



FINANCING MODERNIZATION:

The Missing Driver of Middle Housing Supply

The Canadian Real Estate Association (CREA)

September 8, 2026

Canada's mortgage and insurance system was built in 1954 to serve individually titled, site-built homes, but since the turn of the century, it has not kept pace with how Canadians finance, build, and buy homes today. This is particularly evident for missing middle housing: while some provinces and municipalities are reforming zoning to enable more duplexes, triplexes, fourplexes and other forms of gentle density, federal financing and mortgage insurance rules have not followed suit.

The federal government's Spring Economic Update (SEU) begins to address this gap through proposed changes to MLI Select¹ and consultations on financing citizen-led homebuilding, infill and new housing supply. CMHC's spring introduction of Prefab Plus² also demonstrates that federal financing tools can — and are willing — to evolve in support of new forms of housing.

But the effects of these financing rules are felt heavily downstream, in the supply and typology decisions being made at the provincial and municipal levels, and while the government's own Housing Accelerator Fund has helped advance local zoning and land use reforms in favour of middle housing, it stopped short of opening new financing pathways to help get this typology built.

The problem remains that Canada is increasingly allowing missing middle housing to be built without ensuring the typology can be readily financed or purchased.

Canada's window to embed missing middle financing into the next generation of federal housing policy is still open — but narrowing.

With the National Housing Strategy set to sunset in 2027 the opportunity is clear: modernize federal housing finance so that missing middle housing is not only legal to build, but practical to finance, purchase, and own.

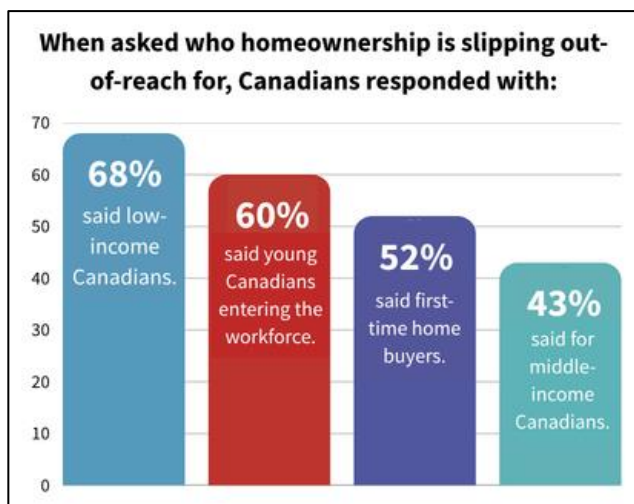


Fig. 1: Abacus Data, Housing the Goal, Housing the Goal: How Canadians Are Resizing Expectations & Redefining Homeownership, Oct. 2025³

¹ Department of Finance Canada, [Spring Economic Update 2026](#), p. 38–39, April 2026.

² CMHC, [CMHC expands mortgage insurance to support prefab and modular construction](#), May 2026.

³ (Fig.1) Abacus Data, [Housing the Goal](#), Oct. 2025.



A TEAM CANADA EFFORT

Financing is the federal lever this submission focuses on, but it's additionally important to acknowledge the legal frameworks governing title, tenure, and land registration remain provincial responsibility. Those jurisdictionally controlled frameworks vary widely in how well they accommodate these housing typologies today. **CREA is calling on the Federal Government to take a leadership role in modernization, implementing the financing reforms outlined in this submission as a signal of good faith, and inviting provinces to match that ambition through their own jurisdictional levers.**

For these changes to be most impactful, REALTORS® know that federal financing reform necessitates a provincial partner willing to move on title and tenure law in tandem. **This is the kind of coordinated all-parties-at-the-table approach a renewed National Housing Strategy could help deliver.**

REALTORS® are leading the industry by example, with several Provincial Associations and local Real Estate Boards already advocating for aligned work:

- the Ontario Real Estate Association (OREA) and Toronto Regional Real Estate Board (TRREB) are calling for modernization of the Province's *Condominium Act*,
- the Alberta Real Estate Association (AREA) has advocating for general modernization of Alberta's *Land Titles System*⁴, and
- the British Columbia Real Estate Association (BCREA) and Association of Interior REALTORS® (AOIR) have been advocating for a full legislative review of B.C.'s *Strata Property Act*.

