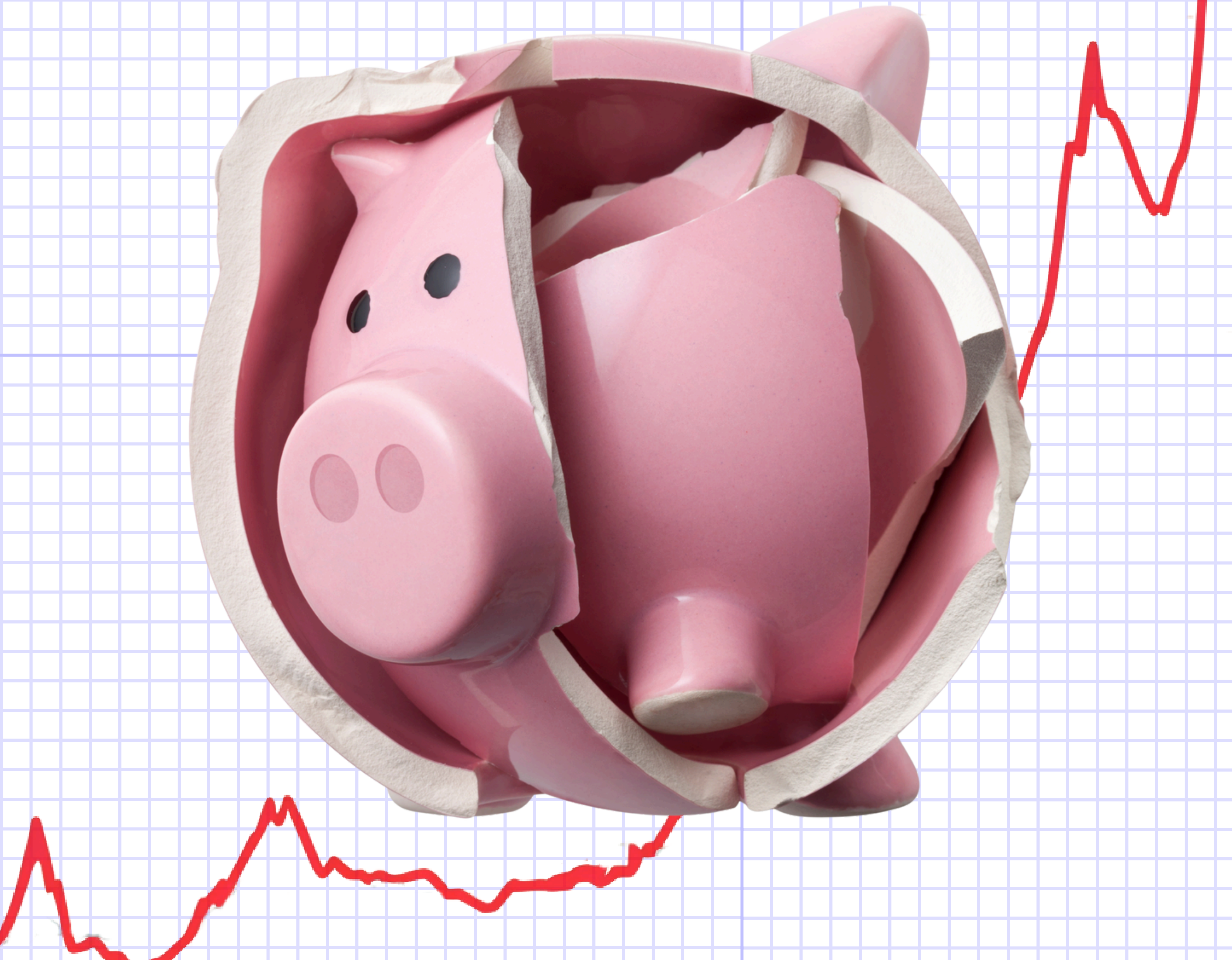
BANKS



AND CANADA'S HOUSING CRISIS

Executive Summary

OVERVIEW

Canada's housing system is bolstered by its six largest banks, which earned close to $60 billion in profits last year. These extraordinary profits are directly tied to bank lending practices that actively fuel the country's housing crisis. Banks profit from mortgage lending that drives up home prices, from interest on increasingly large loans, from mortgage-backed securities, and from commercial lending that incentivizes higher rents and tenant displacement. Yet the role of banking practices in driving housing unaffordability, household indebtedness, tenant insecurity, and climate harm remains largely unexamined. **This paper exposes how bank profitability depends on a housing system that isn't working for most Canadians.**

Mortgage loans represent 70% of all bank lending in Canada and approximately 50% of the banking system's assets. Despite this dominance, little attention has been paid to how bank profitability may be tied to housing unaffordability and insecure tenure for tenants.

FIVE CRITICAL FINDINGS

1. Mortgage Lending Drives Up Home Prices

Approximately 80% of Canadian mortgages are secured through major banks, representing $2.2 trillion in mortgage debt. Research by economists at the OECD and IMF demonstrates that **increased household credit through mortgages correlates with increased house prices.**

This creates a feedback cycle: more mortgage credit increases home prices, which leads to more lending and greater household indebtedness. Currently, 1.2 million mortgages are up for renewal in 2025, with 85% facing increased rates and payments. The provision of mortgages is not benign, it drives speculation, unaffordability, and creates conditions in our housing system that undermine the human right to housing.

