

March 2010

Dear Member:

CAAMP is pleased to provide you with the following updates regarding policy changes affecting the residential mortgage market. CAAMP has been actively involved with government, regulators and stakeholders to ensure that the best interests of our members and the Canadian mortgage consumer are met.

Mortgage Insurance

In response to comments made last fall by the Federal Minister of Finance and the Governor of the Bank of Canada concerning mortgage debt levels, CAAMP's chief economist Will Dunning authored a report based on member data entitled "Revisiting the Canadian Mortgage Market" (the report can be found at www.caamp.org). The Report states that most mortgage holders can handle increases of up to 300 basis points on variable mortgages and overall risk was contained. The Report was sent to Ottawa and released to the media and to our members. Following consultation with members, CAAMP presented a position to the federal government on high ratio insured mortgages that opposed any changes to amortization levels or down payment requirements for primary residences. Minister Flaherty's February announcement focussed on new rules for non-owner occupied properties, mortgage refinancing and qualifying a borrower using the five-year posted fixed rate.

CAAMP recommended to Ottawa that the qualifying rate be transparent and understandable by the public and tied to the bond rate, the true determinant of fixed rate mortgages. The government selected the five-year posted rate, however, they will monitor the situation and revisit the issue if appropriate. The new qualifying rate can be found on the Bank of Canada website and will be included in each issue of CAAMP Stats starting next month.

In recent days, mortgage insurers have tightened qualifications for both rental offset and business-for-self situations. CAAMP has raised members' concerns directly with the mortgage insurance community. CAAMP will create a new section on its website with direct links to all three mortgage insurers and a link to the Bank of Canada qualification rate. We will also include questions in our spring mortgage consumer survey on the dependency on rental income by borrowers.

...../2

Federal Budget

The recent federal budget included three proposals specific to mortgages. First, the government will establish regulations around the calculation and disclosure of prepayment penalties. Second, the government will introduce legislation to set out a framework for covered bonds, a new funding source for mortgages. Unlike Canada mortgage bonds, covered bonds are issued by banks and remain on their balance sheet without government guarantee. They are very common in Europe. Third, the government will introduce legislation that will allow credit unions to incorporate federally. As in the past, CAAMP will be directly involved in discussions regarding these proposals.

CRA 250

In February, the Canada Revenue Agency (CRA) issued a Notice of Proposed Changes to the definition of financial services contained in the document CRA 250. The Notice raised important and serious questions on the definition of GST/HST exempt financial services. CAAMP has engaged its auditors KPMG to seek clarification on the issue. CAAMP has also communicated directly with officials in Ottawa and retained government consultants on the file. It has been suggested that the examples contained in CRA 250 could mean mortgage broker commissions will be subject to GST/HST. On behalf of our 12,000 members, CAAMP will oppose this interpretation in the strongest possible way.

CAAMP

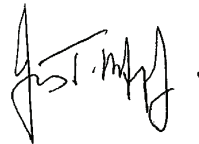
CAAMP remains in a strong position today due to the continued support of members such as yourself. Undertaking research reports, lobbying government and regulators and addressing issues before they become law are but some of the few tasks we undertake on your behalf.

Should you have any questions, comments or concerns, please do not hesitate to contact us. Thank you for your continued support.

Sincerely,



Hali Strandlund, AMP
Chair
chair@caamp.org



Jim Murphy, AMP
President and CEO
ceo@caamp.org