



MORTGAGE
PROFESSIONALS
CANADA

**TRREB Market Year in Review
and Outlook Summit**

Feb 8, 2021



Who is Mortgage Professionals Canada?



- ✉ National association of all businesses involved in mortgage broker originated loans
 - ✉ Mortgage brokerages
 - ✉ Mortgage lenders
 - ✉ Scotia, TD, Equitable, Home Trust, MCAP, First National, etc.,
 - ✉ Mortgage Insurers
 - ✉ CMHC, Sagen (ne: Genworth), Canada Guaranty
- ✉ Balanced Perspective of Regulatory Frameworks
- ✉ Advisor to governments



2021 Main Story: Vaccine Rollout

- ✉ 2021's economic recovery and Real Estate story will be determined by the speed of inoculation of Canadians
- ✉ Business closures led to an exodus from cities. Will business re-openings lead to a return, and how quickly?
- ✉ Will increased valuations in rural communities be retained?

Vaccine Rollout



- ✉ Pfizer approved Dec 10
- ✉ Moderna approved Dec 23
- ✉ Canada vaccines administered as of Jan 28: 825,563 one dose, 90,464 two doses.
- ✉ J+J approval for single dose vaccine anticipated in March.

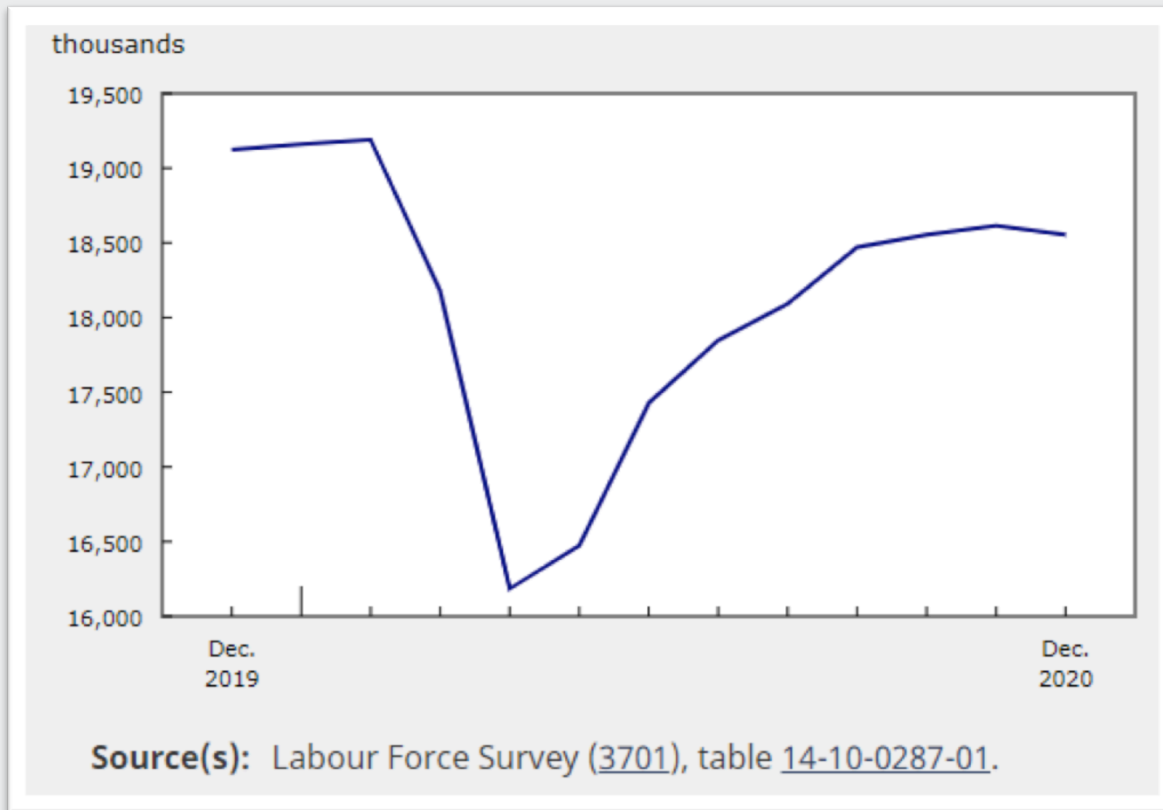


<https://covid19tracker.ca/vaccinationtracker.html>

Jobs and Immigration



📁 Labour Force Survey:



📁 Immigration targets:

- 📁 2021 - 401,000 (previously 351,000)
- 📁 2022 – 411,000 (Previously 361,000)
- 📁 2023 – 421,000

“a focus on economic growth, with about 60% of admissions to come from the Economic Class

