Canadian Home Builders' Association
Association canadienne des constructeurs d'habitations

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June 9, 2020

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
House of Commons, ON K1A 0A6

The Honourable Ahmed Hussen
Minister of Families, Children and Social Development
Employment and Social Development Canada
House of Commons, ON K1A 0A6

RE: Changes to CMHC mortgage securitization requirements for CMHC-insured mortgages

Dear Ministers:

On behalf of the Canadian Home Builders Association (CHBA), I am writing today to express disappointment with CMHC's June 4, 2020 decision to tighten their mortgage securitization requirements. The changes to the GDS/TDS requirements and credit score minimum particularly are measures that will deny well-qualified, generally first-time buyers access to homeownership, and risks stilting what will already be a difficult path toward economic recovery as we emerge from the COVID-19 crisis. This is a concerning development that continues in line with CMHC's troubling expressed desire to reduce the rate of homeownership in Canada, despite the aspirations of Canadians and the heightened importance of home at this time.

Furthermore, placing the burden of economic uncertainty around mortgage arrears and defaults coming out of COVID-19 onto prospective buyers seems misplaced. Those facing financial challenges with the mortgage in the coming months are those <u>*already with a mortgage,* not prospective first-time buyers, who would make up the majority of Canadians taking on mortgages insured by CMHC. For</u> those individuals and families who have maintained their income through the health crisis, now may in fact be the time to purchase a first home that meets their needs and aspirations, while also supporting economic recovery.

In light of CMHC's decisions, and their ongoing attempts to diminish and discourage homeownership, CHBA is calling on the Government of Canada to ensure all federal agencies, including CMHC, return to supporting homeownership, and including it as an integral part of economic recovery. This should include implementing measures to support recovery in residential construction - a proven job and investment multiplier - while also allowing Canadians to meet their housing needs and aspirations at a time when a secure, safe and appropriate home means more than ever. Specifically, we recommend that the Government:

1. Address the GST to incent activity and improve affordability. Lowering/eliminating GST is a very real reduction in cost to consumers that can spur activity (and GST on other related purchases) while also lowering the size of the mortgages they take on:
   a. Remove GST/HST on new housing to improve affordability, beginning immediately and through to December 31, 2021.
   b. Update and index the existing rebate program to better reflect current house prices. To do this, raise the eligibility threshold for the rebate to $500 000, and implement the reduction for homes between

$500 000 and $750 000. This is more reflective of current home prices, across a range of Canadian markets. The rebate should then be indexed to adjust annually to keep up to changes in house prices.

c. Exempt the construction costs of new rental housing and costs of renovating rental housing from GST to reflect the fact that ongoing rental revenues do not benefit from input tax credits.

2. Introduce a home renovation tax credit for all types of home renovations for work performed after July 1, 2020 and completed before December 2021. Eligible renovations could include renovations or any enduring alterations to a building and should be stackable with the existing accessibility renovation credits, and any other renovation or retrofit tax credits or rebates introduced. This should be complemented by a permanent energy retrofit tax credit based on the Government of Canada's EnerGuide Rating System, to support an ongoing drive to address climate change. These measures will stimulate economic activity, help Canadians adapt the most important place in their lives to their needs, and help protect against lost revenue due to underground economy activities. CHBA analysis has shown that the tax revenue generated from curbing underground economy activity can make this program near cost neutral.

3. Improve housing affordability, especially for first-time buyers, by giving them the option of 30-year amortizations for insured mortgages. 30-year amortizations are already available for uninsured mortgages. This measure will lower monthly costs for would be homeowners, especially as they are in the early part of their careers, while still leaving them options to accelerate payments and reduce their amortization periods over time. This is a no-cost measure that in fact will bring in additional revenue through CMHC that can be used support housing measures across the continuum.

4. Keep artificial barriers to homeownership low, as interest rates rise, by making the mortgage stress test more responsive to economic conditions, including moving forward with the previously announced change to the benchmark qualifying rate for insured mortgages as soon as appropriate. Also, given the recommendation of the Bank of Canada to encourage longer 7- and 10-year terms on mortgages to support economic stability, reduce the stress test the longer the term of the mortgage, including eliminating it for 7- and 10-year terms. Work with OSFI to implement the same changes for uninsured mortgages.

As we navigate the road ahead, the residential construction sector stands ready to collaborate with government to help Canada's economy survive and thrive. I would be happy to discuss any of the above further at your earliest convenience.

Sincerely,

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