HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 071 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Monday, February 13, 2017

Chair

The Honourable Wayne Easter

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● (1535)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): This afternoon we have two sessions, the first being on the study of the Canadian real estate market and home ownership.

In the first hour, we have the president and chief executive officer of the Canada Mortgage and Housing Corporation, Mr. Siddall. With him are two senior vice-presidents, Mr. Tremblay and Mr. Mennill.

Mr. Siddall, I believe you have a brief opening statement. We'll go from there.

[*Translation*]

Mr. Evan Siddall (President and Chief Executive Officer, Canada Mortgage and Housing Corporation): Thank you, Mr. Chair.

It's a pleasure to be here. I want to thank the committee for rescheduling my appearance after I was unable to attend the session on January 30. Unfortunately, my daughter suddenly fell very ill and I had to take care of her.

Mr. Tremblay, the senior vice-president of policy, research and public affairs, spoke on my behalf at that session. He joins me again today. He is to my left, and Steve Mennill, senior vice-president of Insurance, is to my right.

Rather than repeating what Mr. Tremblay said two weeks ago, I'd like to respond to some of the testimony provided by other people.

First, I want to clarify CMHC's role in the housing finance sector in relation to the role of other federal departments and agencies, in particular the Department of Finance.

[*English*]

Contrary to some testimony, CMHC does not in fact set the rules for mortgage loan insurance. This is the purview of the Minister of Finance.

As the Government of Canada's adviser on housing policy, however, we advise the minister on potential changes and their implications for financial stability and Canadian housing markets. More often than not, our advice and analysis are provided confidentially. Given that housing finance policy decisions can affect the marketplace, this function is managed separately from our commercial functions, and broad consultations on these changes are not always appropriate.

We also support the deputy minister of finance's senior advisory committee with regard to housing issues. This committee is a discussion forum for financial sector policy issues, including financial stability and systemic vulnerabilities.

Let me turn now to just a few issues that have been raised directly with the committee by prior testimony.

Some witnesses have expressed concern about the changes in mortgage loan insurance rules announced by Minister Morneau on October 3. I can confirm that we did in fact provide policy advice to the minister and Department of Finance officials on these changes, and that we fully support them as they contribute to the sustainability of Canadian economic growth.

The committee has also heard that the October 3 changes had a negative impact on first-time homebuyers and on some industry participants who experienced some disruption in their business models. There has been some suggestion that the changes had unintended consequences.

However, as I noted in a commentary piece published in *The Globe and Mail* on October 17, in fact the results of these policy changes were fully intended. We did expect lower levels of competition in certain areas, as well as a modest increase in mortgage rates, and we did understand how the changes would impact first-time homebuyers' ability to borrow.

With regard to competition, we need to make sure that measures to support competition promote financial stability. Good public policy involves making balanced and measured trade-offs between differing objectives. In our judgment the mortgage insurance regime was providing undesirable stimulus in the marketplace, so indeed we sought to remove distortion, not to add distortion.

We also felt that action was needed to address the level of household indebtedness in Canada, which is now at a historic high of 167% of disposable income. The Bank of Canada calls this factor the greatest vulnerability to our economic outlook.

[*Translation*]

Highly-indebted borrowers are more likely to be young first-time homebuyers. With potentially less employment experience as a result of their age, they would also be at a higher risk of losing their jobs in the event of a downturn. In short, they're a vulnerable group of Canadians who would suffer financial hardship should the economy take a turn for the worse or should interest rates rise significantly.

[*English*]

Given what we know about wealth effects and financial acceleration, should a weakening of the economy come to pass, their financial troubles could have spillover effects for the economy at large.

It's important to note that the October 3 changes were not targeted at escalating house prices in the greater Toronto and Vancouver markets, as suggested by some witnesses. In fact, our objective was to avoid negative long-term consequences to the Canadian economy as a whole.

At CMHC, we have signalled strong evidence of problematic conditions in the Canadian housing market as a whole for several months now. It's true, Toronto and Vancouver have higher levels of indebtedness and thus will be more affected by the changes, but as the Bank of Canada noted in its December financial system review, the proportion of highly indebted households has continued to rise in many cities, and this is a problem across the country.

The stress test imposed on borrowers ensures that they could withstand an increase in interest rates. This will impact only borrowers who are or would be highly indebted following the purchase of their house regardless of where they live. The resulting delay in when some individuals can purchase their first home or the decision to buy a smaller home, or to rent, or stay put is a necessary trade-off to ensure economic growth and continued financial stability for all Canadians.

As it is, through nearly $1 trillion in mortgage insurance guarantees, the homebuyers' plan, and other federal and provincial programs, we believe substantial support already exists for first-time homebuyers. It is possible to have too much of a good thing.

I can assure the committee that CMHC continues to closely monitor housing markets across the country, and we continue to offer the government expert advice based on our research and analysis both to facilitate access to housing and to contribute to financial stability.

[*Translation*]

Thank you again for the opportunity to speak to you today.

My colleagues and I would be pleased to answer your questions.

● (1540)

[*English*]

The Chair: Thank you very much, Mr. Siddall, for what was a direct and to-the-point submission.

We'll turn to the first round. We can get everybody in if we go with the first three questioners, one from each party, at seven minutes each, and the rest at five minutes.

Robert.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much, Mr. Chair.

Thank you very much, Mr. Siddall, for coming here today.

I had the opportunity of walking for about 900 kilometres visiting 41 first nation communities over the past 22 days, and in many of the communities I was very pleased to see that CMHC is actually building homes in partnership with the communities. Some of these communities have excellent housing.

I met young men, such as a guy named Moose, who was very proud of building new homes in his community, and I'm very proud of the commitment our government made on that. But I also found a lot of challenges are occurring, for instance, related to rent within communities. I can't say yet that there's a correlation—I'm going to have to go over my data and what I learned—but it seems that some communities require that rent be paid by people who are living in CMHC housing, and other communities do not, and at first glance there seemed to be a correlation with the long-term quality of that housing.

We can talk a bit about that, but also, just to get more information, what is CMHC doing in working with first nations communities on this file?

Mr. Evan Siddall: We share responsibility for housing on reserve with our colleagues at INAC. Currently we spend about $282 million —I'm just referring to my notes—to house first nations on reserve annually. Budget 2016 added an additional $554 million over two years, of which $138 million was directed to CMHC for renovation and retrofit programs. That was the bringing back of a program that was introduced some years ago.

That's the purview of our activity. CMHC's participation tends to be more market-oriented than that of INAC, which tends to be more deep support, but we share that responsibility with them.

I have visited a number of first nations communities—not 41. Every time I travel I try to do that, because it's a core part of our responsibility. People were surprised when I referred publicly to the status of housing on reserve as “abysmal”. That shouldn't be a controversial statement for a civil servant to make, and we definitely share your concern.

Part of the problem, of course, is a local political problem. There is a correlation between those communities that collect and enforce rent, and will actually evict people—and support people so that they can pay the rent—and the housing outcomes we observed in those communities versus others where that is not as enforced and there's less political courage, I would say, with respect to rent collection.

Mr. Robert-Falcon Ouellette: I was also wondering about capacity, because a lot of these are very small communities, some with 500 or 1,000 people. I found sometimes that individuals in a three-year period would have up to five housing directors move in and out, according to the circumstances of life and employment. Obviously, that has an impact on capacity.

What are you doing to work with those communities to build that capacity so they can actually fill out the proper forms in order to obtain the housing they have a right to? I found some communities were very successful in obtaining housing. In others, it had been a few years since they had been able to obtain it because they were missing deadlines, or someone was missing in action somewhere.

I was just wondering what you're doing.

Mr. Evan Siddall: Capacity building is an important part of our mandate. We reserve monies each year to invest in that. If you take communities of 50, 200, or even 1,000 people and put them in remote locations where there isn't much economic activity, capacity will be a problem. That's the situation that faces many first nations communities, as members will know.

We deliver housing through us and INAC through different programs. It's very confusing, and the amount of turnover in those jobs, frankly, hasn't made it easier. We're working with INAC, Indigenous and Northern Affairs Canada, to try to work in a more client service-oriented way so that we help these individuals. In addition, our own consultants at CMHC spend a great deal of time assisting in developing capacity, in promoting educational training, and with rent collection programs for housing managers on reserve as well.

● (1545)

Mr. Robert-Falcon Ouellette: Do you think there would be an impact if, instead of having one small community trying to be everything to everyone, they in fact were to share the capacity among many different first nations? One community seemed to be really good at housing, and another was really good at education—I know you can't comment on the education side. Some were seen to be excellent at water management and water sustainability, and others in environment and economic development.

Perhaps that one community that was excellent in housing should.... Is there a way of ensuring they can share their capacity with other first nations so that we don't see just one moving ahead so far and everyone else staying behind or falling behind in terms of the quality of their housing, which leads to health outcomes and all sorts of other issues that we know occur? Is there a way we could manage that or create a different way of thinking about the system?

Mr. Evan Siddall: I won't talk about education other than to say we know that better housing is positively correlated with better education and health outcomes for children and people. There is a correlation, and we take that responsibility on.

In fact, a collection of expertise in a regional housing authority or a community housing authority among neighbouring first nations is a way to deal with that. It sometimes requires collaboration and co-operation among people who want to have their own responsibility. We've talked to first nations communities about doing exactly that. I think it would be a wise development.

Mr. Robert-Falcon Ouellette: That's something very hard to do, because often people are very protective of what they know and what they have. We want those jobs in our own community. If someone is doing it in another community, even though they might be very good at it, I think that, politically, we become very fearful.

Mr. Evan Siddall: A whole-of-government approach where we help to sponsor that shared expertise in communities wouldn't have to be a zero-sum game, would it? You could have people from one community performing one function, and people from another community performing a different function for the group. That's, I guess, a possibility.

Mr. Robert-Falcon Ouellette: I like that, zero-sum game.

One final thing, just moving on, what's the involvement with CMHC in “Housing First” strategies for homelessness?

Mr. Evan Siddall: Housing First is the responsibility of our colleagues at Employment and Social Development Canada, ESDC, also under the purview of Minister Duclos. We coordinate with them on the homelessness partnering strategy and Housing First, but homelessness per se is ESDC's responsibility.