FIVE RECOMMENDATIONS FOR AN ATTAINABLE PATH FORWARD

- 1. Give Canadians equal opportunity to own one unit in a small multiplex:** extend non-conventional financing (5%-down, insured) to individually titled units within small multiplexes ("condoplexes") wherever provincial title law makes that ownership structure available, allowing a buyer to purchase one unit of a triplex on the same terms as a condo or house, without necessitating joint title or a co-ownership agreement.
- 2. Expand Mortgage Loan Insurance to Address Middle Housing Supply and Ownership Options:** Add a fourth scoring category to MLI Select for missing middle rental supply, and establish a new sibling program, MLI Select — Ownership, applying the same proven points-based model to ownership-tenured housing, with a mandatory pillar for missing middle supply.
- 3. Give Permanent Land-Lease Homes a Mortgage, not a Chattel Loan:** Modernize CMHC's existing mortgage insurance so permanent-foundation homes on leased land are actually eligible in practice, and clearly communicated as such, so buyers of modern, code-built homes are treated and talked about as homeowners with a mortgage, not as buyers of a chattel.

⁴ Alberta Real Estate Association, [Policy Positions](#), retrieved Sept 3, 2026.



4. **Reform Income Verification Rules to Reflect How Canadians Actually Earn Money:** OSFI should set clear rules so lenders can verify and count real income, however it's earned, so self-employed, contract, and multi-source borrowers aren't forced into a paycheque-shaped box.
5. **Make the 'Stress Test' Fluid:** Rates shift, but the stress test does not – and it has impacted attainability for Canadians. OSFI should build a mechanism to let stress testing move with market cycles, rather than stay fixed while the conditions around it change.

HOW FINANCING SHAPES WHAT CANADA BUILDS

Our country's housing landscape is more than just a market – it's a holistic system with an entire continuum working together to support and house Canadians across every phase of life, from emergency shelter and supportive housing through to ownership. Canadian's journey through that continuum is different, shaped by their own experiences and circumstances: their stage of life, their income, their caregiver status, their health, and more.

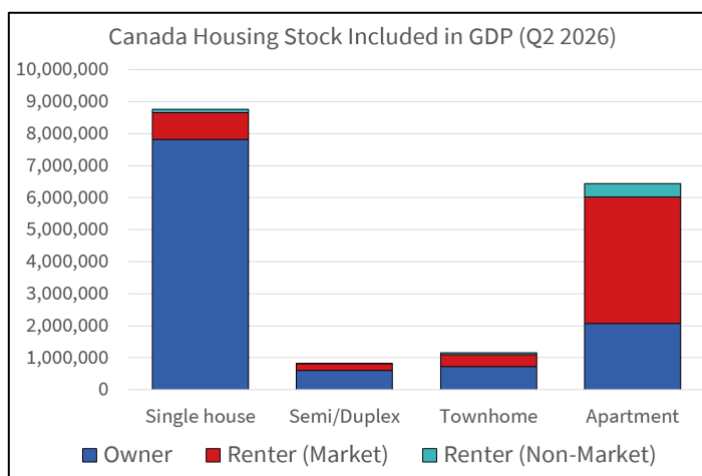


Fig. 2: Statistics Canada, Table 36-10-0688-01 — Housing stock in units included in the gross domestic product by income and expenditure⁷

This submission is focused on one part of that continuum, attainable ownership, but the case it makes doesn't stand apart from the rest: a housing system only works for everyone when the entire continuum is both buildable and financeable. Canada's existing housing stock is a reflection of what the regulatory and insurance framework has permitted lenders to finance for the past sixty years, not what Canadians want, need – and can afford – to live in today.

The government's own market analysis from its open consultation on financing measures to support owner-occupied and rental supply relies on some of CREA's own data to make this case, highlighting that since 2021, annual starts of owner-occupied housing have declined 28% below their 2020s peak even as total starts held stable, and average home prices rose 82% between 2014 and 2024 against just 9.5% wage growth over the same period.⁶

Since Canadian provinces first started enacting condominium/strata (condo) legislation in the mid-60s, financing has flowed almost exclusively to two typologies: condo units and detached, single-family freehold homes, while everything else — from multiplex units to leasehold homes to affordable housing — has remained difficult to finance, particularly for ownership.

⁵ (Fig. 2) Statistics Canada, Table 36-10-0688-01: [Housing stock in units included in the GDP by income and expenditure](#), May 2026.

⁶ Housing, Infrastructure and Communities Canada, [Engaging on financing measures to support the supply of housing for owners and renters](#), Aug. 2026.



REALTORS® see this play out with buyers, sellers, and homeowner hopefuls in every community, every day. CREA represents Canada's 155,000 REALTORS® and the buyers, sellers, renters, and owners they work with in every community nationwide. Our members see the housing market through the eyes of their clients, and the message CREA has been hearing is consistent and clear: Canadians are not giving up on ownership, they simply cannot find homes that fit their needs, at a price point they can afford.

