



Improving Housing Affordability, Fighting Real Estate Crime

MTIAC's 2021 Election Platform

1. Improve housing affordability, especially for first time homebuyers

Before the onset of the COVID-19 pandemic, housing affordability in Canada was already strained. Then, as remote work untethered people from traditional employment centres, strong, pent up demand for scarce, suitable family housing resulted in greater competition in markets across the country. This contributed to an acceleration in home price appreciation, putting housing further out of reach for a growing number of aspiring homeowners.

Especially for those aspiring first time buyers who are unable to save for or acquire sufficient down payments, this has left them with an increasingly uphill battle to be able to achieve the dream and security of homeownership.

To address this, MTIAC is advocating for federal leadership in four areas:

I. Increase the supply of new housing

In housing markets across the country, supply has not kept pace with demand, which has contributed to rapid price escalation. While responsibility for the planning and approval of new housing rests with provinces and municipalities, Federal leadership can play a significant role in incentivizing new supply and supporting municipalities that are struggling to keep pace with demand.

For example, the Federal government could offer financial incentives to those municipalities that are able to significantly reduce the timelines involved in bringing new housing projects online. Especially in jurisdictions where approvals timelines can take up to or more than a decade, successfully reducing those timelines would have a major impact on Canada's ability to provide a sufficient number of housing units.

Further, the Federal government could make certain funding agreements, such as for transportation or other municipal infrastructure, contingent upon the municipality meeting specific targets for the approval or completion of net new housing units.

II. Adjust the \$1M cap on insured mortgages to reflect today's housing markets

Currently, mortgage insurance can only be secured against properties with a purchase price of up to \$1M. Since this cap was implemented in 2012, Canadian house prices have increased by 78%. This price appreciation has been even greater in Toronto (114%) and Vancouver (87%).

In July 2012, only 30% of Vancouver homes sold for over \$1M, versus 60% in 2021. In Toronto, this percentage has increased from 10% to 46% over the same time period.

In these markets 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, the next Federal Government should introduce a system of regional caps that recognises the diverse nature of local markets across Canada. The setting and indexing of the caps themselves should be informed by a predictable, market-informed mechanism, utilizing the most up to date and accurate data, such as Teranet's Home Price Index (HPI).

III. 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, the next Federal Government should employ *flexible* stress tests that reflect the level of risk posed by the terms and conditions of the particular mortgage, including amortization period, term length, fixed vs. variable rate and how interest rates are forecasted to change over the term of the loan. Such a change would



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

IV. Prepare to implement macro-prudential stability measures if needed

As our economy begins to emerge from the uncertainty of the COVID-19 pandemic, housing markets may begin to change. If they do, the Government should be prepared to implement macro-prudential tools that could help stabilize the market, should they be required.

For example, allowing 30 year amortizations for insured buyers could help balance changing demand by immediately helping young and growing families to purchase a suitable home. The change would allow them to lower their monthly mortgage payment and/or increase their maximum purchase price. It would also result in more fair competition between insured buyers and those with access to larger down payments who are already able to take advantage of longer amortization periods.

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

Mortgage fraud and money laundering are criminal activities that pose a threat to Canada's real estate markets and have an adverse effect on affordability. In addition to generating illegal profits for criminals and criminal organizations, this kind of activity can further inflate housing prices, disadvantaging legitimate buyers. In fact, B.C.'s Expert Panel on Money Laundering estimates the impact of money laundering in that province alone has increased housing prices by about 5 percent.

In order to deter, detect and combat these crimes more effectively, the next Government should:

I. Increase penalties for money launderers and fraudsters

Penalties for committing mortgage fraud are minimal and offenses are not specific enough to be impactful. For example, while the maximum penalty for fraud over \$5,000, pursuant to section 380 of the Criminal Code, is ten years in prison, mortgage fraud schemes frequently exceed \$5,000, yet perpetrators are rarely convicted, let alone sentenced to any significant prison time.



II. Invest more funds to educate, train, and resource law enforcement agencies and the courts

Police and courts often lack the specific knowledge and understanding of how mortgage fraud works, and as a result these matters tend to be given a lower priority when developing and delivering training. Industry players believe, however, that this presents an opportunity for greater collaboration with the enforcement community, whereby industry can provide more information about how mortgage fraud works so that enforcers are better equipped to investigate and prosecute these cases.

III. Ensure adequate and sustainable funding for enforcement activities.

Police and courts across Canada are heavily burdened with a large volume and variety of cases. Coupled with a scarcity of dedicated resources available to pursue these cases, this has contributed to an environment where enforcement bodies generally place a lower priority on suspected mortgage fraud.

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 of these crimes can 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.