Mr. Robert-Falcon Ouellette: Okay.

The Chair: Robert, we'll have to end there. That's it. I'm sorry.

Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

Thank you to our guests for being here today. I certainly appreciate your coming and giving the committee a bit of a better understanding of your opinion.

Some of the best advice I ever received was to think of people, not for them. When I read this, it sounds as if your agency is thinking for people. You said, “Action was needed to address the level of household indebtedness in Canada, which is now at a historic high of 167%”. That is probably true, but it doesn't necessarily address housing debt.

We've had witness after witness come and say that when someone can get into the market.... Bear in mind that many people of the baby boom generation came in at double-digit interest rates. They did so because they felt, first, that a home gave them a place for their family, for safety; and second, it allowed them to put away money into forced savings, so to speak, and it allowed them to have the privilege of home ownership, which I think is important.

I think what you're doing here with your comments is somewhat construing the situation to sound as if it is all mortgage debt that is causing the problem, but we've heard very clearly that access to credit card debt, access to financing loans for cars or for other non-durable goods, unlike a home, is an issue.

When you say, “Highly-indebted borrowers are more likely to be younger, first-time homebuyers”, are you not also saying that when people finally get into market, they're going to be older and they're going to be kept out of the market for longer? I'm just trying to get a sense of where you're going with this.

Mr. Evan Siddall: In Canada, we have among the highest home ownership rates in the world, at about 69%. Indeed, as you suggest, home ownership is well correlated with various social outcomes, including forced savings, retirement wealth, etc.

We took as quite instructive the research being done by the Bank of Canada that the number of people who had very high credit scores and were entering the housing market had grown from 4% of people who were indebted to 8%.

First-time homebuyers in particular tend to be substantially.... I think they have 90% plus mortgage debt as opposed to other sources of debt because they're quite stressed. We were concerned about their ability to afford their homes. I don't think we were thinking for them, with respect; I think we were very much thinking of them.

● (1550)

Mr. Dan Albas: I would disagree. When someone is young, most of the time they have some education debt that they have to pay off for school, but when they're buying a home, it's usually because they're on a path. They might get a promotion, etc.

Also, the baby boom generation got into the market knowing what the risks were and made sure they could make those payments, even when they were dealing with double-digit interest rates. Again, I think the policy somewhat smacks of the nanny state.

What evidence does CMHC have that supports your contention that portfolio insurance has distortionary effects that are stimulating excess credit and contributing to higher levels of household debt?

Mr. Evan Siddall: There were a number of business models that were substantially based, for example, on refinancing. I gather some testimony has referred to refinancing as something that has been lost.

I want to distinguish between renewal and refinancing. If an individual comes to the end of their mortgage term and seeks to renew, they can still do that. That's freely within the programs that we have in homeowner transactional insurance and portfolio insurance.

Refinancing is where somebody goes to a bank and wants to borrow money and increase the amount of indebtedness of their home. Our contention is that's not a housing need that we think CMHC exists to provide. That is a housing want, and that can be provided and still is freely available in the public markets. However, to the extent that there's government support for it, that didn't strike us as something that the government should be supporting.

Mr. Dan Albas: I'll cite someone who needs to renew and they're at the end of five years. They often have the equity already to be able to pass...because they've hit that five-year period. Again, part of refinancing allows for people to be able to invest in their small business. It allows them in some cases to survive a lockout or a strike. It sometimes will allow them to be able to purchase a home from a spouse because of a divorce. I think it's a little short-sighted for us not to look at those.

What evidence of risk was present to eliminate portfolio insurance on refinancing rentals when there was a delinquency factor of 0.24 of 8% in the current portfolio?

Mr. Evan Siddall: The evidence is in economic crises throughout history. Of the 46 financial crises for which we have data, the overwhelming majority of those, 70%, were preceded by housing boom-and-bust cycles. There's a book called *House of Debt*, by Atif Mian and Amir Sufi, and they say it is as definitive a relationship as exists in macroeconomics.

We were jeopardizing the economic future of Canada by promoting an economic cycle in housing markets that could result in a crash and could result in unemployment for people.

Mr. Dan Albas: You're quoting from a book's economic model as your evidence.

Mr. Evan Siddall: You asked me for evidence.

Mr. Dan Albas: We just had the financial crisis of 2007-08 and post-recession. We have Alberta, for example. Alberta has been weathering a significant economic downturn, and that is without a housing collapse.

What do you say when you're faced with the actual practical situation that we just had a major stress test in 2007-08 and we have continued to see a weathering where Albertans are doing what it takes to be able to keep their homes?

Mr. Evan Siddall: We don't believe we've been tested in our system in Canada. I wouldn't suggest that the financial crisis as it applied in Canada was a true stress test.

We publish stress tests that are far more aggressive than that, and, with respect to oil price declines, far uglier than we've experienced recently in Alberta. I would suggest that a single-digit decline in house prices is not a crisis.

Mr. Dan Albas: I would simply point out that when you have the shock going through the international finance system and people aren't sure about what anything is going to be worth, that is a stress test versus an orderly rise.

People know that interest rates eventually will go up and they will make allowances for that. I would simply point out that the practical models we've seen and the behaviours of our moderating institutions here in Canada show that the market was quite capable and resilient, and it was due to continued efforts to make sure that the market itself priced risk.

Mr. Evan Siddall: I would just say it's my job to not be complacent about that.

Mr. Dan Albas: What you're saying is that it's your job to push things, even though all you can do is point to a macroeconomic model versus actual experience.

Mr. Evan Siddall: It was the evidence of 46 prior economic crises. That's real data, as opposed to an economic model. I'm happy to share that data with you.

Mr. Dan Albas: Yes, I would appreciate that. Thank you.

The Chair: Okay, thank you both for an interesting exchange.

Ms. Boutin-Sweet, welcome.

[*Translation*]

Ms. Marjolaine Boutin-Sweet (Hochelaga, NDP): Thank you, Mr. Chair.

I want to thank the witnesses for being here today.

I'll start by talking about risk sharing in the case of mortgages. At this time, the government assumes all the risks. The issue at stake now is lender risk sharing. It's interesting, but I want to know whether you think lenders could share part or all these risks with consumers. In other words, could this increase the mortgage rates of banks?

● (1555)

Mr. Evan Siddall: I'll respond in English.

Ms. Marjolaine Boutin-Sweet: That's fine.

[*English*]

Mr. Evan Siddall: First of all, the Department of Finance is leading the consultations on lender risk sharing. Those are going on right now, and it will be for the government to decide where that goes. Our analysis of potential risk sharing, as has been presented in the consultation papers, is that there could be a modest increase in mortgage rates in the neighbourhood of 10 to 50 basis points, so 0.1% to 0.5%.

That depends on the circumstances, but I would describe it in the following way. If the risk to mortgage insurers goes down, then the capital we need to protect against that risk will go down; therefore, the premiums that we will charge will go down and that risk and capital and rent, or premium, will go up on the part of lenders. In the large part, it's an in and out; it's a wash.

We account for some friction in the way bank capital is calculated relative to how capital is calculated for mortgage insurers, and we think, on net, it would be in the neighbourhood of just less than half a percentage point.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: If I understand correctly, interest rates could increase slightly. However, the insurance rate could also decrease a bit to compensate for everything.

Mr. Evan Siddall: Yes, absolutely. That's correct.

Ms. Marjolaine Boutin-Sweet: I know the changes were implemented only four months ago. However, since October 3, have you been able to see the impact of the government's changes on first-time homebuyers? I'm not talking about the Vancouver or Toronto markets, which are exceptional cases. However, I want a general idea. Do you already know how this will affect the market, especially for first-time homebuyers?

[*English*]

Mr. Evan Siddall: Yes, particularly among first-time home-buyers.... It's a little early yet to see. There's some seasonality in our results, but I don't want us to avoid the question. I'll refer the question to Steve Mennill, my colleague, who runs our insurance business. I will say that we had expected some slowdown, and in terms of what I had seen going into it, it's not even quite as bad as we'd thought. The reason is that our forecasts had assumed a full delay of economic activity, as opposed to a change in behaviour. If somebody purchased a smaller house but still participated in the market, that would offset the potential decline.

Steve, just give some observations from what we've seen in our business.

Mr. Steven Mennill (Senior Vice-President, Insurance, Canada Mortgage and Housing Corporation): We've certainly seen some modest declines in the volumes that we are underwriting, mostly for first-time buyers, in the order of a 15% to 20% reduction in those volumes. That is simply because borrowers who were near the top of that permissible debt service range are no longer able to qualify due to the stress test.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Are you talking about a decline in the number of home purchases? What is this decline exactly?

[*English*]

Mr. Steven Mennill: It's about 15% to 20% of overall volumes. It's not an extremely large number nationally. Over time, we also expect that borrowers will start to adjust their expectations and will be able to purchase houses that are a little bit lower cost and lower value. Therefore, they will have a smaller mortgage and will still be able to enter the home ownership market.

Mr. Evan Siddall: Or, if I may say, save for another year or two and buy those same homes. It would be a deferring of that economic activity, as opposed to an elimination of it.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Okay.

As I said earlier, you have the results after four months. Do you intend to come speak to us again about the results after six months or one year? What would be a good length of time to determine whether it really worked?

Mr. Evan Siddall: I think we need a year to have a complete picture of the situation.

● (1600)

[*English*]

Because of the seasons we would want to go through one full year.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: Okay.

It was said earlier that personal debt has been increasing for a number of years. I had a figure of 165%, and you mentioned 167%. That's a lot. Borrowers are less able to make their payments. According to the “blues” of the last meeting, 72% of the debt consists of mortgages. It may have been you, Mr. Tremblay, who mentioned this the last time.

The measures have been in place for only four months. Do you think they're helping to improve things with regard to this issue? Do you see differences from province to province?

Mr. Evan Siddall: Yes, the measures have produced good results.

[*English*]

There will be a difference in different provinces to the extent of higher indebtedness. For example, Alberta has comparatively higher levels of debt than other provinces. I think Calgary, Vancouver, and Toronto have higher levels of debt than other cities. Compared with Ottawa, for example, we would see differences. As I said, we'll just wait and see how that plays out over the next several months.

