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Mortgage Co-Signing as a Structural Pathway of Intergenerational Wealth Stratification in Canada

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ABSTRACT

Housing affordability pressures and mortgage qualification rules have increased reliance on parental assistance among Canadian first-time buyers. This policy synthesis examines parental mortgage co-signing as a proposed structural pathway—not an independently established cause—through which unequal family financial capacity may shape access to homeownership and later wealth accumulation. A structured, targeted search covered 2014 to May 2026, and retained 20 Canadian academic, official-statistical, central-bank, regulatory, and policy sources. Evidence was classified as direct co-signing evidence, indirect contextual evidence, or institutional evidence, with inferential weight assigned according to data quality and research design. Direct linked administrative evidence indicates that the estimated share of mortgages issued to first-time buyers under age 50 with a likely parental co-signer rose from about 4% in 2004 to 11% in 2025. Under the study's counterfactual assumptions, 74% of co-signed adult children would not have qualified for their observed mortgage without parental income support. These estimates demonstrate effects on qualification and purchasing power, but the parental relationship is inferred from an age-gap proxy, and the evidence does not follow households long enough to identify a 10- to 20-year causal effect on wealth. Indirect Canadian evidence associates parental property ownership and housing wealth with adult children's homeownership and property values; it supports the plausibility of the broader pathway but is not evidence about co-signing itself. The paper evaluates national reporting, risk-sensitive underwriting and disclosure, targeted shared-equity support, and affordable market and non-market supply. It recommends a sequenced package with named institutional responsibilities, bounded fiscal exposure, privacy safeguards, and measurable five- and ten-year indicators. The central conclusion is cautious: co-signing can expand mortgage access for some households, while its unequal availability may reinforce existing advantage unless housing access becomes less dependent on family balance sheets.

Keywords: parental mortgage co-signing, intergenerational wealth inequality, homeownership access, housing policy, Canada

INTRODUCTION

Homeownership is a major route to wealth accumulation in Canada, yet entry into the housing market increasingly depends on resources beyond a prospective buyer's income and savings. High prices and mortgage-qualification rules have made ownership difficult for many first-time buyers, prompting greater reliance on family assistance. In the 2023 Survey of Financial Security, 32.9% of homeowner families whose major income earner was under age 35 reported that their entry into the housing market involved a home received as a gift or inheritance, a down-payment gift or inheritance, or borrowing from family or friends (McCormack & Sheridan, 2025). That statistic describes a bundle of familial-support channels; it does not measure mortgage co-signing.

Parental mortgage co-signing is narrower. In this paper, the term refers to a parent joining the mortgage obligation so that a lender can consider the parent's income, credit profile, and debts when assessing the application. The precise contractual label may differ across lenders and provinces, and a co-signer is not necessarily a co-owner on title. Co-signing is also distinct from a cash gift, inheritance, private family loan, or property co-ownership: it expands assessed repayment capacity while exposing the parent to legal responsibility for the mortgage. In the principal Canadian loan-level evidence, a likely parent is not directly observed but inferred when the oldest and youngest borrowers differ in age by more than 18 years (Allen et al., 2024; Li, 2026).

That linked administrative evidence suggests that likely parental participation rose from about 4% of first-time-buyer mortgages in 2004 to 11% in 2025. Under the authors' counterfactual income-allocation assumptions, 74% of the adult children on these mortgages would not have qualified for the observed loan independently (Li, 2026). These model-based estimates provide direct evidence about the mortgage-qualification link, subject to the age-gap proxy and counterfactual income-allocation assumptions. These estimates do not, however, establish that co-signing causes higher lifetime wealth, nor does it identify how the practice is distributed by race, immigration status, or parental net worth.

Despite its growing importance, co-signing is generally treated as a private family arrangement or a question of lender and borrower risk. This framing leaves a significant policy gap. Canada's mortgage system applies formally uniform qualification rules, but applicants do not approach those rules with equal access to parental income, credit, or housing wealth. Parental property ownership is associated with adult children's homeownership and property values (Khalid et al., 2024; Mirdamadi & Khalid, 2023). Yet Canadian policy does not systematically monitor which borrowers rely on parental co-signers or assess how unequal access to parental financial capacity may contribute to unequal access to mortgage credit and opportunities to accumulate housing equity.

