Canadian Home Builders' Association

December 5th, 2025

Peter Routledge
Superintendent of Financial Institutions
255 Albert Street, Floor 12
Ottawa, Ontario K1A 0H2

Subject: Review of the Minimum Qualifying Rate (MQR) Requirements for Uninsured Mortgages

Dear Mr. Routledge:

I am writing to you on behalf of the Canadian Home Builders' Association (CHBA) about the implications of a year long review of the Minimum Qualifying Rate (MQR) for uninsured mortgages. Since the start of each regulated lenders' Fiscal Year 2025, the Office of the Superintendent of Financial Institutions (OSFI) has required the enforcement of a portfolio-level loan-to-income (LTI) limit. This allows only a prescribed proportion of new mortgage loans to exceed a 4.5 loan to income multiple. Despite acknowledgement that new LTI limits should contain overall residential mortgage credit risks to institutions, OSFI has left the MQR for new uninsured mortgages in place while it assesses the efficacy of the LTI limit. Both policies are to protect the financial system, not mortgage holders. What we are seeing now is an overcorrection with a direct impact on falling homeownership rates, while arrears rates remain well below long-term averages. Under OSFI's mandate of balancing competitiveness with financial stability and the fact that Canada has had a chronic undersupply of housing, CHBA is calling for the removal of the MQR for uninsured mortgages as soon as possible.

It is a fact that Canada has maintained a chronic undersupply of all forms of housing. In its June 2025 update to Canada's housing supply gap, CMHC concluded that Canada would need to double its annual pace of housing starts and that 75% of that additional supply needs to for the freehold or condominium ownership market. In Ontario, outside of Toronto and Ottawa, starts need to triple from their expected pace over the next decade just to return local affordability metrics to 2019 levels. Meanwhile, CMHC also advises that current market conditions—of which the MQR policy is a part of—could permanently lower homeownership rates.

The kind of increases in housing starts are near impossible when the MQR does not account for any upside risk that young borrowers' incomes are far more likely to increase over time than for these borrowers to experience long-term unemployment. In the absence of systemic change, the barriers to young and first-time home buyers will ensure that Canada will continue to not supply enough of the right kind of housing for the foreseeable future. Past CHBA analysis found that the MQR reduced mortgage applicant buying power by up to 17%, knocking thousands of buyers out of the market, despite the risk of already high mortgage rates rising another two percentage points were extremely

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small. A 2024 Bank of Canada analytical note from Hartley and Paixão found that 29% of uninsured mortgage approvals in 2017 would have been rejected under the initial 2018 implementation of the MQR. Further, the paper found that the 2018 MQR did not have a statistically significant impact on 90-day arrears of any kind of loan product during the monetary policy tightening of 2022-23. While OSFI claims its stress test policies helped keep the credit system stable, there tends to be little empirical evidence to support their view. Meanwhile, what is fact, is that thousands of new home buyers and housing starts have been sidelined because of the MQR.

Mortgages in arrears of three months or more at nine large Federally Regulated Lending Institutions (FRFI) stands at 0.24%. Since 1995, the arrears rate has averaged 0.33%. There has been concern about financial stability as pandemic era mortgages renew and delinquencies rise. Few acknowledge that this was by design when the Bank of Canada raised interest rates and delinquencies can only go up from their pandemic-era record lows. These still historically low rates do not pose a financial system risk.

New home sales are dire where the most supply is needed. CHBA tracks home builder sentiment on selling conditions for single-family and multi-family homes with its Housing Market Index (HMI). In the third quarter, the single-family index was 23.3, out of 100, and the multi-family index was 16.8—both record lows—reflecting high pessimism. Selling conditions have remained weakest in Ontario, where 64% of builders surveyed said they or the subcontractors have needed to lay off workers. Selling conditions in British Columbia are not much better. While headline housing starts are strong, over 48% of starts in the first three quarters of 2025 are slated for the rental market—in 2023 it was just over 33%. Affordability challenges mean that the needed increases in rental housing are coming at the expense of housing units for ownership. CHBA's HMI indicates that starts for ownership markets will continue to decline, due to prolonged weakness in new home sales.

The blanket application of the MQR also does not account for the unequal headwinds it creates for new housing relative to existing housing. From March 2022 to October 2025, the composite benchmark price of existing homes for sale has fallen over 20%. Meanwhile, Statistics Canada's Building Construction Price Index indicates that prices that contractors charge have increased 60% nationally for apartment dwellings since 2020 and 75% for ground-oriented dwellings. In Toronto, ground oriented contractor prices have grown 100% over this period. Separately, building code changes to efficiency, climate resiliency, and accessibility also add to hard and soft costs of construction. Existing home prices can respond to changing market demand conditions. However, if the would-be buyers cannot afford what a new home builder must sell for, the home will not be built.

If both OSFI and FRFIs are satisfied with the portfolio-level LTI limit, with respect to managing risks of the residential mortgage market, then OSFI should remove the MQR stress test on uninsured mortgages. Given the needs of the market and the fact that a change to the MQR could have immediate impacts on creating more buyers and hence more housing starts, OSFI should not delay in their decision. Canada

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cannot afford to continue to make no progress towards doubling the pace of housing starts over the next 10 years. We would be happy to meet with you to discuss this should you require more information continue discussion on how the MQR has affected new home construction—your staff can contact our CHBA Economist Evan Andrade evan.andrade@chba.ca to set something up.

Sincerely,

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

cc: The Hon. François-Philippe Champagne, P.C., M.P., Minister of Finance and National Revenue
The Hon. Wayne Long, P.C., M.P., Secretary of State (Canada Revenue Agency and Financial Institutions)