

Subject: Request from City of Calgary - Lobbying Effort - Mortgage Stress Test - Guideline B20, Residential Mortgage Underwriting Practices and Procedures

APPROVALS:

Annette Antoniak

Director

Chief Administrative Officer

Recommended Motion:

THAT the Mayor be authorized to send a letter to the Prime Minister and Minister of Finance advocating that the Government of Canada:

- a. Review the effects of the B20 – Residential Mortgage Underwriting Practices and Procedures stress test on regional markets;
- b. Eliminate or tailor regional-based policies, including but not limited to, stress tests to reflect the needs of local economic and market conditions; and

THAT the Mayor be authorized to send a letter to the Premier and the President of Treasury Board and Minister of Finance advocating that Alberta Credit Unions and ATB Financial consider the adoption of Alberta-based mortgage approval requirements and make any necessary changes (policy or otherwise) to implement this request; and

THAT Council for the Regional Municipality of Wood Buffalo support the City of Calgary's Alberta Urban Municipalities Association (AUMA) and the Federation of Canadian Municipalities (FCM) motion regarding the above matters to gain broader support for advocacy on regional-based mortgage financing stress tests.

Summary:

On April 24, 2019, the Regional Municipality of Wood Buffalo received a request from the City of Calgary, through Councillor G. Chahal's office, to consider passing a motion to support City of Calgary's lobbying efforts as it relates to the Office of the Superintendent of Financial Institutions Canada (OSFI), *Guideline B20, Residential Mortgage Underwriting Practices and Procedures* stress test on regional markets. This matter is now before Council for consideration.

Background:

The revised *Guideline*, which came into effect on January 1, 2018, applies to all federally regulated financial institutions and the revisions reinforce the OSFI's expectation that federally regulated mortgage lenders remain vigilant in their mortgage underwriting practices.

B20 was created to deal with the unstable real estate markets in Vancouver and Toronto where red flags were raised in recent years regarding the combination of unsustainable price appreciation and high-debt ratios.

The main objectives of B20 were to create a minimum qualifying rate, or a "stress test" for mortgages, requiring lenders to enhance their loan-to-value (LTV) measurement and limits so they will be dynamic and responsive to risk, and place restrictions on certain lending arrangements that are designed to circumvent LTV limits.

As a result of B20, there have been unintended consequences in markets outside of the major centres of Vancouver and Toronto, thereby affecting real estate markets in Alberta possibly including Fort McMurray.

The City of Calgary has asked for support from other municipal governments in Alberta by way of a show of support for the initiative in principle, and by further written submissions to the Government of Canada and Government of Alberta.

Budget/Financial Implications:

There are no budget/financial implications to support the City of Calgary's lobbying efforts.

Strategic Priorities:

Responsible Government

Attachments:

- 1. Notice of Motion - Councillor G. Chahal, City of Calgary**
- 2. News Release - Councillor G. Chahal, City of Calgary**
- 3. AUMA Resolution Mortgage Stress Test**