



September 20, 2021

Select Standing Committee on Finance and Government Services  
c/o Parliamentary Committees Office  
Room 224, Parliament Buildings  
Victoria, BC  
V8V 1X4

Dear Members of the Committee,

On behalf of the Mortgage and Title Insurance Industry Association of Canada (MTIAC), we are pleased to offer recommendations in advance of the 2022 B.C. Budget.

MTIAC represents a group of private-sector mortgage default insurers and title insurers. Collectively, MTIAC members are proud to have helped millions of Canadian families and individuals realize the dream of homeownership. We are committed to building on that success by continuing to work with governments across Canada to reduce barriers to responsible homeownership, including by improving housing affordability, and ensuring a fair, safe and stable real estate marketplace.

Since the onset of the COVID-19 pandemic, our members have worked tirelessly to support Canadian homeowners experiencing financial distress. Mortgage insurers have been active partners in assisting homeowners who required a deferral of their mortgage payments and have a number of tools available to support those who continue to experience financial difficulty after their deferral period concludes.

Similarly, by reacting quickly to lockdown provisions and providing important and significant protections to the parties in a real estate transaction, title insurers have played an integral role in ensuring that markets were able to function safely while respecting physical distancing measures.

As you embark on your work to plan for how we will emerge from this pandemic and grow the economy, we believe that it will be vital to assist those who are struggling to afford a suitable home for their families, while ensuring that the real estate market remains fair, safe and stable.

Accordingly, we are pleased to provide recommendations on the two items mentioned below for your consideration to support those British Columbians who are ready to buy their first home, and to help protect them and the housing market in the process:



**1. Improve housing affordability, especially for first-time homebuyers, by increasing the supply of housing; and**

**2. Combat mortgage fraud and money laundering in Canada's real estate markets**

MTIAC members will continue to work with borrowers, buyers and industry partners to support Canadians' dreams of homeownership in a responsible way that contributes to economic growth and stability.

We appreciate this opportunity to provide our recommendations in advance of the 2022 Provincial Budget. We invite you to follow up with us directly if we can be of any further assistance. Please feel free to contact Ed Steel, Executive Director of MTIAC at [ed.steel@mtiac-acahtc.ca](mailto:ed.steel@mtiac-acahtc.ca) at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to be "JR", written in a cursive style.

John Rider  
President and Board Chair  
MTIAC

A handwritten signature in black ink, appearing to be "Ed Steel", written in a cursive style.

Ed Steel  
Executive Director  
MTIAC



## MTIAC's 2022 B.C. Budget Recommendations

### **1. Improve housing affordability, especially for first-time homebuyers, by increasing the supply of housing**

Before the onset of the COVID-19 pandemic, multiple factors contributed to the growing challenge of housing affordability, especially for aspiring first-time buyers and, in particular, those who are unable to save for or acquire sufficient down payments. Chief among them was the lack of supply of suitable housing across the housing spectrum. This left many aspiring homeowners with an increasingly uphill battle to be able to achieve the dream and security of homeownership, let alone find suitable and affordable accommodation that met their needs.

When the COVID-19 pandemic hit and public health measures caused significant economic upheaval, the existing challenges of housing affordability were further exacerbated for those highly qualified buyers seeking to purchase their first home.

As lockdowns and work from home arrangements untethered people from traditional centres of employment, high demand for housing spread to communities across the province that did not have sufficient supply to meet it.

The result has been significant price escalation and further deteriorating affordability.

The single greatest action the provincial Government can take to alleviate this challenge, is to facilitate a rapid increase in housing supply. To do so, we recommend that the Government of B.C.:

#### **I. Continue its work on the Development Approvals Process Review (DAPR)**

The Final Report from the Stakeholder Consultation Phase of the DAPR made a number of key findings regarding the province's housing supply challenges. Specifically, lengthy, cumbersome and costly application and approvals processes at the municipal level were all identified as contributing to affordability challenges and creating barriers to new housing supply entering the market.

We are pleased that the Government has moved quickly to address this, through the creation of the Local Government Development Approvals Program. The program, which supports municipalities in their efforts to simplify and improve their processes, is an example of how provincial leadership can be brought to bear in areas of municipal responsibility, where cities and towns lack the resources to take on these challenges alone.