[*Translation*]

Ms. Marjolaine Boutin-Sweet: However, you haven't yet been able to assess the impact on people's personal debt. Is it too early to do so?

[*English*]

Mr. Evan Siddall: Not exactly, no.

I know we're not solving for an outcome. We're just making sure that we are, on behalf of the government, controlling the growth in personal indebtedness. The trajectory it's on is a function of so many factors—low interest rates, income growth, job creation, immigration—not all of which, of course, is within anyone's control, so we think it's our responsibility to not pour fuel on that fire.

The Chair: Thank you both.

I will just come back to Mr. Mennill for a minute. You mentioned a decline of 15% to 20%. To me it wasn't clear on what. Is that 15% to 20% for first-time homebuyers? Could you just be a little more clear on that?

Mr. Steven Mennill: Yes, that would be 15% to 20% of our overall volumes of mortgage insurance being processed or approved in that period of time. The majority of those borrowers are first-time buyers.

Mr. Evan Siddall: It's in the neighbourhood of two-thirds or so.

The Chair: Okay, thank you.

Turning to Mr. Fergus, we'll go to five-minute rounds.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you, Mr. Chair.

First, I want to thank you, Mr. Siddall, and your colleagues for being here today. I find your remarks very informative.

In your presentation, you said it was possible to have too much of a good thing. I agree with this philosophy. Sometimes, we must soften our zeal for taking on debt to purchase a home.

You mentioned that your goal wasn't to create a spike in housing prices in the greater Toronto and Vancouver markets, but to avoid negative long-term consequences for the Canadian economy. You're doing this because you really want to focus on Canadians who are vulnerable to external factors in the Canadian economy. These people are heavily in debt.

Mr. Siddall, several witnesses have said that there's no need to panic and that the situation isn't like the one that occurred in the United States in 2007-2008. When we look at the indicators, such as the 90-day arrears, we can see that we're not in a similar situation.

I'll ask you a question to start our discussion.

If the 90-day arrears are not a good indicator of risk for the future, what indicator do you think is useful for predicting the future?

[*English*]

Mr. Evan Siddall: Let me reinforce two things, if I may, in response to the question.

First of all, the decisions were taken by the Minister of Finance on our advice, so I don't deserve credit for those changes but of course we advised in support of them. The “too much of a good thing” reference was my interpretation.

Arrears are in fact quite low, at about one-third of 1%, and indicators are that they're in fact trending lower, not higher, in our country. There are some delinquency issues that are trending up in a few areas. That's another indicator that we pay attention to, as is, as a result of this research I referred to in response to Mr. Albas, the overall level of indebtedness.

Also, then, I should say that our housing market analysis framework is a model that refers to evidence of problematic conditions and analyzes four factors: overvaluation, overbuilding, house price acceleration, and one more that I've forgotten—

● (1605)

Mr. Michel Tremblay (Senior Vice-President, Policy, Research and Public Affairs, Canada Mortgage and Housing Corporation): It's overheating.

Mr. Evan Siddall: Yes, overheating.

That includes several models that sit under it, and I suppose, if I may say so, it stands for the proposition that no one single measure is reliable. We have to look at a compendium of measures in order to understand the collection of what's going on in various marketplaces in Canada, and we do attend to those.

Mr. Greg Fergus: Then no one ever gets credit, Mr. Siddall, for taking steps that eventually avoid a problem in the future because a problem doesn't arise in the future, for which we can be thankful.

Stepping back a bit, if we are trying to make sure that we do not have an overheated, overvalued, or overbuilt.... I'm sorry, but now I forget the fourth factor you raised.

Mr. Evan Siddall: They are price acceleration, overheating, overvaluation, and overbuilding.

Mr. Greg Fergus: There you go.

You're seeing the current situation and you're feeling that it.... You gave advice to the Minister of Finance that, based on your analysis, this could be a problem.

Mr. Evan Siddall: Yes.

Mr. Greg Fergus: I agree with you, so I'm wondering at what point you will be convinced that we've avoided this problem or this future problem.

Mr. Evan Siddall: I suppose, as I said to your honourable colleague, that I'll never be satisfied; that's my job. I think you rely on us at CMHC to make sure—in fact, this is in our legislative mandate—that we promote financial stability and access to housing. It's a balancing act.

I don't know whether that will arrive, but what I do know is that with the economic growth we have in this country, increasing immigration, and the possibility of increased foreign investment flows and low interest rates, there is a lot promoting the housing market. Housing is now at an all-time high as a percentage of GDP in our economy, and all of these factors point to potentially too much of a good thing. It's that combination of factors that I would refer to.

The Chair: I'm sorry, gentlemen, but five minutes goes by fast.

Mr. Liepert, you have five minutes.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Mr. Siddall, thank you for coming today.

I must say that I cannot believe that we had about 12 hours of witnesses here—people who are in the field, people who are experiencing this every day—and you come here with a statement that basically says they don't know what they're talking about, and says, “I'm sitting here in Ottawa and I know better than they do.” I don't think I've ever seen a more arrogant presentation in my life.

I think you might want to take a minute and just step back and say that some of these people who are experiencing these issues every day might know something about what's going on here. You say, “it could happen”, “if it happened”, and based on reading a book. I'm appalled.

We have a situation in Alberta where we've gone through two years of job losses that are unprecedented in this country, and foreclosures have barely changed. Based on exactly what has been happening in Alberta for the last two years, how do you justify what you recommended to the minister?

Mr. Evan Siddall: First of all, I apologize if I come across as arrogant. That's not at all my intention.

We have people working in all provinces of this country, including Alberta, and we listen to our colleagues in all of the entities and to all of the stakeholders who testified to you. Some of them are our clients, in fact. Some of them are our competitors, and we listen quite intently to them.

I misspoke if you thought our conclusions came merely from a book. I was citing that as a particular piece of evidence for being concerned about the future, and I would reiterate that concern.

I must say that the problem that we worry about the most is unemployment. That is absolutely the single creator of somebody losing their home. That's the single risk we face.

Economists talk about negative demand externalities. People in Canada will determinedly pay for their home, so the fact that our arrears rates are very low is actually worrisome, in the sense that someone will save their home by not buying a car, by not buying a fridge, or by economizing on their groceries. That's our experience in Canada. What that does is it reduces consumption. When we reduce consumption, we reduce economic activity. When we reduce economic activity, someone loses their job. That is what we're concerned about.

● (1610)

Mr. Ron Liepert: We've been told by people who deal with clients on a daily basis that what you have done is the exact reverse. First-time homebuyers who were about to qualify for a mortgage could not qualify under these new rules, so they've taken their dollars and spent them on a vacation or a car. What would be your comment to that?

Mr. Evan Siddall: I haven't seen that data.

Mr. Ron Liepert: Well, read the testimony, then, that came before us—

Mr. Evan Siddall: I've seen the testimony.

Mr. Ron Liepert: —multiple times.

Mr. Evan Siddall: I can't distinguish between an opinion and facts, so I haven't seen the data.

Mr. Ron Liepert: You're going by opinion; you're not going by facts. You have no facts to justify what you did. You are going simply on the basis that something could happen, so we're going to take this action now. That's hardly data.

Mr. Evan Siddall: With respect, I disagree. Our housing market assessment is based on models that are based on historical data, and our stress test is based on projections of our own insurance outlook. Those are data. Those are not opinions.

Mr. Ron Liepert: That isn't what we've heard for 12 hours of testimony before us here, and I'm extremely disappointed that someone like you is making those kinds of recommendations to the finance minister based on what we've seen here today.

Mr. Evan Siddall: I'm sorry for your disappointment. It's my job to be impartial. I don't represent a particular sector. I represent the Government of Canada and CMHC. Those people have people they represent, and I would suggest that you may want to take that into account.

Mr. Ron Liepert: This is another case of government saying, “I know better than the people who are out on the street, the people who elect all of us.” This is government sitting in Ottawa saying, “I know better than the people who are dealing with this on a daily basis.” How can you say that you're contributing to long-term economic growth when we have multiple witness after multiple witness giving us concrete examples of how their business has dried up because of this one decision?

Mr. Evan Siddall: Their businesses have dried up because the government was involved in a market in providing stimulus, and the Minister of Finance decided to remove some of that stimulus. It's like you're at a party, and the party has got too strong and you remove the punch bowl.

Mr. Ron Liepert: Oh, boy.

The Chair: You have time for one quick supplementary.

Mr. Ron Liepert: I'll let it go with that, Mr. Chair.

The Chair: Okay.

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you very much, Mr. Chair.

Thank you for coming.

In fact, the only opinion spoken was not as Mr. Liepert stated. In fact, we spoke, on this side, anyway, of the significant concerns, especially to the taxpayers who back a lot of the insurance. Should the market fail, or should people not be able to pay for their homes, it's actually the taxpayers who are on the hook.

In terms of the support that the government provides, you talked about it, and you talked about it with my colleague as well, but you said there is major support in the mortgage market. You just alluded to your analogy here. Can you elaborate so Canadians know, people who have invested in their homes? Also, what are the risks if the models are correct and if the indebtedness is too high, and a crash occurred, or even a drop in terms of affordability and people being able to pay for their mortgage?

What are the risks associated to taxpayers, given the fact that the government actually supports the mortgage market in the ways that we do? Mortgage lenders acknowledge some of the highest support in the world, when comparing us with the U.K., Australia, etc.

Mr. Evan Siddall: Yes, the Canadian state, the Canadian government, provides very substantial support in the housing market. I suspect it's close to, if not at the world peak in several programs. First of all, mortgage loan insurance is about $1 trillion of government guarantees. The homebuyers' plan is a federal program that allows first-time homebuyers to withdraw up to $25,000 from their RRSPs. There are also provincial and municipal policies that offer further support. The capital gains exemption on one's principal residence is a further form of support. Then finally, our securitization programs allow constant funding for people in the mortgage business. We're quite active in the housing market.