Building on a broader synthesis of housing and intergenerational inequality in Canada (Mousavi, 2026), this paper isolates parental mortgage co-signing as a specific mechanism through which family resources shape access to homeownership and housing wealth. It synthesizes Canadian evidence to identify how co-signing affects opportunity and to assess realistic policy responses. This paper therefore asks a bounded policy question: how might parental co-signing transmit existing family advantage through Canada's regulated mortgage and housing systems, what does current evidence establish at each link, and which policy responses are proportionate to that evidence? The argument is that unequal family financial capacity may create unequal access to a tool that can alter mortgage qualification and purchasing power. Earlier or higher-value entry may then create unequal opportunities—not guaranteed outcomes—to repay principal, experience appreciation or loss, use equity as collateral, and assist a subsequent generation. The mortgage-qualification and purchasing-power link is supported directly, while the longer wealth pathway remains a hypothesis supported primarily by indirect evidence.

The contribution is conceptual and policy-analytic rather than an original empirical estimate. It isolates co-signing from adjacent forms of family assistance, grades the strength of the evidence, and evaluates four policy options in terms of effectiveness, equity, fiscal cost, administrative feasibility, privacy, and unintended consequences. The paper first explains the synthesis method and evidence-classification approach, then presents the institutional context, Evidence Review, Policy Analysis, comparative Policy Options, and an implementation and evaluation framework. The Conclusion summarizes the evidentiary limits and corresponding policy implications.

METHODOLOGY

This study is a structured, targeted policy synthesis. It is not a systematic review, meta-analysis, or original causal investigation. The approach was selected because direct Canadian research on parental mortgage co-signing is limited, while relevant evidence is dispersed across central-bank working papers, linked administrative studies, household surveys, peer-reviewed scholarship, and policy documents. The search and verification update was completed on June 18, 2026.

Searches covered the Bank of Canada, Statistics Canada, Canada Mortgage and Housing Corporation (CMHC), Office of the Superintendent of Financial Institutions (OSFI), Department of Finance Canada, Canada Revenue Agency, and Organisation for Economic Co-operation and Development (OECD) repositories. DOI and reference-chain searches were used to locate peer-reviewed scholarship. Search strings combined Canadian housing terms with family assistance and inequality concepts, including: "(mortgage OR housing) AND (co-sign* OR co-borrow* OR parental income support) AND Canada"; "intergenerational wealth AND housing AND Canada"; "parental property ownership AND adult child homeownership AND Canada"; "(racialized OR immigrant) AND homeownership AND Canada"; and "first-time buyer AND policy AND housing supply AND Canada." The search period was January 2014 through May 2026, so that the synthesis captured both the post-financial-crisis mortgage framework and current policy settings.

Sources were included if they met at least one of four criteria: (1) Canadian loan-level evidence identifying likely parental participation in a mortgage; (2) official linked-administrative or survey evidence on parental property ownership, family assistance, homeownership, property values, or generational tenure; (3) peer-reviewed research on intergenerational transfers, housing wealth, or group differences that clarified the proposed mechanism; or (4) an authoritative document defining a current mortgage, tax, or housing-supply policy. Commentary without a disclosed method or dataset, lender anecdotes, market surveys lacking transparent samples, and evidence about family transfers unrelated to housing were excluded. The final corpus contains 20 unique sources.

Evidence was classified before synthesis. "Direct co-signing evidence" identifies likely parental participation on mortgage records and can estimate qualification or purchasing-power differences. "Indirect contextual evidence" examines related but non-equivalent concepts, such as parental homeownership, gifts, family borrowing, co-ownership, inheritance, or demographic differences in tenure. "Institutional evidence" documents rules or program parameters but does not estimate distributional outcomes. Within these categories, the greatest inferential weight was assigned to transparent linked administrative studies and quasi-experimental designs, followed by official descriptive linkage and survey studies, then peer-reviewed contextual studies. Policy documents were treated as authoritative only for institutional design and current rules.

Quantitative claims were checked against the underlying dataset, sample, method, time period, and stated limitations. No estimates were pooled or re-estimated. Causal language is used only for the specific result supported by a research design. In particular, Allen et al. (2024) use policy-induced variation to estimate how tighter payment-to-income constraints affected parental participation; that result does not estimate the causal effect of co-signing on long-run wealth. Associations involving parental property and adult children's outcomes are used only to assess the plausibility of later links. Table 1 makes these inferential boundaries explicit.

