

January 5, 2011

<<Name of MP>>, M.P.  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear <<Name of MP>>:

As you know, I am one of the over 100,000 REALTOR® members of The Canadian Real Estate Association (CREA) and represent organized real estate on public policy issues in our community.

With 2010 behind us and 2011 ahead, I wanted take this opportunity to update you on the housing market and address the impact further changes to mortgage financing rules would have on homebuyers, property owners and the economy.

Some media reports about household debt have grouped mortgages together with credit card debt and car loans. However, there are important differences. Indeed, financing a home is the foundation of household equity and is a gateway to financial security.

The housing sector played a key role in Canada's economic recovery. In fact, a report published by Altus Group in 2009 found the typical MLS® home sale and purchase between 2006 and 2008 produced \$46,400 in spin-off spending. Based on this research, forecast annual sales in 2010 generated an estimated \$20.5 billion in spin-off economic activity and over 185,000 jobs.

Changes to mortgage financing rules earlier this year were measured and balanced. Since that time, the housing market underwent a correction, and has begun to stabilize. It is expect to be balanced in 2011.

Mark Carney, the Governor of the Bank of Canada noted in December: "In the housing market, the Canadian government has already taken important measures to address household leverage ... In addition, the Bank of Canada's interest rate increases reminded households of the interest rate risks they face. These measures are beginning to have an impact."

Additional changes to mortgage financing rules would raise the barrier to homeownership excessively and destabilize housing markets and the economy. In particular, we are concerned about the negative impact modifications to the allowable amortization period or minimum down payment requirements would have. These changes would create affordability problems, especially for first-time buyers. First-time buyers are the first link in a chain reaction of real estate activity. They allow existing home owners to change properties or rent. Creating burdensome barriers for first-time buyers will seriously impact the rest of the market, including retirees looking to downsize.

Further tightening of mortgage rules would have other far reaching consequences for the economy. It risks causing a home price correction, a drop in the net worth of Canadian households, lowered economic growth and reduced tax revenues. Consumer confidence would be damaged, labour mobility would be impeded, and unemployment would stay elevated.

The Chief Economist from my national association in Ottawa would be pleased to provide you with a housing market briefing. Please do not hesitate to contact David Salvatore, the Canadian Real Estate Association's Director of External Relations at 613-237-7111 to arrange one.

I look forward to seeing you in the community.

Regards,