It is the position of CREA and REALTORS® that a typical occupying buyer should not be hindered or blocked from purchasing a home by the form of ownership or the method of construction used — they should be evaluated on ordinary credit and income underwriting.

The pages that follow set out five actions, all within federal jurisdiction, to modernize financing and insurance rules so they are tenure-neutral and construction-neutral, ensuring buyers are assessed based on creditworthiness and income rather than the tenure model or housing structure they need.

DEVELOPERS WON'T BUILD WHAT BUYERS CAN'T FINANCE

The financing gaps this submission raises are not unique to ownership: purpose-built middle-income rental is barely financeable through standard market-rate financing alone, and only gets built at scale through government loan programs like the Apartment Construction Loan Program (ACLP), which has supported the creation of 63,500 new rentals as of June 2025⁷.

That's still a single-lever dependency on government funding, and it's the same vulnerability that halted new co-op development once federal support was pulled back in the 1990s. **A durable middle housing financing solution that can actually withstand the test of time needs financing infrastructure that supports missing middle supply on its own – across both ownership and rental options.**

In September 2025, the federal government launched Build Canada Homes, and as of August 2026, the agency has committed to nearly 17,000 units through 17 partnerships, with more than 1,900 homes already under construction⁸. This is a welcome correction after decades of underinvestment in non-market supply, but it risks repeating the same mistake in a new form: over-indexing public dollars on one tenure model while the underlying financing infrastructure continues to fail everything else.

Canada's missing middle is not simply a supply problem – it's a financing one. This is creating an artificial bottleneck, and also presents an opportunity for meaningful government intervention.

PREFAB PLUS IS PROOF THIS CAN WORK

Modular and prefabricated housing sat inside this same gap until earlier this year: in May, CMHC's launch of Prefab Plus closed most of it directly: construction funds are now released in stages as milestones are

⁷ CMHC, [Apartment Construction Loan Program: Standard Rental Housing](#), retrieved August 26, 2026.

⁸ Government of Canada, [Government of Canada and Toronto to build thousands of new homes](#), August 2026.



met, and are insured at the same 5% minimum down payment as a conventional mortgage, rather than requiring developers to bridge the gap themselves.⁹

This is a clear example of what this submission is advocating for: **government to extend an existing, proven financing tool to a typology it previously excluded.** This same rationale must now be applied to middle housing, helping to scale creation of small multiplexes, leasehold homes, and other attainable, family-sized ownership options which are still waiting for a modernized financing fix.

Closing this gap starts here. CREA is recommending the Government of Canada modernize financing and insurance eligibility to be tenure-neutral and construction-neutral, so missing middle supply, existing and new, is financeable however it's built or held, rather than advancing one tenure model while leaving other viable pathways constrained by outdated or inaccessible financing rules.

ONE SYSTEM, TWO WINNERS

This leaves most Canadian multiplex buyers with two real options: full condo subdivision, whereby a 3-unit building must comply with the same governance, reserve fund, and registration rules as a 300-unit building,¹⁰ or full-building ownership with an investor-level down payment. Absent either, buyers are pushed into joint tenancy or co-ownership arrangements, a legal workaround born of necessity, not policy, that leaves them jointly and severally liable for a single shared mortgage, with none of the legal protections of individual title.

Demand cannot show up in housing statistics for a product that buyers are unable to access – it only shows up when you ask for it directly. This is precisely the kind of housing Canadians say they want: combined, missing middle typologies – small detached/semi-detached homes (29%), rowhouses and townhouses (24%), and multiplex units (18%)¹¹ – outweigh every other housing type Canadians say would improve housing in their community. The demand is there, but the financing infrastructure to meet it is not.

One of the most consequential financing mechanisms is not a matter of ownership model or typology, but rather a matter of timing: **pre-construction sale financing.**

Individual buyer deposits on pre-sale condo units

secured construction financing early, in effect, making condo towers “bankable” to lenders in the first place. That mechanism was reinforced by a second policy shift: Canada effectively stopped building purpose-built rental apartments for nearly 30 years¹², moving investor-buyers into this pre-sale market and deepening the pool of buyers willing to commit before a shovel was in the ground. Combined, these two forces make pre-sale financing arguably the single biggest lever behind Canada's condo boom – one that is largely unavailable to smaller-scale projects: a 2–6 unit multiplex is rarely bankable through

A full mapping of how each ownership model and housing typology is currently treated by lenders and insurers is provided in Appendix A.

⁹ CMHC, [CMHC expands mortgage insurance to support prefab and modular construction](#), May 7, 2026.

¹⁰ Blaney McMurty, [Navigating the Legal Landscape of Multiplex Condominiums in Toronto](#), Dec. 2025.