TSX Recovery



Confidence returning following Vaccine Announcements



The Mortgage Market



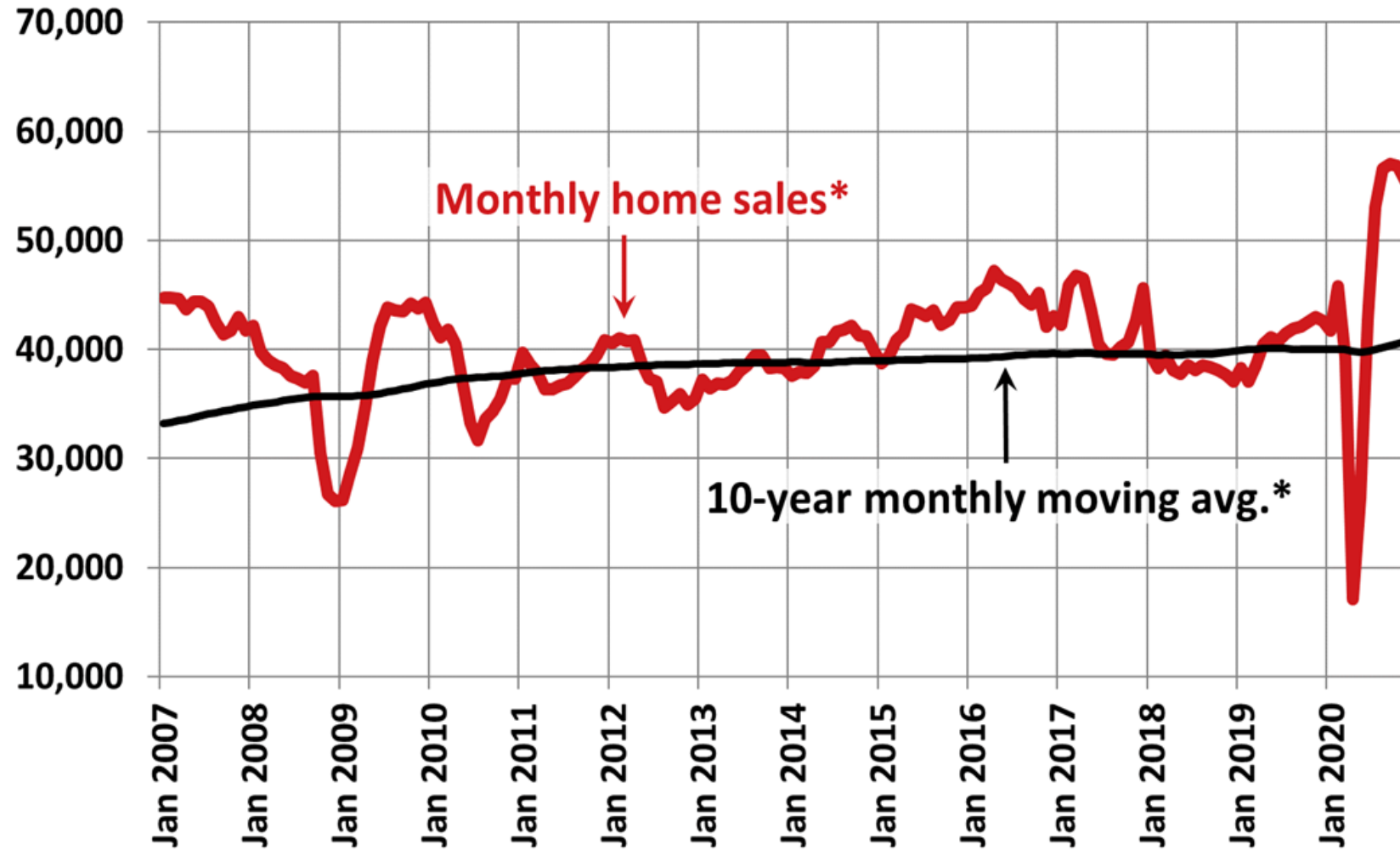
BoC: Extraordinary Forward Guidance



BoC Governor, Tiff Macklem:

- October 28th, 2020: (MPR) Rates will remain at Effective Lower Bound. “The Bank is maintaining its extraordinary forward guidance, reinforced and supplemented by its quantitative easing (QE) program... As the economy recuperates, it will continue to require extraordinary monetary policy support. The Governing Council will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In our current projection, this does not happen until into 2023.
- November 26, 2020: (FINA testimony) Governor Macklem reiterates the Bank's expectation that the overnight rate will remain at its effective lower bound of 0.25% until 2023.
- January 20th, 2021: (MPR) Reaffirmed bank rate will continue to keep interest rates at the effective lower bound until economic slack is absorbed, estimated to be mid-2023.

CREA National Monthly Home Sales



* Canada; seasonally adjusted



Mortgage Interest Rates....





