

**QUESTIONNAIRE ON HOUSING FINANCING POLICIES AND PROGRAMMES
BY THE SPECIAL RAPPORTEUR ON ADEQUATE HOUSING AS A COMPONENT
OF THE RIGHT TO AN ADEQUATE STANDARD OF LIVING, AND ON
THE RIGHT TO NON-DISCRIMINATION IN THIS CONTEXT**

Canada Mortgage and Housing Corporation (CMHC) Input to Response

Context

Housing in Canada is governed by an extensive framework of legislation, policy and practice, spanning all levels of government. At the federal level, Canada Mortgage and Housing Corporation (CMHC) is Canada's national housing agency, which derives its authorities from the *Canada Mortgage and Housing Corporation Act* (CMHC Act) and the *National Housing Act* (NHA). As a Crown corporation, CMHC is also subject to the *Financial Administration Act* (FAA), which provides the general operational and reporting framework for Crown corporations.

CMHC's housing finance mandate under the NHA is to promote housing affordability and choice and to contribute to the well-being of the housing sector in the national economy. CMHC fulfills its housing finance mandate by providing mortgage loan insurance to lenders across Canada and guaranteeing timely payment of interest and principal on NHA Mortgage-Backed Securities and Canada Mortgage Bonds; thereby insuring a steady source of funds for Canadian home buyers.

For those whose needs cannot be met in the marketplace, the NHA authorizes CMHC to provide housing subsidies to support Canada's social housing stock for moderate- and low-income Canadians, as well as to provide housing assistance for those with special/distinct needs under targeted initiatives.

According to the 2006 Census¹, Canada's total housing stock included 13.6 million dwelling units. The number of persons per dwelling is low by international standards, having fallen from 3.9 persons per household in 1961 to 2.5 persons in 2006. The predominant form of dwelling is the single detached home, accounting for 55.3% of occupied dwellings.

In Canada, most households can afford adequate and suitable housing through the private market. More than two thirds (68.4% in 2006) of Canadian households own their own homes. Canadian social housing and rental assistance programs, which are geared towards those whose needs are not met (without public assistance) by the private market, accounts for approximately six per cent of the total occupied stock. As well, a number of Canadians receive housing support through income security programs.

¹ CMHC will update its 2006 Census-based data to 2011 after Statistics Canada has released all the relevant 2011 Census and National Household Survey data. This is expected to occur in 2013.

Given the national focus of the questionnaire, and in light of jurisdiction and levels of responsibility, responses/explanations are provided from a national/federal government perspective. A response is not provided for question 2 as either information is not readily available or the question does not apply in the Canadian context. For example, with respect to question 2c on electricity, electricity is already widely available and accessible to Canadians no matter where they live.

Please see CMHC's Web site (www.cmhc-schl.ca) for additional information.

Question 1: Is your country promoting housing finance policies or programmes aiming to enable access to homeownership and/or other affordable housing by the poorest segments of society, by providing credit through financial institutions (public, private, and quasi-private)?

In Canada, Canada Mortgage and Housing Corporation (CMHC) facilitates access to affordable, better quality housing for all Canadians. This includes support for all forms of housing and housing finance options, including homeownership and rental.

CMHC fulfills its housing finance mandate by providing mortgage loan insurance to lenders across Canada and through securitization programs that help ensure a steady source of funds for residential mortgage lending in Canada.

The housing needs of approximately 80% of Canadians are served through the private market. Canada's private sector is responsible for the majority of the country's new home construction and private firms make up the foundation of Canada's housing finance system. Notwithstanding the important roles of private firms, the Government of Canada, through CMHC, plays instrumental roles in facilitating market-related housing activities, particularly with respect to housing finance.