¹¹ Abacus Data, [Housing the Goal](#), Oct. 2025.

¹² School of Cities, University of Toronto, [Housing Supply Mix Strategy 3: Purpose-Built Rental Housing](#), March 2024.



pre-sales the way a 200-unit tower is, closing off one of the most important paths to building the missing middle at scale.

That leaves Canadians with two main typologies eligible for non-conventional financing — as was the case 60 years ago, when Canada's first condo legislation was enacted in three provinces. Everything else, including small multiplexes and leasehold homes, carries a financing penalty that has little to do with a buyer or builders' creditworthiness and everything to do with how the home is owned, the timing of the purchase, and what's underneath it.

FIVE FIXES FOR A 60-YEAR-OLD SYSTEM

1. Give Canadians equal opportunity to own one unit in a small multiplex: extend non-conventional financing (5%-down, insured) to individually titled units within small multiplexes ("condoplexes") wherever provincial title law makes that ownership structure available, allowing a buyer to purchase one unit of a triplex on the same terms as a condo or house, without necessitating joint title or a co-ownership agreement.

Right now, financing a single unit in a condoplex is functionally unavailable in most of the Canadian market – not because the 5%-down insured rate doesn't apply broadly to multiplexes, but because CMHC's underwriting policies do not treat an individually titled multiplex unit the same way as it does a condo unit; regardless of whether provincial title structures allow it.¹³

Undivided co-ownership, the closest workaround currently available, generally requires a minimum 20% down payment – excluding buyers who can't absorb an investor-level down payment from the market altogether, and requiring those who can afford it to either become landlords, or take on joint and several liability with others on a single, shared mortgage (often referred to as "co-ownership"). The SEU already committed to amending mortgage insurance rules for five to eight-unit properties and increasing flexibility for insurers financing new three to four unit homes, a welcome first step, but one still aimed at whole-building rental and investor financing, not individual-unit ownership.

OSFI and CMHC should extend standard, 5%-down insured financing to condoplexes, closing the gap between what's financeable today and what a qualified owner-occupant needs – which is access to financing for individual units within small multiplexes. This can be achieved by:

- ▶ **De-risking middle ownership :** Current co-ownership workarounds are genuinely risky for buyers: they typically require joint and several liability on a single shared mortgage, and fractional financing products are restricted, offered by only a handful of credit unions. Individual-unit financing removes the need for buyers to take on that risk in the first place.
- ▶ **Work with Provincial Governments to address existing title challenges :** Financing and title need to move together, and many provinces don't yet have title laws that align. OREA and TRREB, for instance, are pushing Ontario to create a streamlined "strata" titling model for buildings up to 6 units, following precedent already set in Alberta and BC. A renewed National Housing Strategy 2.0 (NHS 2.0)

¹³ Future of Good, [Non-profits buying multi-floor condo units face fee duplication under CMHC insurance rules](#), July 2026.



is the natural vehicle for this kind of federal-provincial alignment, ensuring title reform and federal financing modernization move together, rather than in isolation.

- ▶ **Address overlaps with Provincial Condo Acts:** In most provinces, establishing separately titled units within a small multiplex requires owners to undertake the full condominium conversion and registration process, adding significant compliance and regulatory requirements, costs and delays.¹⁴ Extending insured financing to qualifying individual ownership interests could reduce the need to pursue full condominium conversion solely to create separately financeable title. CREA acknowledges that meaningfully addressing this barrier will also require provinces to examine and rectify any existing legislation requirements that impose unnecessary regulatory and financial burdens on small multiplex ownership — work that a renewed NHS 2.0 partnership could help drive nationally.

2. Expand Mortgage Loan Insurance to Address Middle Housing Supply and Ownership Options:

Add a fourth scoring category to MLI Select for middle supply on the rental side, and establish a new sibling program, MLI Select – Ownership, applying the same proven points-based model to ownership-tenured housing, with a mandatory pillar for missing middle supply.

MLI Select (MLIS) is already a proven mechanism at work, successfully driving developers toward affordability, energy efficiency, and accessibility outcomes by rewarding them with better loan terms. **But the existing program has two structural blind spots:**

- 1) it has **no category rewarding family-sized, ground-oriented unit composition**, so it does nothing to align financing with the density the Housing Accelerator Fund has already unlocked through upzoning, and
- 2) it's **built for rental only**, with no equivalent program for ownership-tenured housing.

