Calculating the economic impact of tightening mortgage rules

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It's harder than ever for those who are self-employed to qualify for mortgages because of changes made over the past five years. These changes to the mortgage rules have been implemented by the federal government directly through the Office of the Superintendent of Financial Institutions Canada or through its crown corporation, the Canada Mortgage and Housing Corporation (CMHC).

Since 2010

- CMHC premiums have increased, especially to buyers with only five per cent down
- The elimination of zero percent down mortgages
- Lines of credit can only be taken to 65 per cent of the value of a home, down from 80 per cent
- Rental properties now require 20 per cent down, increasing from five per cent down
- Second homes now require 20 per cent down, increasing from five per cent down, where CMHC insurance has been previously been used on the principal residence
- Elimination of stated income mortgages for self-employed individuals
- Refinancing of homes restricted to 80 per cent of the value of the home, a decrease from 95 per cent
- Mortgage amortizations reduced from 35 years to 25 years

During that same time period, some analysts have accused the government's motivation of being an attempt to slow down a perceived "housing bubble" developing predominantly in the Greater Toronto Area (GTA), coastal British Columbia, and the oil patch area of Western Canada.

These analysts will content that more restrictive mortgages have no impact on the housing bubble and fear that it will serve to only hurt the average Canadian seeking to purchase a home in areas other than those listed above. In November 2014, The Office of the Superintendent of Financial Institutions (OSFI) has published and Guideline B-20 "Residential Mortgage Underwriting Practices and Procedures" and Guideline B-21 "Residential Mortgage Insurance Underwriting Practices and Procedures." Many believe that neither will impact the housing bubble, as there are simply other market forces in play.

Above and beyond those changes, many point to other mortgages variables including a recent statement that 40,000 new families migrate to the GTA every year, foreign investment through an Asian influx of cash to coastal cities such as Vancouver and Victoria and job creation in the Alberta oil patch which has led to a constant increase in area housing prices.

In August 2015, Stephen Harper pledged, upon re-election, to spend $500, 000 on a study into foreign ownership in Canada and collect relevant data on the impact of foreign home ownership on Canadian markets, a move that many financial analysts applaud, with some stating that it would allow the government to learn more about the market forces driving the Canadian real estate market.

.Many will follow the results of this with interest as the fall out of these mortgage tightening measures is felt and the economic results are assessed.

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