

# Tories pledge to boost mortgage repayment periods for buyers

McFarland, Janet; Kirkup, Kristy . The Globe and Mail ; Toronto, Ont. [Toronto, Ont]24 Sep 2019: B.1.

[ProQuest document link](#)

---

## FULL TEXT

Conservative Leader Andrew Scheer said a Tory government would review the mortgage stress test and expand repayment periods, proposals that would partly reverse Ottawa's efforts to discourage homebuyers from taking on too much debt.

Mortgage brokers warned that Mr. Scheer's plan could push housing prices higher, if consumers used their expanded purchasing power to buy more expensive homes.

Much like a Liberal announcement earlier in the election campaign, the Conservatives' housing plan is geared primarily toward home ownership rather than expanding rental options, and it aims to appeal to millennial voters who want to buy a house. But the proposals would apply to a wider array of potential buyers.

Mr. Scheer promised to increase the maximum amortization period on insured mortgages to 30 years for first-time buyers from 25 years currently, which would give buyers more time to repay a mortgage and lower their monthly payment costs as a result. In Canada, mortgages must be insured when the buyer brings a down payment of less than 20 per cent of the purchase price. (Uninsured mortgages can already last 30 years.)

The federal government has changed the rules for amortization periods a number of times in the recent past - allowing them to expand as long as 40 years, then ratcheting them back as it became clear that longer repayment schedules were adding fuel to a hot housing market.

The previous Conservative government of Stephen Harper cut mortgage amortizations three times in a four-year period, lowering them from 40 years to 35 in 2008, then to 30 years in 2011 and finally 25 years in 2012, all aimed at curbing rising debt levels.

While the Conservative Leader pledged to review the mortgage stress test if elected, he made no specific promises to ease the test level, which has been a demand from many lobby groups in the real estate sector.

The stress test, introduced at the start of 2018, requires buyers to prove they could qualify for mortgages, even if interest rates were two percentage points higher than the level they negotiated with their lender. Some have suggested it could be lowered to one percentage point or less.

Mr. Scheer detailed one concrete change, saying the party would remove the stress test for people seeking to renew their mortgages with a new lender. Renewals with a current lender are already exempt.

Mortgage broker Rob McLister, founder of Ratespy.com, said he believes many borrowers would take advantage of 30-year mortgage amortizations if they could, and would likely use the extra leeway to buy a more expensive home. Data show that 85 per cent of first-time buyers purchase as much house as they can afford, Mr. McLister said, which means a majority would likely spend more on a house if a longer amortization period reduced their monthly payments.

Mr. McLister estimates that adding five years to amortizations would give a home buyer about 7 per cent more buying power, while James Laird, president of Toronto-based mortgagebrokerage firm CanWise Financial, said he estimates it would allow a buyer to spend about 10 per cent more on a home.

"What's beautiful about it is that their mortgage payment doesn't change," Mr. Laird said.

"With the exact same payment they can qualify for 10 per cent more home. They are just given a few more years to pay it off, and the household is not more financially stressed after this policy."

He said a longer amortization period is a broader-based and simpler way to help first-time buyers than the Liberals' new shared-equity plan for first-time buyers, which would see the government take as much as a 10per-cent ownership stake in a house and receive the equivalent proportion of the price increase when the house is sold. Earlier in the campaign, Liberal Leader Justin Trudeau promised to expand the plan by allowing buyers to use it for more expensive houses in Victoria, Vancouver and Toronto.

Mr. Laird said his firm's clients are struggling to understand the complexity of the shared-equity program, which launched this month, and virtually no one has applied for it so far.

The Liberal government has so far rejected calls for 30-year amortizations because of the impact they could have on home prices.

Evan Siddall, chief executive of Canada Mortgage and Housing Corp., warned in May that 30-year amortizations would apply to a large proportion of buyers and spur more market activity, while the targeted shared-equity program is aimed at a small tier of buyers who find it most difficult to qualify under current rules.

CMHC believes a 30-year amortization would push home prices up by 1 per cent to 2 per cent in large cities, Mr. Siddall told the House of Commons finance committee in May.

"My job is to advise you against this reckless myopia and protect our economy from potentially tragic consequences," he said.

Mr. Laird said many existing homeowners would significantly benefit from removing the stresstest rule for mortgage renewals.

He said many borrowers don't even try to negotiate a better interest rate with another lender when their mortgages come up for renewal because they don't want to bother with the complications of trying to qualify under the stress test.

"The biggest impact was just the diminishing of the competitive market, where consumers felt free to shop around to ensure they were getting the most appropriate mortgage from the lender offering the best terms and conditions at renewal," he said.

Also Monday, Mr. Scheer promised to launch an inquiry into money laundering in the real estate sector and said he would work with partners in the industry to "root out corrupt practices."

The Conservative housing platform also promises to make surplus federal land available for housing development.

Mr. McLister said the pledge to add more land for housing "sounds great on paper," but it is hard to know how much land that would entail or how long it would take to develop a plan for its use and release it to developers.

The NDP has also pledged to expand the mortgage amortization period to 30 years, and has outlined a plan that would build 500,000 more units of affordable housing and encourage more financing for rental construction.

The Green Party has pledged more funding for affordable housing and rental properties.

## DETAILS

<b>Subject:</b>	Mortgages; Purchasing; Equity; Affordable housing; Housing prices; Amortization
<b>Location:</b>	Canada
<b>People:</b>	Scheer, Andrew Harper, Stephen Trudeau, Justin
<b>Publication title:</b>	The Globe and Mail; Toronto, Ont.
<b>First page:</b>	B.1
<b>Publication year:</b>	2019

<b>Publication date:</b>	Sep 24, 2019
<b>Dateline:</b>	TORONTO VAUGHAN, ONT.
<b>Section:</b>	Report on Business
<b>Publisher:</b>	The Globe and Mail
<b>Place of publication:</b>	Toronto, Ont.
<b>Country of publication:</b>	Canada, Toronto, Ont.
<b>Publication subject:</b>	General Interest Periodicals--Canada
<b>ISSN:</b>	03190714
<b>Source type:</b>	Newspapers
<b>Language of publication:</b>	English
<b>Document type:</b>	News
<b>ProQuest document ID:</b>	2295924392
<b>Document URL:</b>	<a href="http://myaccess.library.utoronto.ca/login?url=https://search.proquest.com/docview/2295924392?accountid=14771">http://myaccess.library.utoronto.ca/login?url=https://search.proquest.com/docview/2295924392?accountid=14771</a>
<b>Copyright:</b>	Copyright The Globe and Mail Sep 24, 2019
<b>Last updated:</b>	2019-09-24
<b>Database:</b>	Global Newsstream

## LINKS

[Check for full text via 360 Link](#), [Link to OCLC WorldCat](#)

---

Database copyright © 2019 ProQuest LLC. All rights reserved.

[Terms and Conditions](#) [Contact ProQuest](#)