



MORTGAGE  
PROFESSIONALS  
CANADA

**Housing Accessibility and Affordability:  
A Pre-Budget Submission by Mortgage Professionals Canada**

**February 2023**

## Recommendations

1. Double the land transfer tax rebate for first-time home buyers, from \$4,000 to \$8,000 and indexing it to inflation to keep pace with today's housing prices and help those entering the housing market, such as young families.
2. Prohibit the extension of a municipal land transfer tax to municipalities, a penalizing "double tax" to home buyers which would present further housing affordability challenges for Ontarians.
3. Update the provincial HST rebate to reflect current home prices and begin indexing the thresholds to housing prices, while requesting the federal government to match the provincial 75% rebate, and remove any claw back, a recommendation from the Housing Affordability Task force.
4. Support the mortgage industry's request to the federal government to grant digital income verification to the mortgage industry to crack down on fraud.

## Introduction

We are committed to improving housing affordability and bringing the dream of home ownership to life for Ontarians.

Ontarians are facing persistent affordability challenges due to inflationary pressures. With interest rates now at the highest levels in more than a decade, Ontarians are facing challenges in the housing market, particularly young people considering whether they will be able to afford a home. As pointed out the Housing Affordability Task Force: "housing prices in Ontario have almost tripled in the past 10 years, growing much faster than incomes. This has home ownership beyond the reach of most first-time buyers across the province, even those with well-paying jobs."

Ontario has tackled housing supply issues head on with the Housing Supply Action Plan and the *More Homes Built Faster Act*, which are measures we welcome and support. An appropriate next step would be to update tax incentives and rebates for consumers to help them with the affordability challenges they are currently facing, and to bring these incentive programs in line with current housing prices. With appropriate policies in place, the federal and provincial governments can help ensure the dream of homeownership remains available to all Canadians.

Our members strive to provide Canadians with flexibility and power of choice, so they can feel secure and confident in the mortgage that fits them, their budget, and their personal family circumstances.

We believe the following recommendations support Premier Ford's commitment to taking action on the housing crisis, cutting red tape, and meeting the needs of Ontario's population growth by building more homes.

## Mortgage Professionals Canada Recommendations

### 1. Double the land transfer tax rebate for first-time home buyers, from \$4,000 to \$8,000 and index it to inflation, to keep pace with today's housing prices and to help those entering the housing market, such as young families.

The average price of real estate in Ontario in 2022 was \$812,338, a growth of over 50 per cent in a five-year period from January 2017, when the average price of real estate was \$541,200. The land transfer rebate has not seen an increase since this time. Due to number of economic factors and market trends, Ontario has seen a considerable increase in the price of real estate in this period. At the same time, income growth has not kept pace with housing prices or inflation.

To many first-time home buyers, particularly young families, the land transfer tax is a significant closing cost. The Ontario Real Estate Association estimates that home buyers are paying \$13,000 on the average Ontario home. This is an out-of-pocket expense which cannot be included within a home buyer's mortgage.

That is why a doubling of the land transfer tax rebate for first-time home buyers is a timely solution, particularly within the present housing market context. It is a policy that would compliment the provincial priorities of supporting housing supply growth and would help first-time home buyers enter the housing market.

### 2. Prohibit the extension of a municipal land transfer tax to municipalities, a penalizing "double tax" to home buyers which would present further housing affordability challenges to Ontarians.

With many municipalities considering to increase property taxes due to inflationary pressures, and the Toronto City Council considering a proposal to increase the municipal land transfer tax, there is concern other municipalities may follow suit and wish to impose a transfer tax of their own. The municipal land transfer tax discourages homeowners from listing their homes for sale, which has a negative impact on housing inventory. The C.D. Howe Institute and TRREB have estimated that the municipal land transfer tax in Toronto reduced the housing supply available to homebuyers on average by 16 per cent a year. Other municipalities must not be allowed to implement a similar tax which penalizes home buyers, reduces housing stock, and overall makes it harder for Ontarians to get into homes.



