



February 11, 2020

The Honourable Rod Phillips  
Minister of Finance  
c/o Budget Secretariat  
Frost Building North, 3rd Floor  
95 Grosvenor Street  
Toronto, Ontario M7A 1Z1  
submissions@ontario.ca

Dear Minister Phillips,

On behalf of the Mortgage and Title Insurance Industry Association of Canada (MTIAC), we are pleased to participate in the Ontario Government's 2020 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. 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 safe, stable and fair real estate marketplace.

In service of those goals, we are pleased to provide the following recommendations for consideration as part of the Ontario 2020-21 Budget:

**1. Improve housing affordability, especially for first time homebuyers**

In recent years, multiple factors have contributed to a 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.

In Ontario, a major contributing factor to the affordability challenge is that housing prices have continued to increase, without a corresponding increase in housing supply, especially in the Greater Toronto area.

This has left many aspiring homeowners with an increasingly uphill battle to be able to achieve the dream and security of homeownership.



In Ontario today, improving affordability means that immediate action is required to increase the supply of new housing - a responsibility that primarily resides with the province and municipalities. That's why we are grateful for the Ontario Government's leadership in bringing forward its Housing Supply Action Plan.

We recommend that the government continue to prioritize the implementation of the Plan, in order to increase the supply of new housing in Ontario's real estate market, reduce the cost of bringing new housing supply online and ultimately improve housing affordability for Ontarians.

We also recommend that the Government of Ontario explore ways to enable and support municipal governments to meet their provincially-set growth targets and approve new housing construction projects. Further, the province should hold to account municipalities that fail to meet their duties to bring new housing online that is suitable and affordable for their communities. This could include prioritizing Ontario investments in communities that prove their willingness and ability to meet appropriate local growth targets

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

Money laundering and other criminal activities can pose a risk to Canada's and Ontario's real estate markets and have an adverse effect on affordability.

Through the review of the *Mortgage Brokerages, Lenders and Administrators Act*, the Ontario Government has an excellent opportunity to take some important steps to actively combat fraud and misrepresentation in the real estate marketplace. That's why MTIAC was supportive of the Government undertaking this important review, and encouraged by the proposals contained in *Protecting and Modernizing Ontario's Mortgage Broker Industry: Report to The Minister of Finance on the Legislative Review of the Mortgage Brokerages, Lenders and Administrators Act, 2006* (the Report).

In particular, we support the recommendations to raise and streamline educational and professional standards for agents and brokers, incentivise registration for private lenders and strengthen the Administrative Monetary Penalty (AMP) framework.



To build off of these important proposals, we further recommend that the government:

- I. Create specific laws that address real estate fraud and money laundering;
- II. Create greater clarity for enforcement agencies and the courts;
- III. Invest more funds to educate, train, and resource law enforcement agencies and the courts to ensure that fraud and money laundering is understood and prosecuted; and
- IV. Ensure adequate and sustainable funding for enforcement activities.

### **3. Engage the Federal Government in a dialogue on improving housing affordability and combating real estate crime**

Cross governmental cooperation is an essential component of efforts to improve housing affordability and fight fraud and money laundering in real estate markets. Going forward, we encourage the Government of Ontario to engage the Federal Government with an eye to addressing the following matters of Federal jurisdiction that are having a tangible effect on the ability of Ontarians to purchase a home:

- I. Allow 30 year amortizations for insured mortgages

Federal mortgage rules are currently limiting insured mortgages to 25 years, while uninsured mortgages are typically offered for up to 30 years. In Canada today, over half of uninsured mortgages are amortized over a period greater than 25 years.

Most insured homebuyers are millennials and/or first time homebuyers. They are responsible buyers who buy within their means, will be in the workforce longer, and have upwardly mobile incomes and proven credit records.

Allowing 30 year amortizations for insured buyers would level the playing field and immediately help young and growing families to purchase a suitable home faster, by allowing them to lower their monthly mortgage payment and/or increase their maximum purchase price.

II. Reconfigure the stress tests to be responsive to changing economic conditions and incent responsible borrowing choices

The stress tests are achieving their stated objectives of insulating Canadians against the various impacts of rising rates, while also serving to temper home prices and encourage responsible borrowing. Since their introduction, however, markets have changed and affordability has declined in Canada's major markets. As such, we recommend that the Federal Government explore options for employing *flexible* stress tests that reflect the level of risk posed by the terms and conditions of the particular mortgage. For example, borrowers who opt for the security of longer term mortgages could be tested to a lower degree of stress, in recognition that such mortgages offer greater stability and predictability for the borrower and reduce the number of renewals over the life of the loan.

Such a change could serve to incent buyers to consider safer and more stable mortgage product decisions, while minimizing the impact that the stress tests have on housing affordability.

III. Adjust the \$1M cap on insured mortgages to reflect today's housing market and regional market realities

Currently, the maximum sale price of a property that can have an insured mortgage secured against it is \$1M. Since this cap was implemented in 2012, house prices have risen dramatically.

In the GTA in particular, the cap has become a significant barrier for young families seeking to purchase a suitable home, as it artificially prevents buyers from acquiring a mortgage and home they could otherwise afford.

To address this obstacle, we recommend that the Federal Government explore government backed and non-government backed policy options that would allow for insured mortgages on properties valued at over \$1M. Such options could include allowing private insurers to offer mortgage insurance on these properties independently of CMHC. Alternatively, the government could develop a predictable, market-informed mechanism to introduce a system of regional caps within the government-backed system that recognises the diverse nature of local markets across Canada.

IV. A more secure Notice of Assessment (NOA)

One of the biggest challenges faced by lenders is the difficulty in verifying a mortgage applicant's income, particularly for the self employed or commissioned worker. The key document lenders use to verify income is the NOA, which is issued by the Canada Revenue Agency (CRA).

The NOA has been simplified over the years, both from graphic design and informational perspectives, in an effort to make it easier to understand. Advances in technology, however, have also made it easier to manipulate or reproduce. This has, in turn, made it more difficult to identify altered or inaccurately reproduced NOAs.

Misrepresentations of a potential borrower's income are commonly encountered in suspected attempts at fraud for shelter, and altered or falsified NOAs can be used to support those misrepresentations. This is of particular concern in Ontario, as the highest rate of fraud for shelter in the country currently occurs in the GTA.

Accordingly, we recommend that Ontario engage with the CRA in order to seek changes to the NOA verification system that would improve the security and reliability of the document, in a manner that is accessible to all lenders, including non-federally regulated lenders. This will ensure that lenders are better able to verify the ability of borrowers to service their loans, which will in turn contribute to a more stable mortgage marketplace.

V. Uphold sanctions originating in other provinces against those who have been found guilty and are seeking to practice in Ontario

Currently, mortgage brokers found guilty of offenses in one province, and thus potentially suspended for a period of time, are not disqualified from operating in other provinces. Further, no national registry exists listing fraudulent brokers or those that have received disciplinary action.

We therefore recommend that Ontario work with other provinces to create a system for identifying those who have been found guilty of offences in other provinces, so as to continue to hold them accountable when they move between jurisdictions.



Thank you for this opportunity to provide our recommendations as part of the Budget 2020 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](mailto:ed.steel@mtiac-acahtc.ca) at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Randal Slavens".

Randal Slavens  
President  
MTIAC

A handwritten signature in blue ink that reads "Ed Steel".

Ed Steel  
Executive Director  
MTIAC