



**DRAFT RESOLUTION FOR SUBMISSION TO THE  
SEPTEMBER 2019 MEETING OF THE FCM BOARD OF DIRECTORS**

**Title**

Promoting a regionally-sensitive approach to the federal mortgage financing stress test

**Descriptive Clause**

WHEREAS the Office of the Superintendent of Financial Institutions (OSFI) is an independent federal government agency that regulates and supervises more than 400 federally regulated financial institutions including all banks in Canada and reports directly to Parliament through the Minister of Finance;

WHEREAS OSFI's B20 Residential Mortgage Underwriting Practices and Procedures (B20) came into force and effect on January 1, 2018 with the objectives to: 1) Create a minimum qualifying rate or a "stress test" for mortgages; 2) Require lenders to enhance their loan-to-value (LTV) measurement and limits so they will be dynamic and responsive to risk, and 3) Place restrictions on certain lending arrangements that are designed to circumvent LTV limits;

WHEREAS B20 was created in response to the unstable real-estate markets in Vancouver and Toronto, but applies uniformly to federally regulated financial institutions across the country;

WHEREAS provincially-regulated financial institutions are not bound by B20, but in Alberta they have chosen to adopt the same rules at a local level;

WHEREAS Canada is a diverse federation, comprised of vastly different housing markets operating in different economic contexts and therefore B20 has had unintended consequences outside of Vancouver and Toronto, including: 1) Exacerbating the slowdown in otherwise stable and buoyant real estate markets in cities such as Calgary where annual growth in real estate price from 2014-2017 was around 0%; 2) A reduction in construction creating fewer jobs in this and related industries; 3) An overall net **decrease** in homeowners' property valuations in certain cities; and 4) Reduction in economic activity (GDP); and

WHEREAS an existing City of Victoria sponsored FCM resolution calls on the federal government to assess and report on the effectiveness of recent measures intended to stabilize the housing market, including B20, but excludes efforts focused on encouraging a regionally-differentiated application of B20.

**Operative Clause**

RESOLVED that the FCM call on the Government of Canada to specifically review the current impacts of B20 on localized real estate markets outside of Toronto and Vancouver, and implement thoughtful policy changes to allow regional-based mortgage financing stress tests, in order to mitigate the unintended negative impacts on jobs, economic activity and the ability for first-time homebuyers to enter the markets.