

# **Standing Committee on the Status of Women**

Wednesday October 31<sup>st</sup>, 2018

Follow-Up Report:

## **Mortgage Qualification Recommendations**

### **Changes to the Stress Test and the Income Qualifying Rules that would have Immediate Results**

STRESS TEST:

Any Purchase over \$750,000.00 in GTA areas (eg: Toronto to Highway 9 and east to 412 and west to Hamilton), Vancouver, Montreal,

Any Purchase under \$500,000.00 in all other areas (eg: Simcoe County)

No stress test if 5 year fixed rate taken

If rates go to 6.5% to 7.5% in 2023 when these mortgages come due for renewal and families state on straight renewal it is to much of payment shock then we have options.

#1 Allow the amortization to be extended back to the original 25 years.

Or families where there is still distress then look at extending

Balance owed to a 30 year amortization.

\*\* No New Money or Refinance just straight renewal\*\*\*\*\*

WHY?

The principle amount of original Mortgage has been paid down and upon 1st renewal there is an average of 20 to 25% equity in Property based on original Purchase Price, no market appreciation in the calculation.

NO PAYMENT SHOCK

## Income Qualifying Rules INSURER

Due to the Health Industry and Auto Industry using Casual Status and perpetual contracts, the woman who needs this type of job is actually going to be hurt to get a home. The rule is that the person has to wait 2 years at that place of employment to create an average annual employment income expectation.

This is causing major turn over in staff, no confidence. Women who are looking for security in Employment and trying to get into stable long-term housing cannot work in the above due to not being able to get a mortgage for 2 years minimum. This is wrong. Both the industries can prove that the Casual status and the contract hire are still working 40 hours per week every week.

*Allow for both of the above to show only 6 months continuous fulltime hours 37.5 to 44 hours per week and be able to qualify just like a person with a letter of employment that states guaranteed 40 hours per week.*

Make all Lenders of Mortgages in Canada that CMHC, Genworth or Canada Guaranty Insure follow the same rule for allowing Child Support and Child Tax Credit income for servicing:

*My recommendation is to prove: 90days continuous proof of deposit to account for both and 100% can be used for children under the age of 13.*

I have done some comparisons of applicants making different amounts of employment income and Child Tax Credit and Child Support to see if buying a home for \$399,000.00 or \$359,000.00 would be comparable to the rent cost of \$1800.00 to 2100.00 monthly. It is similar

**\*\* Look at reinstating insuring a refinance to 65% Loan to Value** Maximum value of \$500,000.00 outside GTA centres, and GTA Centres \$750,000.00, due to the aging population. There are so many Senior Widows and Single Seniors who want to stay in their homes or higher help for the loved ones to stay in the home. Banks and mortgage lenders do not want to do this type of financing at all since Insurer stopped insuring refinances. The banks would do this if the Insurers backed the loans .This type of product would have to have a Total Debt Servicing exception to it as the income is fixed pension income usually below the poverty line based on Stats. The only option is a Chip reverse mortgage and you have to be over the age of 70 to get 55% Loan to value.

*CMHC can offer incentive to builders to keep sale prices below \$450,000.00 North of Highway 9 as an example.*

*CMHC needs to expand the DOWNPAYMENT ASSISTANCE PROGRAM.*

More money here will do better and see immediate results vs planning to build more Social Housing.

This price point is the protection for the tax payer as it is needs not wants.

These measures will also allow for the Communities where there is a work pool shortage, to create some certainty for Employers that workers will be able to build a life long-term in the Community.

*Current reporting of Student Loans on Equifax or Trans Union credit reporting systems is actually causing a conflict with the B20 Rules.*

Student Loan reported on the Credit Bureau without an assigned payment has to be assigned a payment representing 3% of the outstanding balance monthly.

Example:

On credit bureau the Student Loan is reporting a credit limit of \$35,000.00 only \$13,000.00 is owed but no payment assigned. Based on the Government website for calculating a payment, the payment

would be \$168.31 per month. Based on B20 rules it has to be shown as \$390.00 per month. For a woman who is making under \$55,000.00 per year this payment really can affect her Total Debt Service Ratio.

Women who are trying to transition often look to re educate themselves or upgrade basic education. They qualify for the Student Loan and Grant Program but it is hurting them in the long run.

*My recommendation:* Do not report the Student Loan on Credit Reports until payments have started or are required. And can be noted with the credit report.

Under the Spousal Buyout plan today lenders do want to include debt owed. The debt is in the separation agreement and must be paid. The lender seems to think it is refinance then not spousal buyout so conflict with Insurer rules.

Please allow debt that is listed in the Separation Agreement to be included in the payouts of the spousal buyout program.

To ensure the Lending institutions follow CMHC rules without Modification CMHC has to threaten that the Lender could lose the right to deal with CMHC.

Banks and financial institutions want it both ways they want the security of Canada Mortgage and Housing Corporation Insurance but they want to be able to make their own rules in regards to the

mortgage approval for the consumer. These modifications hurt First time homebuyers, women, seniors, people who have had past credit problems but have had 2 to 3 years of good credit repayment and a explanation as to why they had some issues in past.

It is the tax payers' who on the hook for Canada Mortgage and Housing Corporation. So should Institutions that make BILLIONS of Dollars be able to just say "Just because CMHC allows it, does not mean we will."

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