CMHC is Canada's largest mortgage insurer. Mortgage loan insurance protects mortgage lenders against potential default on the part of mortgage borrowers. Under the *Bank Act*, federally regulated lenders require mortgage loan insurance for loans made by federally regulated institutions that exceed 80% of the value of the property. By providing mortgage insurance to lenders, CMHC helps Canadians access the financing they may need with minimum down payments and at interest rates comparable to those purchasing a home with a 20% or more down payment. CMHC mortgage insurance is particularly important in facilitating financing for certain housing market segments, such as rental housing, retirement homes and dwellings located in rural and remote areas.

CMHC also offers various mortgage loan insurance flexibilities to developers of affordable rental projects, such as larger rental loans, reduced mortgage loan insurance premiums and greater flexibility related to cash flow requirements and loan advancing. CMHC provides mortgage loan insurance with no premiums for affordable housing

projects built under federal-provincial agreements, which helps to ensure that sponsor groups obtain the lowest cost mortgage financing available.

Under the Direct Lending program, CMHC provides low-cost loans to federally-assisted social housing sponsors seeking to refinance their existing social housing projects and to First Nations to finance new housing production. Using Government of Canada borrowings at its related lower interest cost, CMHC is able to lower the cost of financing for social housing projects. In 2011, \$1.39 billion in funding was provided in loans through Direct Lending.

Through its securitization programs, CMHC plays an important role in ensuring that mortgage lenders can obtain the funding they need to offer borrowers mortgages with attractive interest rates. Since 2001, CMHC's Canada Mortgage Bonds program has provided a cost-effective source of funding for mortgage lenders. The objectives of the program are to increase the supply of funds and to promote the competitiveness of the mortgage market, thereby lowering mortgage costs for Canadians.

CMHC's support of Canada's housing finance system proved to be particularly beneficial during the recent global financial crisis. During the global financial crisis, the Government of Canada introduced the Insured Mortgage Purchase Program (IMPP). It authorized CMHC to purchase up to \$125 billion in NHA Mortgage-backed Securities (MBS) from Canadian financial institutions between October 2008 and March 2010. In addition to CMHC's existing securitization programs, the IMPP helped facilitate access to longer-term credit for Canadian consumers and businesses, and was instrumental in moderating the impact of the global financial crisis on Canada. CMHC purchased a total of \$69.3 billion NHA MBS under the IMPP.

Investments under Canada's Economic Action Plan (detailed further in question 3) provided increased access to affordable housing for vulnerable Canadians, including Aboriginal peoples, persons with disabilities and seniors. These investments in affordable housing helped to create jobs and economic growth for Canada during the economic downturn.

Question 3: Please also provide information on programmes or policies concerning construction or provision of public housing for sale or rental in the country (including privatization of public housing). Please describe any significant reforms or development in this sector over the last thirty years. Please provide (in annex) any relevant documents, laws, regulations or policies.

The Government of Canada undertakes a number of important measures to address the housing needs of all Canadians, particularly those whose housing needs are not met by the market, in collaboration with other orders of government and organizations.

Through CMHC, the Government of Canada provides annual ongoing funding of \$1.7 billion to support existing social housing, mostly developed between 1946 and

1993, so that almost 605,000 households, including families, can continue to access housing they can afford. Ongoing subsidies help ensure that lower-income households living in these units do not pay a disproportionate amount of their income for housing. Most administrative arrangements relating to social housing programs and delivery are governed by long-term federal-provincial/territorial agreements.

The federal Budget 2006 provided for the establishment of housing trust funds with Provinces and Territories to invest in affordable housing. This one-time investment included the Affordable Housing Trust of \$800 million, the Northern Housing Trust of \$300 million and the Off-Reserve Aboriginal Housing Trust of \$300 million. These housing trusts, which totalled \$1.4 billion, assisted Canadians, including many families with children, to find safe affordable housing, including by increasing the supply of transitional and supportive housing. The housing trusts expired on March 31, 2009.

Under the Affordable Housing Initiative (AHI), the federal government, through CMHC, provided contributions to increase the supply of off-reserve affordable housing, including housing for families with children, in partnership with Provinces and Territories. Under the AHI, Provinces and Territories cost match the federal investment and are responsible for program design and delivery. As at December 31, 2011, since the AHI inception in 2001, over \$1.2 billion in federal funding had been committed to provide some 51,843 affordable housing units through this initiative.