We recommend that the Government continue its work to deliver Phase 4 of DAPR, “Initiate Solutions”, in order to ensure B.C. municipalities are able to keep up with the demand for housing in their jurisdictions and, ultimately, improve housing affordability for British Columbians.

## II. Heed the BC Expert Panel on Housing Calls to Action

The Final Report of the Government’s Expert Panel on Housing, released in June of this year, made five Calls to Action. Of those five, four speak directly to the current challenges of supply, including the cost and timelines associated with bringing new supply online. Specifically, those calls to action are:

- Creating a planning framework that proactively encourages housing;
- Reforming fees on property development;
- Expanding the supply of community and affordable housing; and
- Improving coordination among and within all orders of government.

The Report also makes a number of recommendations specifically designed to address these calls to action, including:

- Impose statutory time limits to all stages of the property development process
- Implement ideas presented in the DAPR
- Make new infrastructure investments conditional on local policies to allow for increased density and a mix of housing types
- Create a municipal housing incentive program rewarding the creation of net new housing supply wherever demand occurs

We encourage the Government to heed the advice of the Expert Panel and take swift and sustained action on its calls to action, especially those designed to expedite the creation of new housing supply.



## **2. Combat mortgage fraud and money laundering in Canada’s real estate markets**

Money laundering and other criminal activities can pose a risk to homeowners, buyers and markets and have an adverse effect on affordability. Moreover, in markets experiencing high Home Price Appreciation (HPA), that risk tends to increase, as borrowers and/or those who have a stake in their mortgage application are incentivized to misrepresent their incomes and employment information in order to purchase a home.

Criminal organizations are similarly incentivized to commit fraud and money laundering in high HPA markets, as rapidly changing valuations can make such activity more difficult to detect. Moreover, as events in B.C. have suggested, the source of the funds to be laundered can originate from particularly reprehensible criminal activities, such as drug trafficking or human trafficking.

To help combat this kind of fraud in B.C.’s real estate markets, we are pleased to make the following recommendations:

### **I. Strengthen enforcement in the areas of mortgage and real estate crime**

Police and courts are heavily burdened with a large volume and variety of cases. These heavy burdens place limitations on the justice system, in some cases restricting its capacity to develop a deep understanding of mortgage fraud and how various schemes and techniques evolve. Coupled with a scarcity of resources available to pursue these cases, this has contributed to an environment where enforcement bodies generally place a lower priority on suspected mortgage fraud.

While some are unsophisticated, mortgage frauds are also committed by organized criminals who do it to conceal the proceeds of crimes, or to play a role in the funding of other crimes, including terrorist funding or the narcotics trade.

This was confirmed in March 2019, when the Expert Panel on Money Laundering in B.C. Real Estate released their report, which asserted that such activity “facilitates other criminal activities, contributing in particular to drug trafficking and the violent crime and opioid deaths that result.”

The Report further concluded that “Money laundering investment in BC real estate is sufficient to have raised housing prices and contributed to BC’s housing affordability issue.”

Mortgage frauds are clearly serious offences that threaten homeowners, buyers, industry professionals and the broader economy.



In spite of this risk, enforcement bodies generally do not have sufficient resources allocated to combat these crimes, leading to a number of challenges in detecting and prosecuting mortgage frauds.

There is also an inconsistent understanding among enforcement agencies that organized crime can be funded by mortgage fraud and money laundering, and that the proceeds fund or mask other activities. By providing enforcement bodies with sufficient resources to pursue these cases, they would be in a better position to detect and prosecute those larger criminal activities.

To remedy this, we recommend that the Government:

- Allocate dedicated funds to educate and train law enforcement agencies and the courts to ensure mortgage fraud is better understood;
- Provide targeted funds to prosecute mortgage fraud; and
- Increase penalties for mortgage fraudsters.

#### II. Improve consumer awareness and protection education.

Consumer education is a vital component of any effort to combat fraud. It can help to protect the consumer by preventing victimization and decreasing the likelihood that they will become an unwitting participant in a fraud attempt.

Accordingly, we recommend that the Government:

- Invest in public education campaigns focused on how to detect and avoid red flags in the mortgage process. Such campaigns should be directed at those prospective buyers who are most likely to be targeted by fraudsters, namely first-time buyers and newcomers to Canada; and
- Continue to work with industry stakeholders to ensure the most up to date information is included in any public education materials.