Canadian Home Builders' Association

July 29th, 2026

Subject: Consultative document on Credit Risk Management

To whom it may concern,

I am writing to you on behalf of the Canadian Home Builders' Association (CHBA) regarding the consultation on developing a comprehensive Credit Risk Management Guideline—specifically its aim to consolidate expectations about real estate secured lending (RESL). CHBA's membership is made up of some 8,500 companies, who build low-, mid- and high-rise homes for ownership and rental. CHBA is a three-level Association, with a network of 52 provincial and local home builders' associations (HBAs) representing the nuanced needs of the residential construction sector in regions across the country. The process to creating a CRM Guideline should also include a formal review of the current need for a minimum qualifying rate (MQR) now that lender-level loan-to-income (LTI) limits have been implemented. CHBA continues to call for the removal of the MQR for uninsured mortgages under the context that it has contributed to the chronic undersupply of housing.

While first introduced to lower "extrapolative expectations" in home prices and home purchasing behavior, it no longer serves this purpose. New home sales have remained weak for years in Ontario and British Columbia, where the most additional supply is needed. At the same time, many other aspects of sound mortgage underwriting have also been introduced or refined to ensure FRFI's hold high-quality credit. While helping manage financial system risk, the MQR is specifically designed to artificially reduce the demand for mortgages approved through Financially Regulated Financial Institutions. Canadians either need to wait longer to enter the housing market or apply for a loan from non-FRFIs—moving whatever associated risk out of OSFI's domain.

Particularly within the new housing market, the MQR is no longer needed to manage housing demand. Canada continues to build far less than the 480,000 annual units per year the Canada Mortgage and Housing Corporation believes is needed over the next decade to simply return measures of housing affordability back to where they were in 2019. Further, a larger share of housing that is being built is slated for the purpose-built rental market. This is the exact opposite of what CMHC states will bring about affordability. Within its June 2025 supply gap report, a table on page 20 shows that CMHC forecasts that of the increase needed, 75% needs to be for primary residence ownership and 4% for secondary rental market. As it currently stands, Canada is building greater numbers of rental units at the expense of condominium units.

Suite 500
141 Laurier Avenue West
Ottawa, Ontario, K1P 5J3
613-230-3060
chba@chba.ca
www.chba.ca
@CHBANational

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CHBA tracks new single family and multi-family sales conditions by surveying its builder and developer members across the country and producing the Housing Market Index—a builder sentiment indicator that leads future housing starts for freehold and condominium ownership. After the initial interest rate shock in 2022 and 2023, builder confidence in Ontario and British Columbia have been on a downward trend over the past 3 years and now sit at record low. This implies that builders see no short-term recovery or improvement in sales. Given the multi-year construction timeline, particularly for high-rise developments, a return to adequate supply of new ownership housing will be protracted unless policy and regulation changes are made.

The blanket application of the MQR does not account for the unequal headwinds it creates for new housing relative to existing housing. From March 2022 to June 2026, 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 energy 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. This is how blanket mortgage barriers contribute the undersupply of housing.

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 with the development of CRM Guideline. With the needs of the market and the fact that a targeted 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 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.