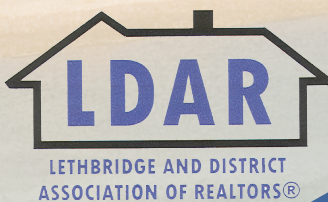


# **Impact of the Mortgage Stress Test on the Lethbridge Region Housing Market**

## **Stakeholder Recommendations**

**February 15, 2019**







# Recommendations

## **Lethbridge and District Association of REALTORS® recommendation:**

The federal government should take regional differences into consideration when implementing nation-wide measures that affect home buyers. In particular, the “stress test” has had unintended consequences in many balanced markets across the country and driven millennials and middle-class families in stable markets further away from reaching their goal of owning a home.

These measures should be applied only in those markets the government has identified as requiring an intervention. There is a precedent for national programs being tailored to address regional socio-economic factors. There are regional applications of the Employment Insurance Program that reflect the realities of local and regional labor and employment market.

## **Building Industry & Land Development Association (BILD)- Lethbridge Region recommendations:**

BILD Lethbridge Region is part of a three level association. Our local constituency association also works with the provincial association, BILD Alberta, and nationally with Canadian Home Builders’ Association (CHBA).

The stress test immediately affected the purchasing power of Lethbridge households and made it extremely difficult for first time homebuyers or lower income Lethbridge residents to enter the market at all. Immediately, 12% of the population in the region was priced out of purchasing a new single family home and 14% from buying an average priced home in the resale market. Additionally, the reduction in qualified buyers has increased the unabsorbed inventory 11% over 2017. Canadians build wealth through home ownership. The impact of the mortgage rules and stress test on first time homebuyers has delayed or blocked entirely their entry into the market.

Housing markets across Canada are not uniform and policy should reflect that. The Federal Government’s mortgage stress test was designed to address two overheated housing markets but has created significant issues for Alberta, one of Canada’s most affordable housing markets. The Federal rules have locked more Alberta families out of home ownership and contributed to historic levels of housing inventory which will result in fewer homes being built and job losses. BILD Alberta is committed to working with the provincial government and lending institutions to use non-traditional thinking and develop a made-in-Alberta solution.

CHBA recommends a return to 30-year amortization periods for first-time buyers with insured mortgages and adjust the mortgage stress tests to reflect the current economic conditions. It should be noted that while recent changes to the mortgage rules were made to reduce risk and limit debt to income ratios, young Canadians represent the lowest risk in terms of mortgage arrears rates, according to Equifax.

These Canada-wide solutions would help families in all regional markets in a way that does not increase risks to borrowers, or to the financial system.