MORTGAGE PROFESSIONALS CANADA

PROFESSIONNELS HYPOTHÉCAIRES DU CANADA

Submission to the Legislative Assembly of Ontario's Standing Committee on Finance and Economic Affairs

2020 Pre-Budget Consultations

By: Mortgage Professionals Canada

Body of Submission

Mortgage Professionals Canada (MPC) is the national mortgage industry association representing approximately 11,500 individuals and 1,000 companies, including mortgage brokerages, lenders, insurers and industry service providers. Together with its members, the association is dedicated to maintaining a high standard of industry ethics, consumer protection and best practices.

The mortgage broker channel originates over 35% of all mortgages in Canada and 55% of mortgages for first-time homebuyers, representing approximately $80 billion in annual economic activity. With this diverse and strong membership, MPC is uniquely positioned to speak to issues impacting all aspects of the mortgage origination process. Indeed, MPC is routinely recognized nationally as helping to “lead the charge” on Canada’s housing affordability discussion.

We are appreciative that MPC’s relationship with the Government of Ontario is strong. We attribute this to our mutual efforts, much improved since 2018, to reach out and listen and learn each other’s concerns, and to find common ground to improve our industry’s standards of practice for the people of Ontario while also reducing regulatory burden. We have enjoyed the collaborative approach taken by the government through the current review of the Mortgage Brokerages, Lenders and Administrators Act (MBLAA), and through the creation and early stages of the Financial Services Regulatory Authority of Ontario (FSRA), and simply through policymakers making the time for meetings with our staff and members, in order to listen to our respective concerns.

Our current recommendations to your committee are as follows:

1. *That the government support Ontarians by joining the housing industry and its hundreds of thousands of customers in asking the Federal Government to:*
   a) *decouple the OSFI Guideline B-20 mortgage stress test rate from the posted Bank of Canada rate, instead setting it at 0.75 percent above the mortgage interest rate contracted to between lender and borrower;*
   b) *end the anti-competitive practice of insisting on a mortgage stress test for good borrowers who don’t wish to borrow more money through their mortgage but wish to change lending institutions upon renewal;*
   c) *allow qualified first-time homebuyers access to mortgage amortization periods of up to 30 years for insured mortgages, an increase from the current 25-year maximum.*

Despite the Ontario Ministry of Municipal Affairs and Housing’s laudable “More Homes, More Choice” housing supply action plan, federal policies related to mortgage stress testing continue to disqualify otherwise solid potential first-time homebuyers, holding them in perpetual tenancy, creating immense pressures on Ontario’s rental market, and helping to drive rental prices ever higher.

We have repeated our recommendations to the Federal Government for several years. Basically, as of October 2017, anyone applying for a mortgage through a federally-regulated lender – including borrowers who wish to renew their existing mortgages through a different lender - must also pass the stress test. While we understand the need for a mortgage stress test, there is now substantial proof that the measures need to be revisited, and recalibrated.

During the 2019 Federal Election, the Conservative Party of Canada and the New Democratic Party pledged, if elected, to immediately implement some of our recommendations as presented, and review others quickly. Since the election, Prime Minister Trudeau included in his mandate letter to the Minister of Finance an order to "review and consider recommendations from financial agencies" about making the stress test enacted under his leadership "more dynamic." While a review is a step in the right direction for the Trudeau Government, its outcome is far from certain.

Federal government officials and policymakers suggest the recent policy changes have taken demand out of the marketplace. We disagree. The changes have simply taken good people out of Ontario's housing market; their demand for housing persists.

We appreciate why, prior to 2017, federal policymakers were keenly focused on borrowers and interest rates, but the recent fluctuations of activity in the housing market caused by these polices - coupled with historically low rental vacancy rates – have avoidably impacted employment and Ontario's overall economy. Without an adjustment to federal policies, Ontario's economy will be weaker than it needs to be. We ask that the Ontario Government support our recommendations regarding the mortgage stress tests through its future discussions with the federal government.

2. *That the government continue to support the Mortgage Brokering sector through strong and continued support of the Financial Services Regulatory Authority (FSRA), as FSRA evolves its regulatory oversight over mortgage brokers.*

The first year of FSRA, especially when considering its many early obligations and tasks, has been welcomed by our community. Our staff and membership appreciate FSRA's cooperation, collaboration, and consultations. (Indeed, we have suggested to policymakers from other provinces that they model their own mortgage brokering regulatory bodies on FSRA.) We congratulate FSRA senior leadership and their staff for their efforts to date, and continue to support them as they improve protections for Ontario's consumers while reducing operational red tape for businesses. We ask that the government continues to consult with our association before making further regulatory changes, especially if the government is considering changes to private lending activities or financial institutions not covered by federal regulators.

3. *That the government reconsider its suggested dual regulation of mortgage syndicators by both FSRA and the Ontario Securities Commission (OSC).*

It is the ongoing goal of the Ontario Government to "reduce regulatory red tape affecting businesses by 25 per cent," most recently through the *Making Ontario Open for Business Act*, and the proposed *Restoring Ontario's Competitiveness Act*. Some members have brought to our attention their issues surrounding the suggested dual regulation of mortgage syndicators by both the OSC and FSRA. The government is currently in the process of implementing dual regulation by both FSRA, our legacy regulator, and the OSC, an additional new regulator, for mortgage syndicators. We agree that there seems little need for this added, costly regulatory red tape for members to navigate, when FSRA alone is well equipped for and conversant in the issues. As one of our members sees it, "If FSRA can regulate Ontario deposit-taking institutions, it can regulate every aspect of the mortgage business, with the OSC regulating the securities issued by a lending company such as a Mortgage Investment Corporation, or units in a mutual fund."

This recommendation is not to suggest that we support no new regulation, but that we suggest that FSRA almost exclusively handles regulation of our industry, in this case in order to reduce the costly burden on our smaller members of dealing with two regulators, especially when one will likely do. We ask for FSRA to be empowered to oversee our industry as much as possible, with minimal regulatory burden on our members wherever possible.

4. *That the government assist Ontarians through continued and new incentives to home builders and homeowners who help to fight climate change.*

While the primary focus of our members is on policies which enhance homeownership, we are also environmentally conscious. We encourage the Ontario Government to incent homebuilders to build to the highest possible "green" standards. We support tax incentives for homeowners who try to improve their carbon footprints through improvements to their homes. We also advocate for greater density to be encouraged near higher-order public transit in Ontario's cities, to reduce carbon emissions and to allow for a greater return on taxpayer-funded transit infrastructure investments. While there may not always be consensus on how to combat climate change, we believe measures which increase urban Ontario's desperately needed housing supply in an environmentally conscious way should be encouraged.

As-of-right zoning around transit hubs and increased density in these areas will also assist with our current lack of supply issues in urban areas, and hopefully reduce the inflationary pressure of rental units due to the continuingly record low vacancy rates.

It is also worth noting that the federal mortgage qualification policies help promote climate change in the GTA, as urban sprawl is exacerbated by younger Ontarians only finding and buying homes they qualify to buy farther away from where they work.

On behalf of our membership, thank you for considering our recommendations. We look forward to our continuing conversations with policymakers about issues regarding our essential industry, and on housing affordability, an ongoing issue of great importance to Ontarians.

Sincerely,

Paul Taylor
President and CEO
Mortgage Professionals Canada
401 - 2005 Sheppard Avenue East
Toronto, ON M2J 5B4
ptaylor@mortgageproscan.ca