



CANADIAN INSTITUTE OF MORTGAGE BROKERS AND LENDERS  
INSTITUT CANADIEN DES COURTIERS ET DES PRÊTEURS HYPOTHÉCAIRES

February 16, 2006

Hon. Diane Finley, PC, MP  
Minister of Human Resources and Social Development  
Minister responsible for CMHC  
165 Hôtel de Ville Street  
Place du Portage, Phase 4, 14th Floor  
Gatineau, Québec  
K1A 0J2

Dear Minister:

On behalf of the over 8,300 members of the Canadian Institute of Mortgage Brokers and lenders (CIMBL) we wish to congratulate you on your recent appointment as Minister responsible for the Canada Mortgage and Housing Corporation. You will know of the importance of the housing industry as a part of Canada's overall economy and the lead role played by the mortgage industry which administers over \$600 billion in mortgage credit. A copy of our recent report entitled the State of the Residential Mortgage Market in Canada is attached for your review and reference.

There are several housing issues currently before the government which are of importance to our members.

### **GST**

The first item deals with the promise to reduce the Goods and Services (GST) tax on new housing. We strongly support this measure and would encourage the government to follow through on a full one percent reduction, by maintaining the present rebate of 2.5% that new homebuyers receive on homes priced below \$350,000. This would translate into an effective GST rate of 3.5% instead of the current 4.5%, a savings of 3,000 on a new home priced at \$300,000.

### **Home Buyers Plan**

In addition to the GST rebate on new housing, CIMBL would encourage the government as part of the budget making process to review other tax policies that promote home ownership. Chief among these is the highly successful Home Buyers Plan (HBP) introduced by the Mulroney government in the early 1990's. First time buyers are allowed to access their RRSP savings plan for up to \$20,000 towards their downpayment and have up to 15 years in which to pay this amount back. These figures have not changed since the original program was first introduced. Meanwhile housing prices have risen dramatically over that same time period with average home prices in both Toronto and Vancouver exceeding \$350,000. CIMBL strongly recommends that the government as part of the upcoming budget review the current thresholds with a view to increasing the downpayment amount to at least \$25,000 and

lengthening the time period which homebuyers have to pay it back. Most mortgages in Canada are amortized over 25 years and not 15 years, especially for first time buyers.

### **Mortgage Insurance**

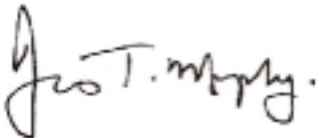
You will know that mortgage insurance allows thousands of Canadians to meet their dream of home ownership. Under the current provisions of the Bank Act all deposit taking federally regulated financial institutions must have mortgage insurance if downpayments are below 25% of the purchase price. CIMBL believes that mortgage insurance has worked well in Canada and that the government should be careful regarding any changes to a system that has led to record home ownership rates.

### **Capital Gains**

CIMBL supports the government's suggestion that there be a rollover period in which taxes on capital gains would not be payable as long as the gains are reinvested within six months. We believe that such a policy should include real estate investment as well as investments in the equity and bond markets. We believe that such a measure will help individual Canadians with their real estate investments.

CIMBL would welcome the opportunity to meet with you to discuss these and other issues. Once again congratulations on your recent appointment. We look forward to working with you to ensure a strong and growing housing and mortgage industry in Canada.

Sincerely,



Jim Murphy  
Senior Director  
Government Relations and Communications

Cc: CREA  
CHBA  
CMHC