

Mortgage Lending and Borrowing Regulatory Changes

Haydn McInroy

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Abstract

Prices in Vancouver and Toronto housing markets are forcing a tightening of mortgage lending across Canada by the Office of the Superintendent of Financial Institutions (OSFI). This form of risk mitigation is carried out through increased stress testing of mortgage borrower income levels along with more strictly enforced loan-to-value requirements used to regulate lending practices by Federally Regulated Financial Institutions (FRFIs).

The goal of the tightened mortgage lending is due to concerns surrounding the increasingly alarming debt problem as Canadian debt to income levels doubled in the past two decades, along with historical drops in Debt-Service ratios of Canadians during economic downturn. With Canadian debt to income levels at an all-time high, coupled with the facts that the current Canadian rates are higher than those of the US prior to the 2008 Financial Crisis, and the high level of mortgage debt that makes up the overall debt of Canadians, tightening of mortgage regulation is something that the Government deems necessary.

Written in the format of a Memorandum to a Deputy Minister in the Federal Canadian Government, this paper examines and addresses key issues related to the increased mortgage regulation being carried out by OSFI and the Federal Government.

Author Biography

Haydn McInroy

Haydn McInroy is a second year MBA student at Dalhousie University, with a Bachelor of Arts (Honours) in Criminal Justice and Criminology with a Concentration in Law. Having worked in the financial services industry during the residency portion of his MBA, the large regulatory changes implemented by the Federal Government at the beginning of 2018 are something that are currently relevant from an economic and financial standpoint. The paper was originally written for BUSI 6019 – Business and Government Relations instructed by Dr. David Stuewe.

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