MLI Select Growth Since 2022:

- ▶ **Insured rental units:** 11,373 (2022) to 66,307 (2024)¹⁷
- ▶ **Q1 2025 insured volume:** \$10.5 billion, up 11% YOY¹⁸
- ▶ **Jan. 2026 federal capital injection:** \$3.1 billion¹⁹

Closing both gaps requires two moves: extending MLIS on the rental side, and building a parallel ownership policy applying the same proven model to areas it currently excludes:

- ▶ **Address existing gaps within MLI Select:** MLIS currently rewards three pillars only: affordability, energy efficiency, and accessibility – there is no category rewarding unit size or family-oriented typology, meaning a project can score full points while building entirely small, one-bedroom units. Adding a new fourth category awarding points for family-sized unit composition and housing-enabling site context would close that gap directly within the rental context by addressing the disconnect between the upzoning HAF has already unlocked and the lack of financing to build what that upzoning now allows.

¹⁴ Kelly Santini, [The Pros, Cons and Steps to Converting a Rental Building to Condos](#), retrieved Sept. 2, 2026.

¹⁵ CMHC, [2025 Mid-Year Rental Market Update](#), July 2025.

¹⁶ CMHC, [CMHC releases results for Q1 2025](#), May 2025.

¹⁷ CMHC, [2025 Annual Report](#), May 2026.



- ▶ **Create MLI Select – Ownership (MLIS-O):** MLIS is structured as a rental-only program, and a project that would otherwise qualify on affordability, energy efficiency, and/or accessibility grounds would be ineligible if it's intended as ownership stock, regardless of attainability. This exclusion goes against the government's own stated goal from the SEU, committing to "materially increase housing supply for renters and owners across the country,"¹⁸ by unlocking financing for "missing middle" homes; yet MLI Select, one of the very tools cited as part of that effort, cannot insure a single ownership-tenured project. Creating MLIS-O as an independent ownership-targeted program avoids reallocating resources away from existing rental priorities, instead expanding what's financeable without touching what's already working.

- MLIS-O could be created as a parallel program, applying the same proven points-based model that's already at work through MLIS including affordability, energy efficiency, accessibility, and the new missing middle typology stream proposed above, directly to ownership-tenured projects.
- MLIS-O should also be extended to land-lease community development, ensuring the program can not only finance new ownership homes, but also support the land development and infrastructure needed to create new communities.
- Missing middle typology ought to be a mandatory scoring requirement for MLIS-O eligibility, not an optional pillar, in order to ensure the new ownership stream is targeted specifically at the typology gap this submission identifies, not simply extended as a broader ownership-financing tool.
- Accessibility should also carry real weight within that requirement, as many missing middle typologies are well suited to include at least one fully accessible, ground-floor unit. MLIS-O could reward that design choice directly, ensuring middle housing serves both aging Canadians and Canadians with disabilities from the outset.

By including missing middle supply as its own scored pillar within both programs, the federal government can ensure a project is meaningfully rewarded for delivering the family-sized, ground-oriented typology Canadians are asking for, rather than treating it as an afterthought.

3. Give Permanent Land-Lease Homes a Mortgage, Not a Chattel Loan: Modernize CMHC's existing mortgage insurance so permanent-foundation homes on leased land are actually eligible in practice, and clearly communicated as such, so buyers of modern, code-built homes are treated, and talked about, as homeowners with a mortgage, not as buyers of a "chattel."

People who own their home but lease the land underneath it (typically in remote/rural communities or in dedicated land-lease communities) depend on CMHC products that haven't kept pace with how this housing has evolved. The Chattel Loan Insurance Program (CLIP), which was introduced in 1988, has historically served genuine non-permanent foundation dwellings – homes like manufactured/mobile homes and floating homes – and should remain intact for that movable category.

¹⁸ Government of Canada, [2026 Spring Economic Update 2026, Chapter 2](#), April 2026.



But for land-lease communities, which are increasingly building permanent, code-built homes, this presents a challenge. These homes are physical properties that should not face inferior financing treatment compared to other Canadian homes solely because the underlying land is held under a leasehold arrangement. Many land-lease homes do not clear CMHC's eligibility bar for conventional leasehold mortgage insurance (requiring a lease term exceeding mortgage amortization by five years), leaving buyers without a clear CMHC-insured mortgage pathway. The result is that modern, code-built properties can become associated with the same "chattel" financing used for trailers and other movable property – language that carries real stigma and actively undermines legitimization of modular, land-lease, and other missing middle typologies as equal, valid housing choices, not lesser ones.

For land-lease homes that do qualify, a pathway to conventional CMHC mortgage insurance technically exists – but CMHC's leasehold underwriting standards don't reflect how land-lease communities actually operate, meaning eligibility on paper does not translate into eligibility in practice, and can functionally force buyers into low-ratio mortgages. While this is not an issue for well capitalized individuals, it means that the true attainability of land lease housing is constrained – it is not as accessible to the first-time buyer or median income family who would benefit most from access to a high-ratio mortgage on attainably priced ownership housing.

