finance Minister Bill Morneau has publicly acknowledged that all markets are not the same and the Honourable Wayne Easter, chair of a House of Commons Standing Committee on Finance's study Canada's Housing Markets: Benefits, Barriers and Bringing Balance certainly heard loud and clear from many national associations such as CREA and Mortgage Professionals Canada that Canada does not have a single housing market.

In addition to the federal government's seven rounds of measures to tighten mortgage lending rules, we now have the Bank of Canada's 25 basis point rate increase in the prime rate in July and another one seriously under consideration this fall. Where does it stop in making it more difficult if not possible at all for Canadians to enter into homeownership and build their future! This is especially true in many markets across the country where the reality of what is happening in a city such as Toronto and the Golden Horseshoe is so distinctly different and not one that needs the federal government to intervene in any unnecessary way.

There is always the law of unintended consequences which results from any new government measure. One that cannot be ignored and is something CREA has already identified in its advocacy to the federal government to make changes to the Home Buyers' Plan is the call for making this successful Plan more accessible for people experiencing significant life changes.

You can just imagine how more difficult it will be for Canadian families needing to relocate to seek employment in a more expensive housing market with new tougher mortgage qualifying requirements or a marital breakdown where a couple has to sell the family home but still want the opportunity to put a proper roof over the heads of their children. Making affordability that much harder will clearly have impacts on Canadians more than OSFI may realize with their proposed changes.

In short, put the brakes on to further mortgage rule changes. As CREA strongly recommends, "We do not believe it is prudent to extend the stress test to uninsured mortgages until the market has had time to absorb and analyze the impact of the compounding effect of interest rate increases and the previously announced tightening measures."

Backing WinnipegREALTORS® position here is its submission last year to the federal government on Canada's National Housing Strategy. It speaks to the intrinsic value of homeownership to Canadians and its positive impact on the national economy, that all housing markets are local so any housing solutions need to be tailor-made to the local situation, and that market intelligence is critical to understanding what is happening in local housing markets so a one size fits all approach is not going to work across the country.

This submission can be accessed at <http://winnipegrealtors.ca/Resources/PositionPapers>