



February 17, 2026

Office of the Superintendent of Financial Institutions  
255 Albert Street, 12<sup>th</sup> Floor  
Ottawa, Ontario K1A 0H2

**RE: Consultation: Draft Capital Adequacy Requirements (CAR) Guideline (2027)**

Dear Mr. Smith,

I am writing to you on behalf of the Canadian Home Builders Association (CHBA) regarding the consultation on the Draft Capital Adequacy Requirements (CAR) Guideline for 2027. CHBA is the voice of the residential construction industry in Canada, representing over 8,500 home builders, land developers, renovators, manufacturers, lending institutions, and insurance providers. Federally Regulated Financial Institutions (FRFI) will play a central role in doubling Canada's housing starts. OSFI must understand that their financial stability and regulatory decisions must be balanced against the impacts these same decisions have on the housing outcomes of Canadians. Most paramount is the removal of the mortgage stress test requirement now that lender portfolio loan-to-income (LTI) limits are fully implemented.

CHBA would like to comment on one aspect that was not changed between 2026 and 2027 versions of the CAR Guideline. Within section 4.1.11, exposures secured by residential real estate, it states that risk weights for these exposures depend on the compliance with Guideline B-20. CHBA continues to assert that Guideline B-20 is overly restrictive towards the risks taken through residential mortgage lending. In November 2024, OSFI noted that the need for the Minimum Qualifying Rate (MQR) will be evaluated following the implementation of new portfolio level loan-to-income (LTI) limits. The rationale was that LTI limits were intended to contain overall mortgage credit risk of regulated institutions.

CHBA was disappointed to see that the conclusion of the review is that both the LTI limits and the mortgage stress test component of Guideline B20 will continue to remain in place. It is now viewed by OSFI that these two policies are complementary to each other. On balance, the regulatory hurdles created by mortgage underwriting for FRFIs have become even more rigid and stringent. CHBA would like to understand the rationale of this decision and why the LTI limits are viewed as complementary to the mortgage stress test.

CHBA continues to call for the removal of the mortgage stress test for uninsured mortgage applications. The government has adopted a target of doubling the pace of housing starts to 480,000 units per year over the next decade—modelled and reaffirmed by the Canada Mortgage & Housing Corporation (CMHC). CMHC also finds that 75% of the increase in starts above the business-as-usual level of starts needs to be made available for the primary residence freehold or condominium ownership market. A another 4% of that doubling needs to be purchased and rented on the secondary rental market. A





dramatic increase in new home sales is a requirement to make any kind of progress towards reversing average home price to average household income ratios back to 2019 levels.

Since mid 2022, builder confidence regarding sales conditions continues to decline to new record lows according to CHBA's Housing Market Index. This is led by extremely pessimistic market sentiment in Ontario and British Columbia—where the greatest number of new homes are needed. In the Greater Toronto Area, new home sales of 240 units in December 2025 compares to a typical December of 1,327 units. 38% of builders across the country said they needed to lay off workers over the second half of 2025, risking the future building capacity of the industry. 51% of those same builders said that the removal of the stress test would be a strong step in providing immediate improvement to their sales. Without change, homeownership rates will continue to decline.

Even in provinces where housing construction is not floundering to the same degree, relief from the stress test is required to pursuing a doubling of housing starts by enabling well-qualified Canadians to secure a mortgage. In Alberta, for example, construction has been improving but is nowhere near doubling. A BILD Alberta survey of the province's largest production builders estimates they would still be able to increase their starts by an average of 12% with the removal of the mortgage stress test. The stress test is a fundamental constraint on new housing supply regardless of where we are residential construction cycle. The current market conditions, and prevailing low mortgage arrears rate, illustrates how the stress test no longer serves its purpose and reform is needed more than ever.

CHBA welcomes the proposed change to risk weight determination process for land acquisition, development, and construction (ADC) exposures within the proposed Guideline changes. The change to allow for a lowering of the minimum risk weight for high- and low-rise residential real estate projects from 100% to 90% is a step in the right direction—regardless of its marginal impact on the overall risk weighted asset calculation. CHBA also welcomes the definition threshold of high-rise increasing from five to seven stories and the lowering of the maximum risk weight applied to low-rise projects from 150% to 130%. This helps will help reduce the risk weights stemming from construction financing of much needed middle density housing, by treating the exposure like a lower risk single family home project rather than a condominium tower.

Proposed changes to the long-run Loss Given Default (LGD) estimate are assessed to be less impactful to overall lending activity within residential construction. However, CHBA would underscore that there are different dynamics between new and existing housing markets. The Teranet – National Bank National Composite House Price Index only covers properties that have sold at least twice, meaning new homes are not represented in the data. New home construction prices are influenced by permit approval timelines, municipal development charges, costly revisions to the building code(s), rising material/trades prices (above the rate of general inflation), and other factors that do not interfere with the supply and demand dynamics found in the existing housing market. CHBA would like OSFI to ensure guidelines that





treat new and existing home pricing as the same do not result in reduced capital allocated to construction loans and mortgages for newly constructed homes.

Thank you for the opportunity to hear our comments. CHBA is generally supportive of the changes made within CAR Guideline for 2027, but remains very concerned about the stress test, where change is desperately needed. CHBA would like to reiterate that we welcome any opportunity to speak with OSFI, with respect to how financial stability regulation impacts the residential construction industry and the housing outcomes of Canadians. To do so, please reach out to CHBA's economist, Evan Andrade at [evan.andrade@chba.ca](mailto:evan.andrade@chba.ca). In addition, we look forward to OSFI's response to industry comments on the CAR Guideline in September.

Sincerely,

Kevin Lee, P.ENG., M.ARCH.  
CEO, CHBA