To support the creation of new land-lease communities and the future homeowners within them, CREA makes the following recommendations:

- › **Keep CLIP intact:** CLIP should remain fully in place for the non-permanent-foundation homes it was designed for – no changes to eligibility, terms, or branding; though the program could be better marketed and communicated.
- › **Fix the underwriting terms that make these homes functionally ineligible today:** CMHC's leasehold lending requirements should be updated to reflect real land-lease community operations: permitting lease rent escalation, accommodating foreclosure-related ground rent, accepting standard community covenants, and establishing a clear, standardized approach to valuing the leasehold interest itself. These are administrative changes to existing underwriting criteria, not a new insurance product, bringing CMHC's conventional mortgage insurance into practical alignment with how land-lease communities operate, finally translating eligibility on-paper into eligibility in practice.
- › **Communicate this pathway clearly, and separately from CLIP:** Once eligible, CMHC must market and describe these homes as eligible for conventional insured mortgage financing, not as an adjacent or lesser category. Buyers of permanent land-lease homes deserve to be seen, and to see themselves, as homeowners with a mortgage, not as buyers of a "chattel."
- › **Close the developer-side gap:** No equivalent insured financing specifically supports the development of the ownership-oriented land-lease communities these homes depend on. Including land-lease community development within a new MLIS-O program would help close this gap, supporting the creation of new communities and expanding leasehold homeownership opportunities for Canadian buyers.



Fair Assessment Also Matters:

Financing access is not only shaped by what someone is buying or how it has been built, but also by how income and risk are assessed. These final two recommendations address that third dimension by ensuring a borrower's income and risk profile – not just their chosen typology or ownership model – are judged fairly.

4. Reform Income Verification Rules to Reflect How Canadians Actually Earn Money: OSFI should set clear rules so lenders can verify and count real income, however it's earned, so self-employed, contract, and multi-source borrowers aren't forced into a paycheck-shaped box.

Historically, underwriting standards have been built around a single-employer, salaried model of income – one that no longer accurately reflects the on-the-ground realities for many Canadians, particularly younger generations. In 2023, 2.7 million Canadians (13.2% of the employed population) were self-employed, and more than one in four of them (26.6%) were gig workers as their main job.¹⁹ A growing share of prospective borrowers, including contractors, small business owners, and gig or platform workers, earn income from multiple, variable sources. Despite these changing social norms, non-salaried borrowers are still often treated as inherently higher risk regardless of the stability or total value of their income, simply because it does not live inside Box 14 of a single T4 slip.

This is a fixable gap requiring clearer, modernized rules:

- ▶ **Provide explicit, flexible standards for verifying and blending income:** The consolidated CRM Guideline should set clear principles for assessing creditworthiness, including income earned through personal or professional corporations where that income is recurring, independently verifiable, and demonstrably available to the borrower, rather than leaving this to inconsistent institution-by-institution interpretation.
- ▶ **Protect well-governed underwriting exceptions:** An exception does not necessarily mean a loan is risky, it may simply reflect a borrower whose finances sound but does not fit a standardized documentation model. OSFI should support transparent, well-documented, risk-based exceptions, rather than expectations that push institutions to treat non-standard income as inherently unreliable.

The impact of this gap has little to do with creditworthiness, and more to do with an outdated system operating in an evolving labour market. When qualified borrowers cannot buy because of this gap, the pressure does not disappear, it shifts into an already-tight rental market – this is not just an underwriting issue, but also a broader housing continuum issue.

¹⁹ Statistics Canada, [Experiences of self-employed workers in Canada \(2023\)](#), June 2024.



5. Make the stress test fluid: Rates shift, but the stress test does not – and it has impacted attainability for Canadians. OSFI should build a mechanism to let stress testing move with market cycles, rather than stay fixed while the conditions around it change.

OSFI has decided to retain the loan-to-income (LTI) limit framework following its pilot, concluding that it reduces the build-up of highly leveraged borrowers and systemic risk. As LTI limits become a permanent component of the framework, there remains an open opportunity to assess how they should interact with the Minimum Qualifying Rate (MQR), and whether adjustments to the overall borrower qualification framework are warranted.