The concern is, as I said about removing the punch bowl, that the consequences can be quite significant. It's not just a housing adjustment and people losing their homes; it's people losing their homes because of unemployment. If I'm in a position where I have too much debt and I don't buy a car, then somebody who works at a plant in Oshawa may lose their job. That's the direct economic consequence of having too much indebtedness in an economy, people don't have degrees of freedom.

● (1615)

Ms. Jennifer O'Connell: Thank you. I appreciate that clarification, because we heard testimony that seemed to conflate the issue with first-time homebuyers having access to the market, but really this is intended to deal with indebtedness. Whether someone has overspent on a mortgage, or has a mortgage and other consumer debt, this is what the stress test is all about. This is the concern.

As I think you stated in your comments, it's not about slowing particular markets.

Mr. Evan Siddall: It's not at all about slowing particular markets, nor, frankly, is it about directly removing first-time homebuyers from the market. It's making sure that people.... Because the government's involved in this marketplace, first do no harm, and then make sure you're not making matters worse. That's the idea.

Ms. Jennifer O'Connell: Thank you, and I'm sorry, I don't mean to cut you off but I have to get to some other questions.

We also heard a lot of testimony about the lack of consolidated data. The real estate associations have some. Banks have some. Mortgage lenders have some. I understand that Minister Duclos has asked for this as well in terms of your mandate and providing comprehensive data to understand things like foreign investment. He laid out a number of data requests.

Have you been doing this? Do you feel that it's significant enough to bridge the gap of the very clear missing data to help us fully understand the problems moving forward?

Mr. Evan Siddall: The short answer to your question is that it's not enough. Of course I'm going to sit here and tell you that we're doing things, and we are. We've been working on our own to address the share of foreign ownership in condo units, where we can get those data; the turnover rate in rental markets, and we can get those data; and the price in square foot data for newly built condominiums in centres of more than 50,000 people.

We're working with StatsCan on some new data—I'm being quick for you here—and we have plans over the next two years to acquire more.

Ms. Jennifer O'Connell: Thank you. I can't stress how important that is. To steal a term, the idea of delinquency rates as a predictor, it's a rear-view mirror. Without that data moving forward, that data you're speaking about, we can't predict and project properly in the economy.

Mr. Evan Siddall: That's correct.

The Chair: Thank you both.

Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you.

To move on to a bit of a different topic, you said there was some talk about the steps taken that were not intended, and then, in the meantime, there appeared to be unintended consequences. If we were to take all this out there and say that you intended to do what you did, that means....

We hear back from builders in our communities, in our ridings. We know that people lost money, or they cannot sell their properties anymore and they end up with no profit, or below zero. We know that there's another interpretation to what you did, which was to encourage more or less the rental market versus the home builders, which was another consequence of the whole thing.

Another perception is that you are imposing policies on Canadians, especially first-time homebuyers, in terms of their dreams, their opportunities, and what they want. If we look at the Alberta market—we represent Alberta—we see that this policy has impacted Alberta a lot, including small businesses. During the difficult time of the economic downturn in 2007-08 until now, Albertans managed to really hold their market and to hold their mortgages, and we've seen the best results of all.

With these controversies surrounding what you have suggested to the Minister of Finance, can you clarify exactly why you think your policy is of benefit to Canada and Canadians? We know that Vancouver and Toronto markets have driven your policy, in many cases. What does that represent percentage-wise compared with the rest of the Canadian markets? Is it a good blanket policy that's really fair for all Canadians?

● (1620)

Mr. Evan Siddall: The Minister of Finance makes policy for the nation as a whole, and it's on that that we advise him. He did not, and we did not in our advice, target Toronto and Vancouver. House prices and indebtedness are up across the country. Again, I would refer to the Bank of Canada's FSR for evidence of that.

With regard to the impact on first-time homebuyers, it wouldn't be fair to say that we were targeting them or that we intended to hurt first-time homebuyers. In fact, we were quite sympathetic to the impact on those individuals. What we were trying to do was save the long-term economic growth of this country from the possibility of a recession triggered by high house prices and high levels of indebtedness.

Mr. Ziad Aboultaif: We've seen in evidence in Alberta that Alberta has weathered the economic difficulties and we haven't seen any move right there. After 10 to 15 years, we haven't seen.... Isn't that enough evidence for you to really think before you put forward such recommendations to the minister?

Mr. Evan Siddall: We certainly took that into account, as we did the price adjustments in Toronto. We were concerned about the future. The past does not predict the future.

Mr. Ziad Aboultaif: How much do the Toronto and Vancouver markets represent of the overall market in Canada?

Mr. Evan Siddall: Steve, do you have the data here? We can respond later if we don't have it with us.

Mr. Steven Mennill: I don't have the exact data with me.

Mr. Evan Siddall: We can provide that to you.

Mr. Ziad Aboultaif: We need to know that for sure. We need to know that impact on the rest of the market, because if we're going to come up with a policy, it has to be fair. This has to be balanced somehow. The evidence we have here is that this policy was not really balanced whatsoever. Some people get looked after, somehow. The government has taken the steps, the Bank of Canada's recommendation, your recommendation. You hold almost $1 trillion in mortgage insurance across the country. You look after your best interest, but on the other side, there are a lot of people around the country who get hurt. A lot of new homebuyers, new generations, or baby boomers, who were looking for that first step in investment and they don't have that anymore.

Mr. Evan Siddall: Sorry, was there a question, sir?

Mr. Ziad Aboultaif: The question is, do you believe this policy was really a balanced one?

Mr. Evan Siddall: Yes, I do.

Mr. Ziad Aboultaif: After all the consequences around it...?

Mr. Evan Siddall: I'm even more convinced now than when we advised the minister without seeing the impact and only predicting it.

Mr. Ziad Aboultaif: Finally, would the new risk sharing rules make it more difficult for rural Canadians to access mortgages or not?

Mr. Evan Siddall: Which new rules?

Mr. Ziad Aboultaif: The new risk sharing rules.

Mr. Evan Siddall: There are no rules that have been promulgated. One of the questions in the consultations is to understand the impact on rural Canadians so that the policy would account for that. So, no, I would not make that prediction.

Mr. Ziad Aboultaif: It's not predictions—

The Chair: Sorry, Ziad, we're a little over and we're tight on time.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Good afternoon, gentlemen. Welcome.

I don't think there's anything more important for Canadians than their home. I was invited to attend a pre-budget consultation in the city of Toronto with the member from York Centre. I would say half the comments and questions we received from the residents were with regard to our housing market, in terms of affordability, accessibility, and ensuring that, for one voter, her kids would be able to buy a home and live in the neighbourhood they grew up in. It's very topical, as you can imagine. Two days ago, we had a house in Toronto listed for $1.5 million and sell for $2.6 million, I think it was, so it was a million dollars over. There's obviously something going on. Canadians are concerned and they want to know that things aren't going to go astray.

Mr. Siddall, you've commented quite prudently on our housing market for the last several months in terms of identifying the risks and vulnerabilities. I've read your speeches and gone over the results. It behooves us to make sure we deliver the message that CMHC, since 1954 or whatever the year was, is there to assist Canadians in entering the housing market. We must ensure they do so in a prudent manner. As the Bank of Canada comments, we must ensure that the quality of indebtedness that Canadians take on going forward is a good quality. We don't want individuals overstretching themselves, especially if there's an exogenous shocker or anything of that manner.

A number of countries have undertaken actions for their housing market, be it Australia, Switzerland, New Zealand, Hong Kong, or Britain. I would like you to answer, because I think what we've done is prudent. We needed to ensure financial stability. I believe we have a home ownership rate of 69%. However, Canada is made up of regional markets, not one national market.

When we're looking at the Canadian housing market, what other pieces of information do we need to improve our decision-making? If you look at Australia, they seem to have more data than we are able to have. What more can we get to allow you folks to do an even better job than you're doing?

● (1625)

Mr. Evan Siddall: Let me just take a step back and first of all refer to the affordability question. It is an important point that you make, namely that the more we support demand, the higher prices will be, all things being equal. If we make it easier for people to buy a home, that will increase demand, which will increase prices.

We have to think about these issues in affordability terms. In fact, as I've said in my speeches, which you and my mother are the only people to have read—thank you, sir—some more attention to the supply side of the equation is a pressing need. We need to orient ourselves as much toward supply as demand.

On the data point, we've been working very hard. We feel it's our responsibility as the servants with respect to housing in this country to get that for Canadians, in consultation with OSFI, Statistics Canada, and others. We've even talked to colleagues at the Department of Finance about different ways to get that information legislatively and we will be working on that over the next year or two.

Mr. Francesco Sorbara: We had some data come out on the number of unoccupied homes across Canada, and it's over one million, if I'm not mistaken.

Let me just make sure.

It's actually 1.3 million empty or temporarily occupied homes. That's an issue. I hear from friends who live in condos in downtown Toronto that when Elections Canada comes to try to enumerate everybody, a lot of doors remain closed because the people aren't there. Foreign investment is an issue for many Canadians, which you hear about anecdotally a lot, be it in Vancouver or Toronto. I think that is something we need to focus on.

I want you to reiterate how important it is to the quality of indebtedness that we don't let it go too astray.

Mr. Evan Siddall: Yes, to quality and magnitude.

With respect to foreign investment, in fact the data we have suggests that less than 5% of homes in Canada are owned by non-Canadians. I'm not concerned about the status of it now. It's a factor, not the factor. However, the outlook for increased foreign investment and increased immigration is another source of potential demand that will push prices and affordability higher.

In particular, there is a lot of money that wants to leave China and can't. That's a country with a very high savings rate and a proclivity to invest in real estate, so I agree that those are factors we need to try to measure better.

Mr. Francesco Sorbara: Just quickly—

The Chair: Sorry, Francesco, you're over time.

Mr. Boulerice.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chair.

I'm pleased to be here today as part of the committee's work.

I'll go fairly quickly.

I'm the member for Rosemont—La Petite-Patrie, in Montreal. Most people in the constituency are tenants. People are concerned about many issues. These include property prices and home ownership, mainly for young families. Sometimes, these families are forced to choose to live in the suburbs because housing and condos are too expensive in Montreal.

I found it a bit strange that you said earlier that you were sympathetic to the situation of first-time homebuyers. Aside from being sympathetic to their situation, what can you tell them so that they understand you want to help them?

