Scrum today after Cabinet

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Date: Wed, 18 Oct 2017 14:10:26 -0400

Hi Minister – See below for KMs for new mortgage rules from the feds and Fair Hydro Plan.

New Mortgage Rules Federal Government

Question:

I have a question regarding new mortgage rules for buyers who put down over 20%. Will it be a help or hindrance to market?

Response:

While it is too soon to determine the impact of the stress tests imposed by the Federal government, we support measures that reduce risks for consumers and improve Canada's long-term growth and competitiveness.

Background: RBC article

Dave McKay believes further dampening of the explosive growth in housing prices across the Toronto and Vancouver markets "is in all our interests," and will be key to Canada's long-term growth and competitiveness.

The Office of the Superintendent of Financial Institutions (OSFI) has proposed regulations that would require buyers making down payments of more than 20 per cent of a home's value - who do not need mortgage insurance - to prove they could still afford their mortgage payments if interest rates were 200 basis points (two percentage points) higher than the rate they negotiate.

Fair Hydro Plan:

Topline:

- Ontario's Fair Hydro Plan is delivering the largest rate reduction in the history of the province.
- The average residential ratepayer, including a half million small businesses and farms, has seen a 25% reduction in their electricity bill, up to more than 40% in rural communities.
- The Fair Hydro Plan smooths the cost of those investments out over a longer period of time. This means that system improvements are paid for by people who use the system both now and in the years to come. And that's fair.

Financing:

- We've done our due diligence and adhered to Canadian Public Service Accounting Standards.
- While the AG is welcome to her opinion, our plan has been approved by her peers at some of Canada's top accounting firms including Ernst and Young, KPMG and Deloitte.

- The Fair Hydro Plan keeps the cost of borrowing within the rate-base, not the tax-base, because that’s the logical thing to do. Electricity financing should remain within the electricity system.

Q&A

Q: How can you justify the $4 billion in additional interest expenses that will be borne by ratepayers because of the way the government has structured electricity cost refinancing (i.e. using Ontario Power Generation to finance 55 per cent, at a higher interest rate than the Province, instead of the Province financing the entire electricity cost financing)?

Ontario Power Generation (OPG) is beginning the process of raising funds to finance the deferred costs, and while total borrowing costs will not be known until the program is complete, accumulated interest is projected to be considerably less than the estimates in the May 2017 report of the FAO.

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