Canada's Homeownership Attainability Window

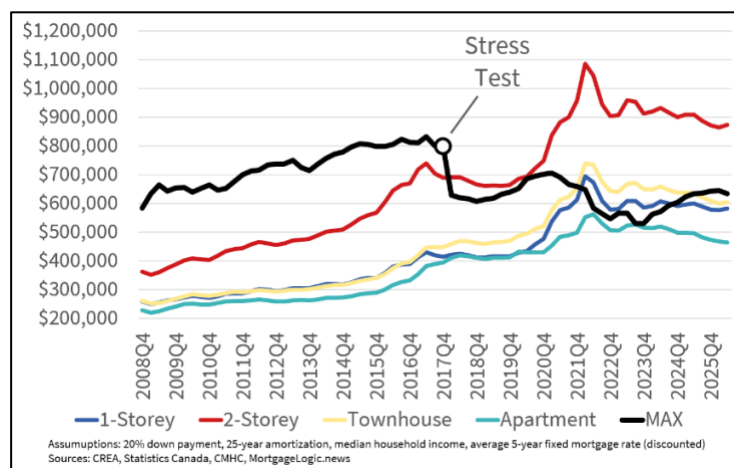


Fig. 4: Comparing Median Household Income Max Purchase Price vs. MLS® Home Price Index Benchmark Prices, 2008 to 2025.

CREA has described a buyer's **"attainability window"** as the space between the theoretical absolute maximum home price a median-income household could qualify for, measured over time, and what available homes actually cost. The difference between these measures, positive or negative, signals how attainable or unattainable housing is to a median-income household (Fig. 4).

The gap between what Canadians can afford (black) and what homes cost (colored lines) began to narrow in the mid 2010's, but the introduction of the stress test in 2018 tightened the window significantly. Skyrocketing home prices during and post-COVID in many markets combined with higher interest rates to further, and in many cases drastically, reduce the attainability of large portions of the existing housing market for the average Canadian household.

A Lending Threshold, Not a Spending Target

The "attainability window" measures the absolute maximum a lender might approve, not what CREA or REALTORS® recommend that a household spend. A buyer's actual budget should reflect their own comfort, goals, and full financial picture — not the maximum a bank's underwriting rules would allow.

Recent years have demonstrated the limitations of a static stress test: when interest rates move significantly in either direction, the spread between fixed and variable mortgage rates can widen quickly and drastically, creating a substantial difference in the qualifying rates applied to variable and fixed mortgages.



As a result, if it comes down to attainability or being shut out of the market, the stress test can become a significant factor in product selection (fig. 5)²⁰, encouraging some borrowers to choose the mortgage offering the most favourable qualification outcome, rather than the one that best matches their risk preferences or financial circumstances.

This raises real questions about whether the framework is consistently assessing borrower resilience or inadvertently influencing mortgage choice by pushing some borrowers toward unregulated lenders, or a rate that does not match their actual risk profile.

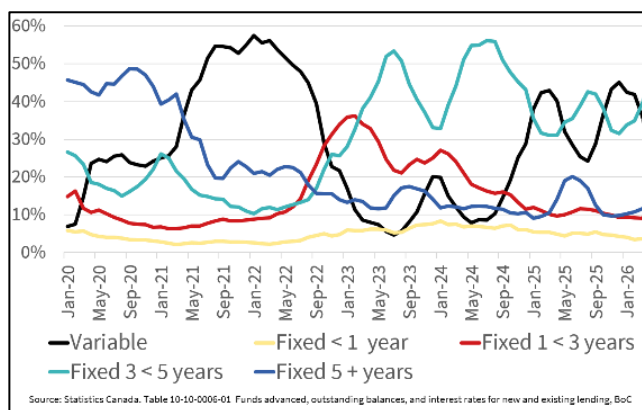


Fig. 5: Share of New and Existing Residential Mortgage Funds Advanced by Type and Term, 2008 to 2026.²⁵

CREA recommends revising the stress test to ensure it continues to safeguard against genuine risk without imposing a disproportionate constraint on attainability:

- **Design stress testing to move with the cycle, not stay fixed against it:** CREA has previously proposed specific design changes to make the MQR more responsive across the interest rate cycle, and is not re-tabling those specific proposals here. As interest rate conditions have shifted meaningfully since 2023, this submission raises the point not to press for a specific formula now, but to make the broader case that the framework must be revisited to include flexibility to move with market cycles.
- **Resolve how LTI and the MQR interact going forward:** With LTI limits now permanent, OSFI has an opportunity to assess how the two mechanisms should work together, rather than layering a static stress test on top of a newly permanent leverage limit without exploring whether adjustments to the overall borrower qualification framework are warranted now that both are in play.