[*English*]

Mr. Evan Siddall: I don't want them to lose their homes, and I don't think—*pardon*?

[*Translation*]

Mr. Alexandre Boulerice: They don't have homes.

[*English*]

Mr. Evan Siddall: I understand that, but if we were to support them infinitely, or even more, to buy a home, they could be in a position where they would lose their home through unemployment and too much indebtedness, so that was a concern.

We're also supporting the rental market through a program that was announced in the last budget called the affordable rental innovation fund, and the affordable rental housing financing initiative, both of which will increase the innovation around and the supply of rental housing across this country.

● (1630)

[*Translation*]

Mr. Alexandre Boulerice: In response to the questions asked by my liberal colleague regarding property purchases by Chinese investors, especially in Vancouver, you seemed to say that this didn't concern you. However, doesn't this phenomenon contribute to the housing bubble in the Vancouver region? You see the situation, but you don't do anything. You're an observer.

[*English*]

Mr. Evan Siddall: No. I suggested it is a factor, not the factor. There is certainly foreign investment in all major international cities, in particular in Toronto and Vancouver in this country. I am more concerned about the future of it than the current state of it.

It is certainly a factor, but the work we have done on the factors underlying escalating house prices has shown that there are three principle reasons for increased house prices. These are low interest rates, increased incomes and jobs, and immigration, which tends to arrive in Vancouver and Toronto.

On top of that, there is foreign investment, certainly, and domestic investment, which is an even larger factor than foreign investment in our country. There are income and wealth effects, and finally, there is constricted supply. In fact, in our work, the evidence would suggest that the two markets with the slowest and weakest supply response are in Vancouver and Toronto.

The Chair: The last question goes to Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair.

Thank you for coming today. We really appreciate it.

I think the quintessential question for the government, the finance department, and most of the people involved is the balance between stabilizing the housing market and making sure that Canadians have confidence in the housing market, and then making sure that there's access to housing. A lot of the testimony we heard was that you're over-regulating. But then I go back to 2008 and the lessons learned in the United States, and say that a lot of Americans probably would have appreciated a little bit of regulation then, because when it unravelled, it unravelled so quickly.

My colleague spoke about data, and we asked a lot of questions on the data that's being looked at to come up with policy recommendations. We do have concerns with the data elements.

Can you please speak again in depth on what you think the government should be looking at right now, because in your testimony today you said you're still looking at the housing market? What indicators are you guys looking at? What do you guys think is the best way to judge if we have a stable housing market in Canada?

Mr. Evan Siddall: First, this question of the balance between access and financial stability is a core concern of CMHC. It sits in our legislative mandate that we're to attend to both. We worry a fair bit about achieving that balance.

Go ahead, Michel, if you have it there.

Michel Laurence, who just approached the table, is the person responsible for this, and has done a very good job in trying to close what we've identified as these data gaps. Michel will just share a little more.

Mr. Michel Tremblay: Evan has mentioned a couple of them that we're really focusing on. One is investor demand for property. That again is the foreign investment but also Canadian investors, because as markets gain for a number of years, people start speculating that it's going to keep going, so they get into the market and start buying properties also.

As Evan mentioned, we're also looking at supply issues. We're trying to get data on supply, on what regulations exist across different municipalities that could slow down the response of supply to demand. Again, we'll have to collaborate with municipalities to get that.

Land availability is another thing we're looking at. When we did expert round tables as part of our national housing strategy, we heard this could be an issue. We're also looking at what motivates a homebuyer, and when to buy a house. Those are some of the data gaps that we're looking to fill over the next couple of years.

Mr. Raj Grewal: Is there any consideration of looking at the question of leverage in the market itself? How are people qualifying for mortgages? I've always felt we're not asking the right questions. This may not be in your mandate, but if you want to speak to it, I'd really appreciate it.

● (1635)

Mr. Evan Siddall: Yes, we've thought about loan-to-income. Before I get too far down this path, it's certainly our view that we need to digest the changes that were announced in October, and not to think about the next series of changes. But were the government to ask us about other policies, one such policy that's been enacted in the United Kingdom, for example, is a loan-to-income limit as a way of addressing the concern you mentioned.

Mr. Raj Grewal: Thank you.

Because the housing market is very regional, the story in Brampton East, in my neck of the woods, is a lot different from the story in Alberta that many of my colleagues talk about. Funnily enough, from one end of Brampton to another, the story is different.

What's happening in my city is that supply is really driving up prices. In January the forecast across the country for construction start-ups, again was at record highs. When I drive past a new open house or a model home, and there's a lineup of people willing to spend $700,000 and six hours in line to buy a house in the area they want to live in, and then I come back here and I hear all this testimony saying that the housing market is sound, there seems to be something wrong.

I know you're still looking at it. Would you say that today the market is stable and that Canadians are okay purchasing their homes with confidence?

Mr. Evan Siddall: We have one of the most admired housing systems in the world—deservedly so—and we've had it for a while. It's our job to make sure we continue that strength. I would say that, in general, we have a healthy market. We just don't want it to be overly healthy. Does that make sense?

Mr. Raj Grewal: It absolutely makes sense. Again, we go back to the balance. We are trying to achieve a balance between stabilization and access. I think we are achieving that balance, and it will be interesting to see how the numbers play out in the next couple of months.

Last question, just for my own personal—

The Chair: Your—

Mr. Raj Grewal: It's a really good question, Mr. Chair.

The Chair: For fairness, I'll give you one question and Mr. Aboultaif one question.

Mr. Raj Grewal: Excellent. Ziad is a good friend.

In the history of the organization, when things have settled down or data points have changed, have you recommended policy to be retracted? Would you see a scenario, moving forward, when the stress test is taken away to stimulate more home purchases?

Mr. Evan Siddall: I don't know exactly what we've recommended, but certainly those policies have gone both ways over time.

Mr. Raj Grewal: So there have been corrections in terms of....

Mr. Evan Siddall: Sure.

Mr. Raj Grewal: Thank you so much. I appreciate that.

The Chair: Mr. Aboultaif, you have one very last question.

Mr. Ziad Aboultaif: Thank you, Mr. Chair, and thanks to Raj, too.

The question is for Mr. Siddall. Last year, you made comments suggesting that the government should consider increasing the minimum down payment required to buy a house. The first part of my question is, do you stand by these comments? The second part is, is the government considering these changes?

Mr. Evan Siddall: Thank you for the opportunity to clarify what I said.

I did not, in fact, say that this was something the government should do. I said it was a policy that we should evaluate for the future. It's not a current concern.

As we look at a range of different alternatives for the market, which is CMHC's responsibility, that's one.

Mr. Ziad Aboultaif: If you were to—

The Chair: That was your one question. I'm sorry, Ziad.

We'll have to end it there, because we're into our next hour. Thank you, Mr. Siddall and those accompanying you. Thank you for your interventions and comments.

Mr. Evan Siddall: Thank you.

The Chair: We will suspend for a couple of minutes while the parliamentary secretary and others come to the table.

● (1635)

(Pause)

● (1640)

The Chair: For the second hour, which is now 45 minutes, on our study of the Canadian real estate market and home ownership, we have the parliamentary secretary, Ms. Petitpas Taylor, as well as representatives from the Department of Finance: Mr. Rob Stewart, associate deputy minister, and Ms. Leach, the chief of housing finance, capital markets division.

The floor is yours, Ms. Petitpas Taylor.

Hon. Ginette Petitpas Taylor (Parliamentary Secretary to the Minister of Finance): Thank you very much.

Good afternoon, Mr. Chairman and committee members.

[*Translation*]

I'm pleased to be here today to speak to you as parliamentary secretary to the Minister of Finance, the Honourable Bill Morneau.

● (1645)

[*English*]

I am also pleased today to be in the good company of Rob Stewart and Cynthia Leach, who will be here to help me if there are any questions that I need some assistance with.

[*Translation*]

One of the most important responsibilities of the government and the Minister of Finance is to ensure that Canada has a healthy, competitive and stable housing market.

[*English*]

This is why our government has been focused on housing issues since coming into office. This has included a series of carefully targeted measures to ensure stability and to promote affordability. Today I want to clearly explain the benefits of these changes and why our government has taken action.

Investing in a home is the single, largest, and most important financial decision most Canadians will make in their lives. Home ownership is vital to the economic and financial health of Canada and middle-class families. It is vital that we do what we can to ensure that the market is stable, and to provide peace of mind to homeowners across Canada. Especially in markets like Vancouver and Toronto, there is a risk that some middle-class families buying their first home could be taking on high levels of debt as house prices climb, reducing the likelihood that they would be able to afford their properties over the long term if economic situations or circumstances occurred.

Those who already own their homes want to know that the market is stable and that their most important investment is safe. We've heard that quite a bit during the testimony. Affordability and market stability are, therefore, issues that concern many middle-class families. These concerns are real, and this government takes them extremely seriously.

Last October, Minister Morneau announced tighter mortgage insurance rules—among other measures—designed to improve stability, reduce risk to taxpayers, and ensure that everyone is playing by the rules. The more robust mortgage rate stress test for insured mortgages is meant to ensure that Canadians are taking on mortgages they can afford, even if interest rates go up or if their income drops in the future.

Other changes were also made to target safer forms of lending. These measures are focused on addressing the buildup of housing debt across Canada. As you have heard, these measures will require borrowers and lenders to make adjustments in the short term. Fundamentally, these measures are important in containing risk to preserve the long-term stability of the housing market in Canada.

We have seen in other countries what can happen to the housing market and the overall economy when housing risks and leverage are not appropriately managed. In these situations, it is often the middle-class families who suffer the most. Ultimately, the government's efforts to contain risk in the housing market will support its plan to create conditions for economic growth over the long term, growth that will benefit the middle class and those working hard to make it to the middle class.

One fundamental point that has yet to emerge clearly in this committee is the fact that the government's support for the housing finance system remains significant, especially compared with other jurisdictions like the U.S., the U.K., and Australia. Mandatory mortgage insurance promotes the extension of low-cost credit to a large proportion of homebuyers—many of them first-time homebuyers—and mitigates risks to financial systems.

