



February 10, 2023

The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Budget Secretariat
submissions@ontario.ca

Dear Minister Bethlanfalvy,

On behalf of the Mortgage and Title Insurance Industry Association of Canada (MTIAC), we are pleased to participate in the Ontario Government's 2023 Budget Consultations.

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.

Prior to the pandemic years of 2020 and 2021, the housing market had already become unaffordable to a growing number of aspiring Ontario homeowners. This issue was exacerbated as the market was hit by a sudden increase in demand, without a corresponding increase in new housing supply. As a result, more and more Ontarians experienced significant challenges finding suitable accommodations that were within their means.

In recent months, interest rates have increased from their historic pandemic lows, and housing prices have declined in response, however the underlying issue that led to that imbalance remains: namely, that there is not enough housing supply to service Ontario real estate markets.

Over the same time period, organized criminals were seeking to take advantage of the new market conditions by perpetrating high-value mortgage frauds, victimizing financial institutions, small businesses, investors, homebuyers, and homeowners.

The size and scale of some of these frauds have been the subject of recent media coverage, as have their devastating impact on victims.

Therefore in recognition of these challenges, we are pleased to provide the following recommendations for your consideration:



1. Improve housing affordability, especially for first time homebuyers

As mentioned, throughout the COVID-19 pandemic, Ontarians faced increasing challenges of housing affordability, as supply was insufficient to meet growing demand. Even though rising interest rates have served to cool that demand, the underlying issue remains - Ontario's supply of housing is insufficient.

We are grateful that the Government has recognized this and taken a number of concrete steps to increase the supply of new housing units, namely through its Housing Supply Action Plan and the recent passage of the *More Homes Built Faster Act*.

To build on this progress, we recommend that the Ontario government consider financially rewarding municipalities that meet or exceed their provincial growth targets and/or reduce their total approval times, while also reducing funding to municipalities that fail to meet provincial housing growth and approval timeline targets.

We believe that the combination of measures introduced by the Act, in addition to the financial incentives proposed above, have the potential to significantly spur the approval and construction of much needed new housing units.

2. Continue to combat fraud and money laundering in Canada's real estate markets

Money laundering and other criminal activities can pose a risk to Ontario's real estate markets and have an adverse effect on affordability. Moreover, in markets where home prices are elevated, that risk tends to increase, as borrowers and/or those who have a stake in their mortgage application are incentivised to misrepresent their incomes and employment information in order to purchase a home. Similarly, career criminals can be incentivised to commit mortgage fraud in these markets, as the profit from one successful fraud can be in the hundreds of thousands of dollars. In the case of these frauds in particular, often the fraudster is able to misrepresent their identity through the use of a single, fraudulent piece of photo ID.

Both of these scenarios have recently come to light in major media outlets, highlighting how innocent people can become unwilling participants or, even worse, victims of these schemes.

That's why MTIAC members have been supportive of the Government's commitment to clamp down on these kinds of crimes, and, in particular, the work that the Financial Services Regulatory Authority (FSRA) has been doing to update their licensing standards and guidance for regulated mortgage professionals.



To build off of this progress, we recommend that the Government and the regulators that report to it address the issue of identity verification from a starting point of understanding that a single piece of photo ID is insufficient to verify the identity of a borrower, client or applicant. To overcome this vulnerability, regulated professionals in the real estate space should adopt a Multi-factor authentication (MFA) process for verifying the identity of their clients.

MFA is an identity verification method that uses multiple data points (factors) to authenticate a person's identity. MFA is already commonly used in a number of contexts, including to secure a user's computer and smart devices against unauthorized access - for example, when accessing online bank accounts, websites, applications, etc.

By using multiple data points to verify a person's identity, MFA is highly effective in detecting these impersonation frauds before any money exchanges hands. In some cases, the consistent use of MFA by a real estate professional can act as a deterrent in and of itself, leading fraudsters to look for an easier target where there are no such safeguards in place.

In sum, the use of MFA by regulated professionals in the real estate and mortgage space will offer better protection for themselves, their clients and Ontarians against potentially devastating frauds.

For additional information on MFA, how it works and its benefits for professionals and consumers, please see the attached memo *Multi-Factor Authentication in Real Estate Transactions*.

Lastly, we recommend that the Ontario Government engage the Federal Government as they move forward on their commitment to create a new Financial Crimes Agency. MTIAC has long called for increased information sharing between enforcement bodies, improved education and training for enforcement bodies, and increased penalties for fraudsters, all of which could have a substantial impact in the fight against fraud. The creation of a new Financial Crimes Agency could provide an opportunity to achieve these goals, and we believe that collaboration and coordination between governments will be an important prerequisite for its success.



Thank you for this opportunity to provide our recommendations as part of the Budget 2023 consultation. 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 at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "JR", positioned above the printed name of John Rider.

John Rider
President and Board Chair
MTIAC

A handwritten signature in black ink, appearing to read "Ed Steel", positioned above the printed name of Ed Steel.

Ed Steel
Executive Director
MTIAC

Att: Multi-Factor Authentication in Real Estate Transactions