In 2011, CMHC completed the delivery of social housing investments under the stimulus phase of Canada's Economic Action Plan (CEAP) and delivery of low-cost loans for housing-related municipal infrastructure. CEAP strengthened Canada's economy with a one-time investment of more than \$2 billion over two years to build new and repair existing social housing, with an estimated 16,500 social housing and First Nation housing projects completed or under way across Canada as at March 2012. This funding included:

- \$1 billion to support much needed repairs to existing social housing (\$850 million cost-matched by Provinces and Territories, and \$150 million for existing social housing administered by CMHC);
- \$600 million for new housing and repairs to existing social housing on-reserve and in the North (\$400 million for on-reserve housing and \$200 million for northern housing in Canada's three territories);
- \$400 million to build new affordable housing for low-income seniors; and,
- \$75 million for the construction of new affordable housing for people with disabilities.

CEAP also provided \$2 billion over two years in low-cost loans to municipalities to fund housing-related infrastructure projects. In addition, both the housing sector and homeowners benefitted from the Home Renovation Tax Credit that provided up to \$1,350 in tax relief, reducing the cost of renovations for an estimated 4.6 million Canadian families.

On July 4, 2011, federal and provincial/territorial governments announced a combined investment of \$1.4 billion under the new Investment in Affordable Housing 2011-2014 Framework. Federal funding under the Framework are part of the Government of Canada's \$1.9 billion commitment for housing and homelessness programs announced in 2008 to address the needs of low-income Canadians, those at risk of homelessness and the homeless.

The Framework is the basis for bilateral arrangements between the federal government, represented by CMHC, and each Province and Territory. Under the bilateral arrangements, Provinces and Territories fully cost match the federal funding and deliver provincially/territorially-designed housing programs. Provinces and Territories have the flexibility to invest in a range of initiatives to address local housing need, including support for low-income households, seniors and persons with disabilities, and accommodations for victims of family violence.

The Government of Canada, through Aboriginal Affairs and Northern Development Canada and CMHC, spends approximately \$407 million each year to address housing needs of Aboriginals on-reserve. Approximately \$143 million is spent annually by CMHC to support the housing needs of Aboriginal households off-reserve.

In addition, in Budget 2007, the Government of Canada announced the \$300 million First Nations Market Housing Fund to support market-based housing on-reserve that will give First Nations people living on-reserve a better chance to own their own homes. The Fund became operational in May 2008.

Through CMHC, the Affordable Housing Centre supports the development of affordable housing by working with the private, public and non-profit sector at a local level to connect individuals and organizations with the resources, knowledge and contacts to make their projects a reality. The Centre offers a broad range of products and services, including a comprehensive inventory of information, tools and resources from its Web site, as well as financial assistance including Seed Funding grants and loans, interest-free Proposal Development Funding and more flexible financing options through mortgage loan insurance to facilitate the financing of affordable housing. Since its inception in 1991, the Centre's team of experts has facilitated the production of over 59,000 affordable housing units for low-income clients, including families with children and older women.

In addition to direct housing measures, federal, provincial and territorial social assistance programs, such as income support for senior citizens or general welfare, provide either explicit (through a shelter component) or implicit support to the housing costs of assistance recipients. This is the principal means by which low-income households receive housing subsidies.

For additional information on housing in Canada, see Article 11: Right to an Adequate Standard of Living in *Canada's Fifth Report on the United Nations International Covenant on Economic, Social and Cultural Rights*. Canada will soon be submitting to

the United Nations *Canada's Sixth Report on the United Nations International Covenant on Economic, Social and Cultural Rights*.

In regard to developments in this sector over the years, please see the Canadian Housing Observer 2011, Chapter 9 "*The Evolution of Social Housing in Canada*" at www.cmhc.ca/en/corp/about/cahoob/upload/Chapter_9_EN_W.pdf.