No other country supports mortgage insurance like the Canadian government does here at home. At the same time, discretionary mortgage insurance and government-sponsored securitization programs support access to low-cost funding for mortgage lenders. Some lenders have built their business models around this support, which will continue to be available for mortgages that conform to the new requirements. They can also continue to provide loans that do not meet the new requirements, but on an uninsured basis.

One element that we know we need to make greater progress on is a better understanding of the factors that drive developments in housing markets. This includes the impact of purchase by foreign investors on demands for homes, but it also includes factors that impact the housing supply. This is why in the 2016 budget the government provided funding to Statistics Canada to gather data on purchases of Canadian housing by foreign homebuyers. Work on this initiative is ongoing.

The government has also created the federal, provincial, and municipal working group of officials to review the range of factors affecting regional housing markets. In addition to sharing data and identifying information gaps, this group has been looking at factors relating to housing supplies in Canada. A healthy supply of new homes is an important component of any strategy to promote access to housing.

This brings me to affordability. Our government knows that it needs to work with provinces and municipalities to provide housing that meets the needs of the most vulnerable citizens. This is why it is also acting on affordable housing fronts.

● (1650)

[*Translation*]

In the last budget, the Government of Canada spent $2.3 billion on affordable housing. It will continue to work closely with the provinces and municipalities on this file. As you may know, the Honourable Jean-Yves Duclos, Minister of Families, Children and Social Development, is currently developing a national housing strategy.

We know that the financial security of Canadian families depends on sustainable debt levels and stable housing markets. The federal government takes its responsibilities seriously by making sure the housing policy framework remains healthy, competitive and stable and protects all Canadians and the economy from potential excess housing market volatility. That's why the Minister of Finance took action twice during the first year of our mandate and continues to follow the file very closely.

Measures that ensure a sound and stable housing market and financial security for Canadian families are part of the government’s economic plan. This economic plan is based on the notion that, when you have an economy that works for the middle class, you have a country that works for everyone.

[*English*]

As we look to the future with the goal of creating growth that benefits all of us, nothing could be more crucial than protecting what for many Canadians is the most important investment they will ever make in their lives. At every step of the way, our government will continue to listen to Canadians, homeowners, and stakeholders as it seeks to ensure a healthy and stable housing market for the benefit of all Canadians.

In that spirit, it gives me great pleasure to be here today to take some of your questions on behalf of the minister.

Thank you.

The Chair: Thank you, Ginette.

Turning to the first series of questions, we'll go to about four and a half minutes each so we can get everybody in.

Mr. Sorbara.

[*Translation*]

Mr. Francesco Sorbara: Thank you, Mr. Chair. Good afternoon, Ms. Petitpas Taylor.

[*English*]

My first question regards the changes that were made and whether, when you make these sorts of changes, you may be able to use a consultative process. Could you comment on that front, please?

Hon. Ginette Petitpas Taylor: Absolutely. Thank you very much for the question.

In past governments, when policies have been made in the housing market.... Some consultations are able to be made within government departments, but one thing is for certain. When you're looking at these types of policy changes, it is truly important to make sure there's no breach of confidentiality, because there are many sensitivities when it comes to these types of issues.

Our government has consulted on a number of fronts when at all possible, whether it be on the environment or whatever the case may be. But when it comes to these types of situations, when it comes to changing mortgage rules, it's truly important to make sure that we are very sensitive and very prudent with the information we have. As a result, that is why there was no public consultation held regarding these matters.

[*Translation*]

Mr. Francesco Sorbara: Thank you.

[*English*]

I have a second question I'd like to ask, and it may be for the officials. Our government has invested $440 million into CRA for tax avoidance and tax evasion over five years. We've taken a number of measures to ensure that all organizations and Canadians are paying their fair share of taxes to support those social services and programs that we so value in this country.

One of the changes that was announced on October 3 by the Department of Finance was to.... I'll read it verbatim:

> Improve tax fairness by closing loopholes surrounding the capital gains tax exemption on the sale of a principal residence.

Can you comment on that, please?

● (1655)

Mr. Rob Stewart (Associate Deputy Minister and G7/G20 and Financial Stability Board Deputy for Canada, Department of Finance): Yes, by all means.

One of the things we did was to clarify the rules for the claiming of the capital gains exemption. This gets to be quite technical, so if you like I can provide it in writing.

Mr. Francesco Sorbara: Please.

Mr. Rob Stewart: In essence, it ensures that only those who are eligible for the exemption get to claim it. It furthermore ensures that reporting of sales of primary residences will from now on be made in all circumstances, whereas before it was only under the circumstance in which tax was owed. Now all sales of principal residences will be reported to the CRA. In addition, the CRA was provided with the power to audit on a permanent basis the past transactions in houses to ensure there was no tax avoidance or evasion. In all, we reinforced the powers of the CRA both in rules and in terms of their audit function.

Mr. Francesco Sorbara: Okay.

Going back to the parliamentary secretary to the finance minister, I would like you to comment on just how important it is for our government to ensure that we have a sound and stable housing market.

Hon. Ginette Petitpas Taylor: First and foremost, these policies or these changes were brought forward because we wanted to really help support a healthy and stable competitive housing market within our society and also to make sure the economy was stable as well.

We have put measures in place to protect borrowers, because we recognize that there is a high level of debt and we truly just want to make sure that we're here to protect Canadians. That's what it's all about. It's about protecting Canadians and making sure that they have a stable debt load.

Mr. Francesco Sorbara: Thank you.

The Chair: Thank you, Francesco.

Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair.

I want to thank the parliamentary secretary and the officials for coming today. Certainly, I've been in your seat before working as a parliamentary secretary and carrying water for my minister. Obviously, you weren't there for these changes, so I can't hold you accountable for them, but I can hold you accountable for what you've said.

The president of CMHC just said that the changes that were brought in on October 3 were not in response to Toronto's and Vancouver's housing markets. You, in your opening statements, have said otherwise. Who's right?

Hon. Ginette Petitpas Taylor: We have seen a situation that was acute in Toronto and in Vancouver. However, the borrower vulnerability is not just in Vancouver and in Toronto. The borrower vulnerability is all across Canada from coast to coast to coast.

Those markets were hot, yes; however, it's the borrower vulnerability that we're very concerned about and that's why these policies and these changes were put in place.

Mr. Dan Albas: The president just said completely otherwise, that the changes were not made because of those exclusive...but we'll move on.

In your comments you talked about stability versus affordability. Now, Finance Canada, to my understanding, has always tried in this policy sphere of housing to have both stability and affordability, but also competition. I'm asking the officials if you can't answer. Did you understand that you were upsetting the competitive balance in the mortgage marketplace by removing portfolio insurance?

Mr. Rob Stewart: I would not put it in those terms. I would say we understood that there would be some structural adjustments necessary in the marketplace as a result of the reduced availability of portfolio insurance to those firms that are dependent upon it to finance their businesses.

Mr. Dan Albas: Okay, in other words, you knew there would be a response to the changing of the rules. Is that correct?

Mr. Rob Stewart: We knew there would be some adjustment in the marketplace over time.

Mr. Dan Albas: Okay, and that includes consolidation of some of the monoline lenders, but it also suggests there would be closures of some smaller competitors that just couldn't operate under the new set of rules. Is that correct?

Mr. Rob Stewart: If I may, I'll explain here that our changes have been made very much at the margin in terms of the access to the government's support for housing. In this respect, what we have done is change the rules for portfolio insurance that was used by these lenders to access funding. We have made those rules align with the terms and conditions that you must enter into when you buy transactional insurance for high-ratio properties.

Mr. Dan Albas: You said structural changes earlier. In perfect competition we talk about many firms competing for different customers. In this case there are going to be fewer firms competing in that sphere, and there are going to be larger firms. Is that correct?

● (1700)

Mr. Rob Stewart: We reduced the access to the support by the taxpayer for those firms that were reliant upon it.

Mr. Dan Albas: Okay. Did you understand that you were going to increase borrowing costs for Canadians with these changes, and did you intend to do so? Do you understand the mechanics behind these rate increases?

Mr. Rob Stewart: We anticipated that there would be some transitional issues associated with the adoption of these rules and that the marketplace would adjust over time. We would not predict an increase in mortgage rates, but we would say it would be, in the circumstances, possible that they would rise slightly.

Mr. Dan Albas: What evidence of risk was present to eliminate portfolio insurance on refinance and rentals when there's a delinquency factor of 0.24 of 8% in the current portfolio of CMHC?

Mr. Rob Stewart: Again, looking at this from the broader perspective, it was a public policy decision to—

Mr. Dan Albas: It's a very specific question, sir.

Mr. Rob Stewart: Yes, I'll get to your questions, if you don't mind.

The Chair: Go ahead, Mr. Stewart. You have the floor.

Mr. Rob Stewart: Thank you.

We were looking at it from this point of view: what is a right amount of support to provide, by the taxpayer, to the marketplace? In this case we were aligning the same profile of risk for the high- and the low-ratio mortgages.

Mr. Dan Albas: What evidence of risk—?

Mr. Rob Stewart: Overall levels of non-performance in mortgages are low across Canada generally.

Mr. Dan Albas: So what evidence of risk was present?

Mr. Rob Stewart: The risk here is that you have a situation wherein marketplaces and in markets where they're fuelled by low interest rates, you have a growth in the market and a provision of credit backed by the taxpayer, which leads people into situations of undue risk and ultimately threatens the stability of the lender.

Mr. Dan Albas: What evidence was there to suggest that high-ratio restrictions were needed to be applied to low-ratio mortgages?

Mr. Rob Stewart: I would not put it that way. I would say what we were doing was making the rules and the access for low-ratio to portfolio insurance the same as for high-ratio.

Mr. Dan Albas: Okay.

The Chair: Mr. Boulerice.

[*Translation*]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

I want to thank the witnesses and the parliamentary secretary for being here today.

I'll go back to the question I asked earlier this afternoon.

You spoke a great deal about the need to help the middle class and those who want to join it. I think homeowners and those who are trying to own a home should be helped. In our communities, many people are concerned about this. It's the case in Montreal and in my constituency.

