



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

Submission to the Office of the Superintendent of Financial Institutions:

Revised Guideline B20 – Residential Mortgage Insurance Underwriting Practices and Procedures

Robert Laing, Chief Executive Officer
British Columbia Real Estate Association
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Submitted to: B.20@osfi-bsif.gc.ca

The British Columbia Real Estate Association (BCREA) appreciates the opportunity to make a submission to the Office of the Superintendent of Financial Institutions (OSFI) regarding the draft changes to Guideline B-20 – Residential Mortgage Insurance Underwriting Practices and Procedures.

Background

The Vancouver and Toronto real estate markets have attracted significant concern, attention and action in the past couple of years. BCREA and REALTORS® recognize the importance of a healthy, competitive and stable housing market and the role of OSFI. However, like the Canadian Real Estate Association (CREA), we have concerns with the proposal to extend the requirement for a qualifying stress test to include all uninsured mortgages.

Impacts

Introducing additional tightening measures while the housing market is still absorbing numerous changes over the last several years puts affordability at risk, could imbalance local markets across the country and has the potential to negatively impact the Canadian economy.

Homeownership is a key contributor to the country's GDP and overall economic health. It also provides stability to communities and neighbourhoods and remains a cornerstone of many Canadians' investment goals, allowing individuals and families to invest in an asset that can grow in value and generate financial security for their retirement.

Making policy changes based on two markets will not reflect the reality in most of country. Real estate is local, which makes sound policy decisions difficult and means they should be taken with caution.

Over the past eight years, the federal government has implemented seven rounds of measures to tighten mortgage lending rules and to contain risks in the housing market. Notable among them were the changes to regulations affecting mortgage lending announced on October 3, 2016, which added to housing market uncertainty among buyers and sellers.

The Bank of Canada's January 2017 Monetary Policy Report stated that "while recent federal policy changes related to housing finance are meant to mitigate the vulnerability associated with highly indebted households over time, their adverse near-term impact on residential investment could be larger than anticipated. Outsized negative effects could occur if the policies were to have a pronounced effect on house prices in major centres."

The landscape changed further with the Bank of Canada's July 12 decision to increase its prime rate by 25 basis points, which spurred increases in lending rates. This decision compounds the previous seven housing policy measures. If the prime rate increases again in October, as many economists predict, it would coincide with OSFI's proposed changes to Guideline B20, adding significant uncertainty to the housing market and the Canadian economy.

In British Columbia, where homebuyers face the largest provincial property transfer tax in the country, any tightening of underwriting policies can put homeownership out of reach.

Recommendations

BCREA supports the recommendation made by the Canadian Real Estate Association and by the House of Commons Standing Committee on Finance in April 2017: We encourage the government to refrain from fundamental changes to the national housing finance system at a time of rising interest rates.

In addition, BCREA believes the federal, provincial and local governments need to coordinate their efforts to ensure that Canadians have access to safe, appropriate and affordable housing options.

Thank you again for the opportunity to provide input. If BCREA can assist in any way, please contact me directly (rlaing@bcrea.bc.ca; 604.742.2787).

BCREA is the professional association for about 22,000 REALTORS® in BC, focusing on provincial issues that impact real estate. Working with the province's 11 real estate boards, BCREA provides continuing professional education, advocacy, economic research and standard forms to help REALTORS® provide value for their clients.

Yours sincerely,

A handwritten signature in black ink that reads "Robert Laing". The signature is written in a cursive, flowing style.

Robert Laing
Chief Executive Officer