

April 19, 2022

CMBA responds to OSFI’s proposal to further restrict mortgage underwriting practices and procedures under Guideline B-20

OSFI’s January 2023 consultation on Guideline B-20 (Residential Mortgage Underwriting Practices and Procedures) has just ended. The Canadian Mortgage Brokers Association National (CMBA) submitted its comments to OSFI last week.

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Because OSFI’s policy is to neither publish submissions it receives from stakeholders nor say who authored them, the board has chosen to post its submission for CMBA members, the mortgage brokering community, and the wider Canadian public.

Briefly, on its proposed tightening of its already restrictive Guideline B-20, CMBA National has respectfully asked OSFI...

“Why now?”

In our submission, CMBA noted that:

- the justification for this consultation and proposed alterations to B-20 seemed predicated on an event now in our rear view, namely the pandemic emergency;
- the Bank of Canada has chosen to “do no further harm” by pausing its 450 basis point Policy Rate hike, which increased it 1,700% in just 12 months, and OSFI should also consider pausing changes;
- the “near-term issues” OSFI cites as a reason for this consultation were already known in late 2020, yet not acted upon then;
- should OSFI further tighten B-20 mortgage lending guidelines on FRFIs under its purview, smaller banks and private lenders will be asked by borrowers and the system as a whole to do even more;
- the social impact of B-20 - the mortgage stress test - and other restrictive policies emanating from Ottawa is still growing, and making B-20 tougher will add to the problem;
- if larger numbers of people are affected by further tightening of B-20 mortgage stress testing - particularly if they disproportionately represent identifiable groups within our society - OSFI’s policy should allow for exemptions to protect against the unacceptable marginalization of creditworthy individuals;

- we remain frustrated that Canada’s housing supply is perpetually deficient, and how this lack of supply coupled with record-breaking immigration will impact Canada going forward, without any changes to B-20.

We also noted that B-20 has made mortgage brokering more essential than ever to Canadians, and that we are proud to help existing and aspiring homeowners achieve the Canadian Dream. We strongly believe that homeownership remains a path to greater wealth equality, as do most Canadians.

Additionally, we asked OSFI to assist us in fighting mortgage fraud. We asked them to help our members have modern access to CRA income verification, an invaluable tool in the fight we share with the government to battle mortgage fraud and money laundering. All of us who valued the NOA services recently shut down by the CRA want this access properly resolved, immediately. OSFI has the clout to improve AML and fraud prevention, and we hope they will take up our offer to help each other as we lobby the federal government and CRA for this to finally happen.

CMBA’s upcoming advocacy and government relations will definitely highlight housing supply and other related issues, but the focus this week was on OSFI and Guideline B-20. We look forward to being an essential and insightful stakeholder for important Canadian parliamentarians and policymakers in the months ahead, assisting them in the growth of our economy.

We welcome your comments.

Thank you.

Sadiq Boodoo

President & Chair, CMBA National