



STAFF REPORT

Title: Request for Support Regarding Impact of Mortgage Stress Test

Meeting Date: September 10, 2019

Executive Summary:

The City of Lethbridge, through His Worship Mayor Chris Spearman, is requesting the support of other municipalities in raising concerns over perceived negative impacts the mortgage stress test is having on Alberta's housing market.

The request was spearheaded by BILD Lethbridge and the Lethbridge and District Association of Realtors (LDAR), who jointly commissioned a report on the effect of the mortgage stress test on the Lethbridge housing market. No specific collective lobbying is being requested at this time, but Mayor Spearman is hoping to receive a consideration of support for "possible future collective action."

The attached reports prepared by the Lethbridge groups suggest that Canada take a regional approach to stress testing mortgages, rather than establishing an inflexible program that is applied nationwide.

Background:

Changes to the federal regulations requiring a stress test for mortgages were made in 2016 and 2018, with the aim of ensuring that prospective homebuyers could afford the properties they wished to purchase, should interest rates rise.

The BILD Lethbridge and LDAR report criticizes this effort as being directed only towards the concerns felt in larger, more active housing markets in Canada's largest cities. The report states that the mortgage stress test program's inability to adjust to specific markets across Canada has had the effect of pricing approximately 12-15% of the population in Lethbridge out of the market for an average single-family house.

The Alberta Urban Municipalities Association (AUMA) will have a motion regarding this matter at its convention later this month and is gathering information in regard to this concern.



Alternatives:

- Council may respectfully decline to support this initiative at this time.
- Council may pass a motion supporting the concerns and directing administration to liaise with the City of Lethbridge and the AUMA on possible future collective action.

Recommended Action:

Administration recommends that Council pass a motion supporting concerns over the negative impact of the mortgage stress test and directing administration to liaise with the City of Lethbridge, the AUMA, and the local chapter of BILD Alberta on possible future collective action.

Budget Implications (Yes or No):

No

Submitted by:

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