MEDIA ADVISORY

MORTGAGE PROFESSIONALS CANADA'S UPDATE ON IMPACT OF RECENT MORTGAGE CHANGES

WHO: Paul Taylor, President of Members of Mortgage Professionals Canada

WHAT: Mortgage Professionals Canada Press Conference

WHEN: 10:30am-11:00am
Tuesday, March 7th, 2017

WHERE: Charles Lynch Room, Centre Block
Parliament Hill, Ottawa, Ontario

WHY: Members of Mortgage Professionals Canada will be hosting their annual advocacy days on Parliament Hill to meet with Members of Parliament and senior government officials to discuss the issues of housing affordability, availability and accessibility and the negative impacts that the recent mortgage insurance and eligibility are having on first-time homebuyers in Canada. Mortgage Professionals Canada is very concerned with the negative economic impacts that these changes are having on housing activity in Canada and the additional costs that are being placed on the Canadian middle class through higher rates and reduced purchasing power. In response, they are calling for some common-sense adjustments to the new rules that will help soften the impact of these changes on middle class Canadians and a refrain from further changes for at least 18 months.

Mortgage Professionals Canada is the national voice of the mortgage industry, an association whose members include mortgage brokers, mortgage lenders, mortgage insurers and industry service providers. We represent over 11,500 individual members and over 1,000 businesses across Canada.

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For more information, please contact:

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Backgrounder

Who We Are:

Mortgage Professionals Canada is an industry association whose members include mortgage brokers, mortgage lenders, mortgage insurers and industry service providers. We have over 11,500 individual members and over 1,000 businesses across Canada.

The mortgage broker channel originates approximately 33% of all mortgages in Canada and approximately 50% of mortgages for first time home buyers. This represents approximately $80 billion dollars in economic activity.

What the Changes Are:

- All insured mortgages now need to be qualified at either the Bank of Canada benchmark rate (currently 4.64%) or the contract rate offered on the homebuyer's commitment, whichever is greater.
- Portfolio ('bulk') insurance must now meet the same criteria as those that are high-ratio insured. This means that amortizations greater than 25 years, rental and investment properties, refinances, and homes with values greater than $1M can no longer be portfolio-insured.
- The proposed 'risk-sharing' model for lenders to share in losses of insured mortgage claims.
- New capital requirements as of January 1, 2017 that require mortgage insurers to increase the amount of capital they need to hold in reserve.
- The increase announced by CMHC for insurance premiums that consumers pay on unconventional mortgages. In some loan-to-value categories, premiums will be increasing by more than a whole percentage point of the value of the mortgage, effective March 17, 2017. This is the third increase in three years.

Concerns/Considerations:

Canadians elected the government on a mandate to grow the economy for the middle class. Support for middle class home ownership is an important way for to achieve middle class growth. In fact, the 2015 Liberal platform recognized this in committing to "*considering all policy tools that could keep home ownership within reach for more Canadians*" (Liberal Platform, 2015, page 7,8). We would like you to call on the government to honour that commitment instead of making home ownership more difficult and further out of reach for more middle class Canadians.

We are concerned with the negative economic impact that these changes are having on housing activity in Canada. We are also very concerned with the additional costs that these changes will place on the Canadian middle class by way of higher interest rates and reduced purchasing power. We have already seen banks increase their mortgage prime rates in part because of these changes, which will cost Canadians thousands more over the course of their mortgage term.

The reduction of portfolio mortgage insurance eligibility, in addition to the increase in premiums for this insurance due to OSFI's recent increased requirements for capital adequacy is disproportionately affecting the competitive positioning of small and mid-sized lenders. These changes are reducing mortgage competition and affordability for Canadian homeowners and would-be homeowners.

Our membership has been vocal with their displeasure regarding the impacts that these changes are having, especially outside of the Toronto and Vancouver markets. There is a real and growing resentment that the activity in Toronto and Vancouver is negatively and unfairly impacting those in the rest of the country. We believe moving ahead with a risk sharing provision would be additional burden on the market and will further the divide between rural and urban Canada.

The Canadian economy has seen only modest growth in 2016, especially for the middle class, and the housing sector is one of the few strong performers that has been driving this growth. We are concerned that these changes will hurt the economy as the Bank of Canada noted that the new rules that are being imposed will reduce growth in the Canadian economy, which will hurt the middle class.

What We Are Asking the Government to Consider:

1. That in light of all of the changes that have been made recently and the uncertainty that the American election has brought that the government slow down and hit pause on the measures yet to be implemented, most specifically its proposed risk sharing provision. We believe it prudent for the government to take 12-18 months to examine and assess the impact of these changes.
2. That the government adjust the November 30th change to allow for refinances to be included in portfolio insurance. If 80% LTV is unpalatable, please consider reducing the threshold to 75% or 70% rather than removing these products eligibility altogether
3. That the government decouple the stress test rate from the posted Bank of Canada rate. Instead, set the stress test based on a market rate, either by looking at the Canadian ten-year bond yields or having the Bank of Canada set a rate that is independent of the average of the banks posted rates.
4. For the sake of ensuring competition is maintained in as fair a manner as possible, OSFI should require all mortgages to qualify at the stress test rate, not just insured mortgages.