2. Homeownership May Make You Poorer

Canada's mortgage debt represents 85% of GDP, one of the highest ratios globally. This is in part because the government chooses to address housing unaffordability not by lowering home prices, **but rather by increasing accessibility through policies that burden households with debt.**

High loan-to-value ratios:

Government raised the mortgage insurance cap from $1 million to $1.5 million in 2024, requiring just $95,000 down on a $1.2 million home rather than $240,000. This dodges international Basel III standards and creates crippling debt. Canada ranks third globally in household debt at 102% of GDP.

Extended amortization periods:

Mortgages longer than 30 years grew from 0% to 37% of bank portfolios between 2021 and 2023. A $500,000 mortgage at 5.5% generates $415,500 in interest over 25 years but $515,000 over 30 years. This means 21% more profit for banks while monthly payments decrease only 7%.

Result:

In 2022, 32% of homeowners with mortgages spent more than they earned, and 65% struggled to meet financial commitments. Banks also manipulate interest rates allowing them to accrue billions in additional profites by passing on full increases from the Bank of Canada while withholding proportional decreases.

3. Your Mortgage May Be Owned By An Investor

Twenty-five percent of Canadian mortgages, worth $503 billion, have been securitized and sold to institutional investors as mortgage-backed securities (MBS). **Without homeowners' knowledge or consent, mortgages become profit-generating instruments for pension funds, asset managers, and private equity firms.**

Financial institutions pool mortgages, CMHC insures them with public funds, then sells them to investors with guaranteed returns. Monthly mortgage payments provide investment returns. Borrowers bear the default risk along with CMHC and taxpayers, not investors. Banks profit from transaction fees.

Lenders don't inform borrowers of securitization. In this structure, the borrower becomes an instrument of finance rather than the bank's primary client. A defaulting borrower still risks foreclosure while investors remain protected. This transforms homes into financial instruments, prioritizing investment returns over the family and individuals who live in the home.

4. Banks' Lending Incentivizes High Rents and Displacement

Commercial financing for multi-unit residential properties prioritizes financial performance over affordable, secure housing.

Lending criteria drive up rents: Banks require Debt Service Coverage Ratios (DSCR) of 1.25, meaning properties must generate 25% more income than debt payments. This creates direct pressure to maximize rents and minimize services. Capitalization rate metrics reward landlords who aggressively increase rental income, often through means that harm tenants.

Tiered systems encourage displacement. Banks classify properties into tiers with vastly different terms:

- **Class A (highest rents):** best rates, highest loan-to-value ratios, longest amortization
- **Class C (below-market rents):** worst rates, lowest loan-to-value ratios, shortest amortization

This creates "**displacement financing**", which is when landlords upgrade Class C properties, evict tenants, and raise rents in order to receive substantially better loan terms. Throughout this process, tenant rights, tenure security, and affordability are systematically ignored.

Non-profits face structural barriers: They receive worse terms (60-65% loan-to-value vs. 75% for commercial borrowers), require 35% equity contributions, can't leverage assets, and must find guarantors. This effectively blocks non-profits from playing a robust role in our housing system.

5. Banks are backing away from climate commitments

Despite housing being a key driver of climate change in Canada, with buildings representing 18% of Canada's emissions, banks lack comprehensive evaluation processes for the climate impacts of housing-related financing.

Banks don't assess CO_2 emissions profiles of real estate projects, don't review whether corporations place tenants at climate risk, yet actively promote real estate as "green" investment and include REITs in ESG products without verification. Economic strategies like mortgage securitization and policies encouraging rapid housing supply expansion remain unevaluated through a climate lens.

THE ECOSYSTEM

Banks operate within an ecosystem that includes governments, CMHC, and institutional investors. Together, these actors create a mutually reinforcing relationship whose actions are conflicting with their obligation and responsibility to ensure adequate, affordable, secure housing. Government policies enable lending practices that inflate prices; CMHC guarantees securities with public funds; institutional investors profit from housing. Judging by their actions, it is safe to say that all parties believe housing to be first and foremost, an investment and not a human right.

KEY RECOMMENDATIONS

For Banks

- Require banks to assess and disclose climate impacts of residential real estate financing
- Reform lending criteria to include affordability metrics and tenant security; evaluate borrowers' eviction histories
- Dedicate 15% of profits above $1 billion to affordable housing financing
- Establish specialized units for non-profit housing with appropriate lending criteria
- Assess and disclose climate impacts of real estate financing

For Government

- Amend the Bank Act to prevent lending that undermines the right to housing
- Require disclosure when mortgages are securitized; redirect MBS profits toward affordable housing and mortgage protection programs for homeowners facing renewal rate increases

For Regulators

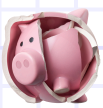
- Interpret risk to include reputational and financial consequences of fueling unaffordability
- Create public databases tracking bank lending for multi-family acquisitions
- Require annual reporting on social and affordable housing units financed

CONCLUSION

Canada's housing crisis cannot be understood or addressed without examining the role of banks. Home prices and rents are too high, evictions too commonplace, homelessness rising rapidly. Many are denied the fundamental right to housing enshrined in the National Housing Strategy Act.

Banks, like all businesses in Canada, have a responsibility to uphold human rights. As this report reveals, they are failing to do so. Their lending practices, securitization activities, and commercial financing criteria actively undermine housing affordability and security while enriching financial institutions and investors.

This preliminary examination, while important, requires further research, particularly regarding discriminatory lending practices affecting Indigenous, racialized, and marginalized communities, and potential conflicts of interest within banks' own operations.



Download the full paper for detailed analysis, citations, and expanded recommendations.