

Letter to the Financial Post
January, 13, 2011

To the Editor:

Neil Mohindra's column "CMHC Hazard" in the January 12th Financial Post regarding the Canada Mortgage and Housing Corporation (CMHC) leaves the impression that banks are somehow less prudent in their lending practices when granting mortgages that are CMHC-insured. Banks do a high degree of due diligence regardless of whether or not a mortgage will be insured.

In addition to the banks' own risk management standards, the banks' prudential regulator, the Office of the Superintendent of Financial Institutions (OSFI), closely monitors the banks' lending portfolios to ensure that they are managing risk properly.

The statistics tell the story: over the last decade (including during the worst of the recent economic downturn) mortgages-in-arrears data for bank mortgages in Canada have remained extremely low at less than half of one percent.

Readers should also know that CMHC's insurance is funded by its policy holders in the same way that all insurance is funded. CMHC's 2009 annual report explains it well: "CMHC manages its mortgage insurance business at no cost to Canadian taxpayers, through sound business practices that ensure commercial viability without having to rely on the Government of Canada for support, even in less favourable economic times."

The government's policy of requiring mortgage insurance is a well-established feature of Canada's housing market, but so is the track record of prudent mortgage lending by Canada's banks.

Sincerely,

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