...are at historic lows

- ✉ 5 year fixed insurable mortgage rates available below 1.7%
- ✉ Bank of Canada posted 5 year rate is 4.79%
- ✉ 310 bps or 3.1% fictitious “stress test” required to qualify



Mortgage Qualification 101

Focus on income

-  Debt service ratios (GDS/TDS) limit borrowing capacity
 -  39/44 or 35/42
 -  Stress test reduces further
 -  FTHBI – income max, income multiple max, reduce further



Scenario Comparison

A couple earn \$100,000 a year between them.
They have saved \$35,000 for a down payment
They are looking for to buy their first condo.

Fees = \$400 month

Heating = \$150 month

Taxes = \$2,500 p/y



Max Price Point Comparisons

| | 1.69%, 39%/44% | 1.69%, 35%/42% | 4.79%, 35%/42% | FTHBI @5% | FTHBI @10% |
|---------------------|----------------|----------------|----------------|-----------|------------|
| Maximum Price | \$667,914 | \$589,533 | \$431,147 | \$419,615 | \$419,615 |
| Max Monthly Pymt | \$2,692 | \$2,358 | \$2,358 | \$2,175 | \$2,060 |
| Actual Monthly Pymt | | | \$1,685 | \$1,554 | \$1,472 |

The International Monetary Fund and the Bank of Canada have previously issues warnings about overall indebtedness levels, and warned of mortgages issued of greater than 450% of income.



MPC Recent Requests of Govt

- ✉ Reduce stress test
- ✉ Reintroduce an insurable 30 year amortization for FTB
- ✉ Exempt renewing borrowers from the stress test
- ✉ Increase \$1MM price point for insurance eligibility



Likelihood of Change?

- ✉ Very small in the next 6-9 months
- ✉ Stress Tests set by Ministry of Finance (CMHC) and OSFI
 - ✉ Announced stress test reduction in Feb 2020 postponed
- ✉ OSFI requirements found in B20
 - ✉ Stress test, income verification, prohibited lending practises
- ✉ Insurance eligibility set by Ministry of Finance (CMHC)

In The News...



THE GLOBE AND MAIL REPORT ON BUSINESS MORTGAGEPROS

CANADA WORLD BUSINESS INVESTING OPINION POLITICS SPORTS LIFE ARTS DRIVE RE

Mortgage deferrals fall sharply since worst days of COVID-19, many resume payments

RACHELLE YOUNGLAI >
PUBLISHED 2 DAYS AGO

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Bank of Canada governor isn't worried about a housing bubble

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Working from home is starting to fall apart, top bankers warn

'It feels like it is fraying, it's hard, it takes a lot of inner strength and sustainability every single day to continue to focus'

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CANADA

Greater Toronto Area condo sales, rentals surge in 4th quarter while prices drop, says TRREB



Also in The News...

Some media outlets understand the market, the players, and their roles.

A screenshot of a Financial Post article snippet. The top navigation bar is blue with a white menu icon on the left, the text "FINANCIAL POST" in white, and a "Sign In" button on the right. Below the navigation bar, the text "Real Estate / Mortgages" is displayed. The main headline reads "CMHC says stress test shows only remote risk" in bold black font. Below the headline is a sub-headline in italics: "Would be forced to recapitalize itself only if economy underwent a second sharp downturn and government failed to provide support for Canadians".

Others don't and dangerously misinterpret industry reports.

A screenshot of a Toronto Storeys article snippet. The top navigation bar is white with a red house icon on the left, the text "TORONTO STOREYS" in grey, and a "Sign In" button on the right. Below the navigation bar, the text "Real Estate News, Toronto Condos & Homes / January 21, 2021" is displayed. The main headline reads "CMHC Suggests Worst-Case Scenario of Nearly 50% Drop in Housing Prices" in bold black font. Below the headline is the author's name in italics: "by Kayla Gladysz".



Predictions

- ✉ As inoculations and infection resilience increase, so will the desire to return to the city
 - ✉ Toronto condo market rebound is imminent. Expecting prices to begin steadily increasing within 2-3 months
 - ✉ Price increases in the horseshoe will moderate throughout the year
 - ✉ Large employers will recall workers at least 60% office requirement
 - ✉ Anticipate significant and sharp return of travel and tourism industry; restaurants and bars activity will normalize by y/e 2021
 - ✉ Immigration will predominantly impact the urban areas



Predictions

- ✉ Continued low interest rates will permit continued heightened transaction activity
 - ✉ Macklem assures 0.25 until mid 2023. “Slack” may take longer to be absorbed
- ✉ Mortgage Qualification: Income verification will be **VERY STRINGENT** through the remainder of 2021 and into 2022
 - ✉ *****BFS** clients should always retain the financing condition when making an offer



Predictions

Federal Election in 2021

 Provides greater opportunity for discussions with all parties

Thank you!

Next up:

Joe Berridge and Michel Trocmé from Urban Strategies inc.