As members, we're invited to visit schools, which is a very pleasant activity. Children ask us questions about a range of topics. Surprisingly, the issue of house and condo prices often comes up. Since they hear the issue discussed at mealtimes, they ask us what we can do to help their parents purchase a house or condo. It makes me sad to think I'll need to tell them, when I return to the schools, that the federal government has taken measures that will make it more difficult for their parents to own homes.

How can you justify these measures to all the young families whose dream is to purchase their first home?

Hon. Ginette Petitpas Taylor: First, I wouldn't say the situation is being made more difficult for them. Instead, I would say we're trying to help them manage a debt level that's very high in the country. We want to make sure they'll be able to keep the home they purchase. The first home may be slightly less expensive, but they'll be able to remain there.

In the end, we're taking into consideration the overall nature of the situation over the short term and long term. We want to protect Canadians from this debt level, which is really very high and getting higher.

Mr. Alexandre Boulerice: The debt level of Canadians could be dealt with another way. I think it would be worthwhile for your government to create regulations for credit card interest rates.

Many witnesses who appeared before the committee said they were surprised to see the measures implemented recently because they weren't consulted. I find this surprising, given that you've been in the habit, for the past year and a half, of conducting many consultations, which is good. However, that didn't happen in this case.

Can you explain why?

[*English*]

Hon. Ginette Petitpas Taylor: Again, as indicated earlier, and as you've indicated, our government has taken a lot of pride in consulting with Canadians on different issues over the past year and a half. I know personally, I've done a number of consultations in my riding.

However, when it comes to this specific issue, we have to recognize that there are sensitivities to the information, and also we have to treat this information very much in a confidential way. We could see that with a leak of some of this information, there could be material commercial impact. People could benefit from this. We really want to make sure that this information is treated in a confidential type of manner.

● (1705)

[*Translation*]

All this to say that confidentiality must be taken into account. The Department of Finance, the Bank of Canada, CMHC and the Office of the Superintendent of Financial Institutions regularly hold discussions.

Mr. Alexandre Boulerice: All this still leaves me a bit dissatisfied. I have the impression that things were done behind closed doors to keep people from reacting and to prevent young families in particular from knowing how a property purchase would be affected.

In concrete terms, I want to know whether you have a strategy for helping and supporting co-operative housing communities. Co-operative housing is a very good option that facilitates access to housing for families who, in many cases, are less fortunate than others. I'm very familiar with this situation in my constituency.

[*English*]

Mr. Rob Stewart: I can't comment on that at this point in time. I can, however, point to the fact that the national housing strategy, which is under way under Minister Duclos, is looking at support for forms of social and affordable housing. The consultations have taken place and the decision is to be announced.

The Chair: Thank you all.

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

Thank you all for being here.

My first question is for the officials.

Can you, perhaps, speak to what happened in the past, with regard to consultation on items that could potentially have market implications? As we just heard from the president of CMHC, in the past, previous governments have also implemented changes to affect the housing market or mortgage market.

Can you as officials comment on whether there were consultations at the time, or has this been a policy of protecting market sensibilities? I don't mean attributed to one government but in terms of a department policy.

Mr. Rob Stewart: I can, by all means.

We have now made six changes, six adjustments to the rules for mortgage insurance since the crisis in 2009. In all of those cases, the announcements were made without consultation, in a formal sense, with the marketplace.

Having said that, I can assure you that we have a very active dialogue with the marketplace and we continuously ask them about their views with respect to housing risk and access to mortgage insurance. Furthermore, I can say that in this particular case, the change in the stress test, which was a modest adjustment to an existing rule, was being supported by most of the stakeholders we spoke to before we made the decision.

Ms. Jennifer O'Connell: Thank you.

I want to go back to the comments of Ms. Petitpas Taylor to clarify something.

I understood you to say that these policies were not focused on hot housing markets, but in fact I heard that your comments were exactly in sync with what we just heard from the previous testimony, that the object of these changes was related to debt load. We can see in the reports and in the testimony, in fact, that it's not just Vancouver and Toronto. We heard testimony—and I believe you were here for that, too—that Montreal was on that list, not because of high property prices but in fact because of consumer debt load.

Can you clarify for me whether your comments were in sync with what we just heard in the earlier testimony, that the object of these changes was not related to hot markets?

Hon. Ginette Petitpas Taylor: Yes, I acknowledge that the situation in Vancouver and Toronto is acute. However, the borrower vulnerability is not limited to those areas. If we look at the debt load from coast to coast to coast in all different cities, towns, and villages across this country, the concern is the debt load, absolutely.

● (1710)

Ms. Jennifer O'Connell: This is for whoever can answer. This follows on my colleague's question about competition and the mortgage lender models. I asked this question to some of the witnesses who were concerned about competition. Could those same models exist if they didn't have this, as we heard in earlier testimony, something like a trillion dollars in back insurance?

Could these models exist without taxpayer and government intervention, and is this not more of a protection of that investment?

Mr. Rob Stewart: In large measure, the development of the lenders in the marketplace relying on portfolio insurance was a product of the fact that the risks associated with the lending could be transferred to the government.

The Chair: I think, Mr. Stewart, you wanted to come in on that earlier question that Ms. Petitpas Taylor answered.

Mr. Rob Stewart: I just wanted to note, as has been noted by the Bank of Canada in its financial system review, that the level of vulnerability is rising rapidly and the number of borrowers who have levels of loan-to-income of over 450% has increased significantly across the country, particularly in the markets of Toronto and Vancouver. In supplement to the answer that was provided, it is an issue across the country, but it is also an important issue in those markets.

Ms. Jennifer O'Connell: Thank you.

Just following up on that point in terms of lender support, ultimately if.... The competition is good. I don't think anyone is denying that fact. However, with the level of investment that Canada makes to allow for this competition through backing that insurance, as one example, changes or people's inability to pay, because sometimes those are the higher-risk individuals we're looking at there.... What would be the impact of the government's investment and Canadians' investment, in your opinion, if we didn't take these market risks and this debt load risk very seriously?

I think the earlier testimony pointed to maybe trying to ensure that there isn't too much of a good thing in terms of allowing too much debt to accumulate without really looking at the fact that, if we don't cool it off a little bit, people will out-borrow what they can afford with any market changes.

Do you see the risk to the overall investment as the real cause of concern if we don't protect and put these moderate tests in place to ensure people really can absorb those market changes?

Mr. Rob Stewart: When we think about stability risks, we think about them from two perspectives: the perspective of the system, which is largely the institutions that provide the loan and their stability, and also the borrower vulnerability.

In this case, we were looking very much at the borrowers of the equation. The system is stable, but there is a segment of borrowers at great risk. You could look at all of the changes that we've made in mortgage insurance policy over the last seven or eight years as reining in the capacity of borrowers to take excessive risk.

Ms. Jennifer O'Connell: Thank you.

The Chair: Mr. Aboultaif.

Mr. Ziad Aboultaif: Thank you.

The question is to the parliamentary secretary.

I gather from your opening statement that somehow the policies that have been pushed forward left a lot of consequences for small builders, for credit unions, for small lenders, and for overall big industry in Canada, other than in Toronto and Vancouver.

You mentioned the national housing strategy. As I gather from what you've said, those policies are going to encourage the government to have a national housing strategy. Any expert looking at it can see that the government is going to replace those industries, that they are in business and are going to really take that national strategy to start to be in competition with these interests, which is really against the free market, against the encouragement of small business owners, and in the meantime is going to cause a lot of loss of job opportunities and put a lot of doubts in the market.

Did I gather right from what you said or not?

● (1715)

Hon. Ginette Petitpas Taylor: Perhaps I didn't understand your question appropriately, but the national housing strategy is put in place in order to allow vulnerable Canadians to enter the housing market. That's really and truly what we envision with respect to the national housing strategy.

Mr. Ziad Aboultaif: With the national housing strategy, you're talking about affordability. How can that happen?

You also talk about protection of investment. How can we protect people's investments if we're not allowing them to invest because they are no longer able to do so?

Hon. Ginette Petitpas Taylor: Canadians are still able to invest if they choose to. We are simply putting some measures in place to make sure that we are able to support a healthy, stable, and competitive housing market. That's really what this is all about.

As indicated earlier, perhaps some homebuyers won't be able to buy that high-end home that they wanted, but it doesn't mean that they won't be able to enter the market. We simply want to make sure that their borrowing vulnerability is managed.

Mr. Ziad Aboultaif: But the measures that have been taken are not allowing many Canadians to enter the market as first-time homebuyers.

The opposite is what you're saying. Yes, in theory you're talking about encouraging, but in reality the policy out there is not going to allow those people to enter the market. How can you justify that?

Mr. Rob Stewart: To be clear with respect to first-time homebuyers and the interest rate stress test, what we've done is we've extended the test from a segment of the market where it had already existed. It had already been in place for borrowing under five years; now it's in place for mortgages with five-year terms and over. It has a transitional effect where first-time homebuyers, who were previously qualifying at very low five-year contract rates, will no longer qualify.

We see that as a transitional effect and we see it as being subject to changes in consumer behaviours. There's the possibility here that a first-time homebuyer, who does not qualify for the size of home they wanted to buy previously, will buy a smaller home or save.

Mr. Ziad Aboultaif: Based on your data, and based on your information that you're not going to release because of confidentiality and maybe the effect it is going to leave on investment in the market overall, when do you see that it will be enough, that the policy will no longer be viable, and that maybe the government should retract and kind of open it again for people to join as first-time homebuyers from the middle class? How do you see that's going to happen in a timely fashion?

Mr. Rob Stewart: I don't know if I could answer the question of when, but I could answer the question "under what circumstances".

Obviously we've taken these measures over a series of years, in the last year two times, to address circumstances arising from a low interest rate environment. An ability to borrow and a consumer's interest in borrowing to buy a house have been very high. That has pushed up house prices. It has pushed up people's interest in buying houses.

These measures have been taken in general, as I've mentioned, to make sure that when they enter into those arrangements, they're not vulnerable to either a loss of income or interest rate rises over time.

In other circumstances, for instance, where the economy is performing well but risks are lower, interest rates are higher, and the impediments to people making imprudent borrowing decisions are higher, we would perhaps look at circumstances in which we would change some of those rules. These are macroprudential rules, and they are adjustable.