CONCLUSION

Canada does not need to overhaul its housing finance system – it needs to ensure it continues to evolve alongside Canadians. For sixty years, two typologies have carried the weight of homeownership while almost everything else – including small multiplexes and land-lease communities – has been left to find its own way or has not been built at all. That is not a market failure, it is a financing failure, and financing failures are exactly the kind of thing the federal government has the tools and authority to address. The five recommendations in this submission do not ask government to invent new machinery but ask it to extend tools that already work to the buyers and builders currently locked out of them.

The demand is already there – Canadians have said so, clearly and consistently, as highlighted throughout this submission. But the financing infrastructure to meet it isn't, yet.

Closing that gap is how Canada builds the missing middle back.

²⁰ Statistics Canada, [Funds advanced, outstanding balances, and interest rates for new and existing lending](#), retrieved Sept. 2, 2026.



APPENDIX A:

A Snapshot of Home Ownership, Typology & Construction in Canada Today

The tables below map how Canadian homes are currently owned, built, and financed — and where the system breaks down, reflecting how mainstream lenders and insurers treat each model today and highlighting which fall into the financing gaps this submission is asking government to address.

HOUSING TYPOLOGY
Single-family detached: one home, one lot, standalone – typically referred to as “a house”. → <i>Canada’s standard financing baseline — freehold, financing available for conventional and non-conventional mortgages.</i>
Semi-detached: two homes sharing a common wall, each on its own separate title. → <i>Financeable individually as standard freehold in most of Canada.</i>
Rowhouse / townhome: multiple attached homes in a row, each with its own frontage. → <i>Can be financed as freehold or condo depending on structure – but increasingly built and sold as freehold in many major markets.</i>
Small Multiplex (“condoplex”): 2 to 6 units in one building or structure, low-rise and often ground-oriented, purchased as a single whole-building title (requiring a 20% investor-level downpayment in most of Canada). Includes, but is not limited to, duplexes, triplexes, and fourplexes. → <i>No individual-unit ownership path exists without a full condo subdivision.</i>
Mid and High-Rise Towers: mid (~4 to 11 storeys, varies by jurisdiction) to large-scale (12+ storeys) multi-unit buildings, the dominant format for both condo and purpose-built rental in major urban markets. → <i>Financeable for ownership via condo or co-op – the typology is well-served, particularly for purpose-built rentals, but rarely delivers ground-oriented or with family-sized units.</i>
Manufactured / mobile home: a home built to the CSA Z240 standard and installed on a non-permanent foundation, typically in a land-lease community. Distinct from Modern Methods of Construction (MMC), which are installed on permanent foundations and financed as standard mortgages once certified. → <i>These homes remain on non-permanent foundations, however, so are financed as chattel loans (see Ownership Model), not real property mortgages.</i>
Floating home: a home on water (no land under it at all), typically single-family in form. → <i>Neither freehold nor leasehold applies in the usual sense – industry sources indicate only one major bank currently finances these properties.</i>



OWNERSHIP MODEL
Freehold: you own the building and the land under it outright, registered title, no shared corporation involved. → <i>The default for most detached and row homes.</i>
Condominium (condo): you hold individual registered title to your unit plus a proportional, undivided share of common elements, governed by a condo corporation. → <i>Financeable as a non-conventional mortgage – title is individual and registrable.</i>
Parcel of Tied Land (PoTL) Ownership: owners genuinely own their land and home, a corporation manages shared infrastructure. → <i>While legislation for this model exists in most provinces, it remains a niche ownership structure – terminology varies by jurisdiction.</i>
Leasehold / Land Lease: you own the structure but lease the land underneath from someone else (a private landholder, a First Nation, a trust, or government), for a fixed period of time, ie. 99 years. → <i>Financing is difficult because a lender's claim is only against the structure, not land that holds resale value – but because the structure sits on a permanent foundation, it qualifies as a real property.</i>
Co-operative (co-op): you own shares in a corporation that owns the entire building, plus an occupancy agreement for one unit. → <i>No individual title exists, so financing is structured as a share loan, not a mortgage.</i>
Undivided Co-ownership / Joint Tenancy: two or more buyers hold an undivided fractional interest in a single property, no unit is separately titled. → <i>Each co-owner is jointly and severally liable for the full mortgage. Ineligible for insured financing at any down payment under 20%, regardless of buyer creditworthiness, pushing buyers toward this structure only as a workaround when no other path to shared ownership exists.</i>
Chattel / Personal Property: you own the home, but because it sits on a non-permanent foundation (ie. manufactured or mobile homes in a land-lease community), it's classified and financed as a movable asset rather than as real property. → <i>CMHC introduced its Chattel Loan Insurance Program (CLIP) in 1988, insuring these loans for the consumer on par with a conventional mortgage (up to 95%), but there is no equivalent insured financing for developers building the land-lease communities these homes depend on.</i>