**3. Update the provincial HST rebate to reflect current home prices and begin indexing the thresholds to housing prices, while requesting the federal government to match the provincial 75% rebate, and remove any claw back, a recommendation from the Housing Affordability Task force.**

Recommendation 36 of the Housing Affordability Task force, to modernize the HST thresholds for harmonized sales tax (HST) to all new housing is a timely solution, which we believe the federal government should also match. As the task force points out, the rebate is based on less than half of today’s average home price: “two decades ago, the maximum home price eligible for a rebate was set at \$450,000 federally and \$400,000 provincially, resulting in a maximum rebate of \$6,300 federally and \$24,000 provincially”. The average price of housing in Ontario is now \$812,338, and in the GTA, the average housing price has reached over \$1 million, well above the current threshold. Homebuyers that are above the current ceiling face a significant claw back. By indexing the rebate to current housing prices, the government would reduce the cost of building new homes, as the task force report points out. We fully support the implementation of this recommendation.



Source: Report of the Ontario Housing Affordability Task Force, February 2022.

**4. Support the mortgage industry’s request to the federal government to grant digital income verifications to the mortgage industry to crack down on fraud.**

Recently, Equifax Canada has warned that increasing financial pressures on Canadians could lead to a spike in fraud, particularly mortgage fraud. Mortgage fraud remains 29.5 per cent higher than before the pandemic. First party fraud in the form of falsified documentation such as income and employment data accounts for 92 percent of mortgage fraud.<sup>1</sup> This is a growing concern to be addressed, particularly in Ontario.



\*Data gathered by Equifax

We are encouraged that the Canada Revenue Agency has already been engaged on validation options such as a simple yes or no validation of Line 15000 of a tax return. In the context of a more restrictive market than previously, where mortgage qualification has become more difficult, the risk of fraud has increased considerably. This tool is a necessary solution required by the mortgage industry, which will help to reduce fraud across the housing sector.

We are requesting for the Ontario government to make this a priority as well, and help us in pushing the federal government to deliver this solution. It will help to reduce mortgage fraud across the Ontario

<sup>1</sup> Equifax Canada, “High Cost of Living and Credit Demand Could Lead to Higher Probability of Fraud”: Canada Market Pulse Fraud Trends, October 2022.

housing market, an insidious problem that contributes to the inability for honest actors to find homes to live in.

- ✓ Enabling the option of digital income verification for mortgages by banks, brokers, insurers, and lenders – with clients granting the appropriate permissions – the CRA would be providing a tool to validate the accuracy of financial details mortgage applications and protect the confidentiality of personal information.
- ✓ Granting the mortgage industry a secure income verification tool would ultimately better protect banks, credit unions, and lenders from fraudulent misrepresentation.

In providing digital income verification to the mortgage industry, the CRA would help preserve the integrity and confidential financial security of Canadians making the largest financial purchase of their lives, as well as reduce the potential opportunity for fraudulent misrepresentation. With reports of increased instances of title and mortgage fraud in the Greater Toronto Area, this is a growing concern for both brokers and home owners.

On behalf of the mortgage industry, we will continue to engage with federal stakeholders on the urgent need for a solution to this growing problem. From brokers to lenders and banks, our industry is committed to routing out and protecting against fraud. Ontario has an opportunity to take a leadership role in this issue by urging the federal government to move quickly on a solution to this persistent and growing problem.

### **About Mortgage Professionals Canada**

We are Canada's mortgage industry association with over 15,000 members, with 9,500 in Ontario alone, and more than 1,000 member firms nationally. We are a non-profit association representing mortgage brokers and agents, as well as banks, lenders, insurers, and service providers, making up the largest network across the country. Forty-five percent of first-time home buyers in Canada choose brokers for their mortgage.

We are proud to be the industry that provides Canadians with choice when making the most important financial decision of their lives and help people achieve the dream of home ownership. You can find one of our licensed members at [findmeabroker.ca](http://findmeabroker.ca).