The Chair: Thank you, both.

Mr. Fergus.

Mr. Greg Fergus: Thank you very much, Mr. Chair.

First of all, thank you, Madam Petitpas Taylor, Mr. Stewart, and Ms. Leach. I really appreciate your being here.

I have two quick questions. The first is that we've heard from stakeholders and from the opposition, my hon. members across the way, about the consultations. We heard you point to commercial sensitivities and why we can't have public consultations on specific housing measures. Is there any feature of the housing measures that differed compared with consultations that occurred in the past, especially under other governments, let's say, from the housing crisis in 2008 until now?

● (1720)

Mr. Rob Stewart: Could you clarify? Is there any feature...?

Mr. Greg Fergus: I mean in terms of the public consultations that you've had on issues that would affect the housing market, how did the changes of October 3 differ in a qualitative way that wouldn't have allowed you to do any preconsultations with the industry?

Mr. Rob Stewart: Yes, by all means. The changes to eligibility for mortgage insurance will have an impact on the marketplace, on the structure of the marketplace, on who gets access to mortgage insurance, and therefore, how easily credit can be extended.

We announce them in a transparent and immediate way to avoid any gaming of the market, anybody pulling forward house prices and house sales. I would refer you, for instance, to the B.C. foreign buyer tax, which saw a big surge of house sales in late July, as an example of where a delayed kind of impact can bring demand forward.

It doesn't apply in all circumstances. There are other places where we are consulting and have consulted. We have made some changes to rules around eligibility for portfolio insurance where we've had regulatory processes that have allowed public comment after the regulations have been published. We've also had informal consultations on a number of fronts, including one that is ongoing right now about the question of whether lender risk sharing would be a good idea.

Mr. Greg Fergus: I'm sorry...?

Mr. Rob Stewart: It's about the question of whether sharing risks with lenders would be a good idea, and they are very open processes with access to documents.

Mr. Greg Fergus: Thank you for that. I do appreciate that, and especially for getting that on the record.

The second question I have has to do with the witness testimony from CMHC, from Mr. Siddall. The measures that were taken on October 3 were measures that seemed to me would try to mitigate the risk of what Alan Greenspan called back in the 1990s the “irrational exuberance” of the market.

Do you feel that these measures are accomplishing that goal? What type of data would you need to reassure you that you've met that goal and that other policy tools would or would not be needed?

Mr. Rob Stewart: It's too early to say what the impact of these measures is. Some of them just came into effect at the end of November. We are actively monitoring those impacts, collecting data from lenders and mortgage insurers, and trying to understand how that's changing.

Mr. Greg Fergus: Because I have a short period of time, I'm going to ask you to quickly elaborate on that front. Some of the witnesses who were here felt, or seemed to present, that they had hard data, but your professional opinion is that it's too early to tell.

Mr. Rob Stewart: It is too early to say with any degree of confidence that we know exactly how this is going to play out.

There has been a short-term effect. It is clear that it has in some circumstances.... As one would expect, fewer first-time homebuyers are qualifying for a five-year rate, but how this affects the overall demand for mortgages remains to be seen. Also, as you know, we've done this at a period in time when the mortgage market is actually quite slow, so we'll have to see how things play out over the spring.

The Chair: We'll end it there. Thanks to both of you.

Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair, and thank you to our witnesses.

I'm going to start with the parliamentary secretary. It's obviously different in question period in terms of being in front of a committee. Do you understand your obligations in terms of testifying in front of a committee of Parliament?

Hon. Ginette Petitpas Taylor: Absolutely. I worked for the Codiac RCMP for 24 years and appeared in court as a witness for—

Mr. Dan Albas: Then the question would be this. During October 3 in Kelowna—Mr. Chair was there—many of the committee members were on a telephone conference call with Finance Canada, in which officials and the former parliamentary secretary did a briefing. Specifically, Mr. McColeman asked this question of finance officials: were there consultations? Mr. McColeman received an answer from a lady—I'm not sure if it was Ms. Leach or another one of her colleagues—who said, “We wouldn't call it a consultation; however, we did talk to a few banks for their comments.”

I would just ask you the question. You've given testimony here today saying that there was no consultation and that to do so would actually jeopardize the confidential information, yet finance officials, on the other hand, told this committee something completely different. I would also mention that you may not have been responsible for writing all of your opening statement, but you are responsible for what you say to this committee.

Can you say with 100% clarity that there was absolutely no outreach done across the board in consultation on this? If so, will you commit to this committee to getting the transcripts—audio or the actual written transcripts—of that teleconference call and submit those as evidence?

● (1725)

Hon. Ginette Petitpas Taylor: I will submit that there was no formal consultation done.

Mr. Dan Albas: Okay, but again, who's correct? The official that was on the call, or are you saying that there was no consultation? That official did say....

Hon. Ginette Petitpas Taylor: I can simply say that there was no formal consultation done.

Mr. Dan Albas: Okay.

Hon. Ginette Petitpas Taylor: I was not privy to the call.

Mr. Dan Albas: Will you get the transcript so we can submit that as evidence?

Hon. Ginette Petitpas Taylor: If I can get access to a transcript, if it is available, I will commit to doing that, yes.

Mr. Dan Albas: Okay. Thank you.

Moving on, you're a member of Parliament like the rest of us. Obviously we've had mortgage brokers unhappy for their clients. People have seen 18% less purchasing power when they go to buy a home, and you've said yourself that they're just not able to qualify. Have these measures hurt the housing market in your home riding? What have your constituents said?

Hon. Ginette Petitpas Taylor: Actually, probably my riding is seeing a lot of growth in my municipalities, so we are perhaps bucking the trend in my riding per se. However, what I would like to say is that these measures are put in place to protect the borrowers. At the end of the day, it's about protecting Canadian citizens.

Mr. Dan Albas: You're saying that you're protecting your constituents by doing this.

Hon. Ginette Petitpas Taylor: I am saying that the measures that have been put in place have been put in place to protect the borrowers, yes.

Mr. Dan Albas: Okay. That's what you're saying to your constituents. Thank you.

Now, in regard to profit generated from portfolio-insured loans, can you please tell me how much came in during the last year from CMHC's insurance?

Mr. Rob Stewart: I can't give you the specific number.

Mr. Dan Albas: It's around $400 million.

Mr. Rob Stewart: In terms of profit...?

Mr. Dan Albas: Yes, as in money came in for that—

Mr. Rob Stewart: Are we talking about revenue from premiums earned? Is that what we're saying?

Mr. Dan Albas: Yes.

Mr. Rob Stewart: These are quite complicated because they recognize premiums on a incremental basis all the time.

Mr. Dan Albas: Does the government get money from providing this service?

Mr. Rob Stewart: Absolutely.

Mr. Dan Albas: Okay, so the government would like to portray that taxpayers are at risk, when this money comes in every year. Can you tell me where that money goes? Does it go towards an insurance pool or insurance fund to make sure that if there ever is a cataclysmic event, the government will have that money ready to use, or does it go into general revenue?

Mr. Rob Stewart: Premiums earned by CMHC are recognized in the annual public accounts of the Government of Canada.

Mr. Dan Albas: Where does the money go? Is it kept separate?

Mr. Rob Stewart: The money, for the moment, is invested by CMHC and is held as an investment, but the recognition from an accounting point of view is of annual income. If an event occurred and CMHC paid out on insurance, or any of the other two guaranteed insurers—

Mr. Dan Albas: Is there a fund?

Mr. Rob Stewart: —that would be recognized as a fiscal expense.

Mr. Dan Albas: Is there a fund, or is it an accounting—

The Chair: That's your last question.

Mr. Rob Stewart: It's only the accounting that matters.

The Chair: Mr. Falcon Ouellette, you have time for one question, if you want one.

Mr. Robert-Falcon Ouellette: Thank you very much. I guess I'll try to make it a most worthwhile one.

We talked a lot about the middle class. I was just wondering what the impact of this change might be, for instance, on an inner-city housing market? I know it's a very specific question. I represent the doughnut or inner city of Winnipeg. I know there are a couple of other places like that in the country, perhaps in Saskatoon or Regina. How does that impact getting, for instance, newcomers and aboriginal peoples to get into home ownership, even though the housing stock itself might not be of the greatest quality? What do you think might be the impact?

I'm not looking for a specific answer, or you might not know the answer, but I'd just like to have some of your thoughts on that.

Mr. Rob Stewart: The issue in urban markets is really the changing nature of those marketplaces over time and the need for a more diversified housing stock. This is recognized in the government's work on its national housing strategy and, indeed, in supporting people in getting access to homes. We have a very large policy set today that supports people in getting access to homes, against which we balance these concerns about stability.

There are segments of the population, particularly in urban markets where prices have risen, who would be inclined to stretch—and I believe the term we've used is “unhinged expectations”—and they might get themselves into a situation where they would be vulnerable. That was the concern that motivated these policy measures.

We think it's a transitional impact, so a borrower, an individual, or a household that really would like to own a home can save to own a home over time. It's a question of supply at the end of the day, and whether or not there are available homes. This is one of the main concerns when you look at markets like Toronto.

● (1730)

Mr. Robert-Falcon Ouellette: In Winnipeg, for example, where you can still get a home for about $150,000—in the suburbs they might be about $350,000, $400,000, $500,000, or $1 million—do you think this might push more of the middle class, younger people for instance, into that inner city and diversify the people living there? It's a difficult question, I know.

Mr. Rob Stewart: I can't really answer that. I would say that, in the long run, protecting borrower vulnerability and preventing people from reaching for buying houses, and therefore, pushing up their prices is in the interests of the diverse population of people who want to buy houses.

Mr. Robert-Falcon Ouellette: Okay. Thank you very much.

The Chair: We'll have to stop it there because we are at the end of our time frame.

Ms. Petitpas Taylor, you were going to check, and the clerk will as well, on whether there is a transcript from that conversation. Whether it's publicly available would be the other question.

With that, thank you all for your presentations.

We will see you all on Wednesday when we talk to the advisory council on economic growth.

The meeting is adjourned.