Evidence	Dataset / sample / method	Permitted use	Required limitation
Allen et al. (2024) — DIRECT	TransUnion credit + OSFI contracts; first-time buyers under 50; 2004–2022; difference-in-differences around 2016/2018 stress tests and counterfactual qualification.	Causal effect of tighter payment-to-income constraints on likely parental participation; dependence of observed qualification on added capacity.	Parent inferred by >18-year age gap; income allocation assumed; no parental wealth or long-run wealth outcome.
Li (2026) — DIRECT UPDATE	Same linked program, updated through 2025; 2022 Q4 purchasing-power illustration.	Trend from ~4% to ~11%; 74% counterfactual non-qualification; purchasing-power calculations.	Descriptive/model-based update, same proxy and assumptions; no random assignment or 10–20-year follow-up.
McCormack & Sheridan (2025) — INDIRECT	2023 Survey of Financial Security; weighted homeowner-family estimates.	Prevalence of bundled housing gifts, inheritance, and family/friend borrowing.	Does not identify co-signing; retrospective self-report and survey sampling.
Mirdamadi & Khalid (2023)	2021 CHSP linked to T1FF; people born in the 1990s; excludes Quebec and	Association between linked parental property ownership and adult-child	Link not necessarily biological; one year; no co-signing measure or

— INDIRECT	Saskatchewan; descriptive/conditional comparisons.	homeownership.	causal identification.
Khalid et al. (2024) — INDIRECT / PROXY	2021 CHSP, T1FF, and Census; adult-child owners born in 1990s; gross assessed parental housing-value terciles.	Association between parental housing position and child property values; separate co-ownership patterns.	Housing value is not net worth; assessment dates vary; co-ownership is not co-signing and is excluded from value analysis.
Mirdamadi & Gordon (2026) — INDIRECT	1991/2006/2021 Censuses; ages 25–39; adjusted household-tenure measure.	Descriptive cohort gap in adjusted homeownership.	Household tenure is not title ownership; cohort differences do not identify causes.
Salas-Rojo & Rodríguez (2022) — INDIRECT	Luxembourg Wealth Study, Canadian 2016 sample (N=3,627); random-forest inequality-of-opportunity decomposition.	Inheritance circumstances explain an estimated 41.88% of total net-wealth inequality in the model.	Not share of wealth inherited; not a causal or co-signing estimate; model-dependent cross-section.
OSFI / Finance / CRA / CMHC / OECD — INSTITUTIONAL	Current rule, program, and policy documents verified to August 18, 2026.	Mortgage rules, tax parameters, reforms, supply scenario, policy cautions.	Authoritative for settings, not evidence of distributional effects.

Table 1. Evidence classification and inferential scope

Background And Canadian Policy Context

The Canadian context for parental mortgage co-signing is shaped by two interacting conditions: housing costs that have risen faster than incomes and mortgage rules intended to limit highly leveraged borrowing. Together, these conditions have widened the gap between the price of market entry, and the mortgage amount many first-time buyers can qualify to borrow (Li, 2026).

Housing affordability

Canadian real house prices increased by 87% between 2000 and 2014, and affordability became a major challenge in large urban centres (Cheung, 2014). More recent Bank of Canada evidence confirms that house prices continued to outpace incomes over the following decade and identifies Toronto and Vancouver as markets in which affordability pressures and parental co-signing are particularly pronounced (Li, 2026). First-time buyers must therefore accumulate a larger down payment while also demonstrating that their income can support higher mortgage payments and other housing costs (Li, 2026).

Mortgage qualification rules

Canada's mortgage framework became more restrictive after a brief period of liberalization in the mid-2000s. Between 2008 and 2012, federal measures restored a 5% minimum down payment for insured mortgages, strengthened income and property documentation, and reduced the maximum insured amortization period from 40 to 25 years (Schembri, 2014). Federally regulated lenders currently apply a minimum qualifying rate to new or materially changed uninsured mortgages, subject to specified exceptions such as qualifying straight switches at renewal. As of January 2026, the qualifying rate is the greater of the contract rate plus two percentage points or 5.25% (OSFI, 2026).

Recent reforms have eased selected constraints without eliminating income-based qualification. Effective December 15, 2024, the insured-mortgage price ceiling increased from $1 million to $1.5 million, and 30-year insured amortizations became available to all first-time buyers and purchasers of newly built homes (Department of Finance Canada, 2024). These changes can reduce required down payments or monthly payments, but borrowers must still establish sufficient repayment capacity (Department of Finance Canada, 2024; OSFI, 2026).

First-time buyer barriers

First-time buyers consequently face connected price, savings, and credit barriers. They must assemble a down payment and closing costs, satisfy debt-service requirements at a stress-tested rate, and compete in markets where prices have grown faster than incomes (Li, 2026). These pressures are reflected in age-adjusted ownership outcomes: in 2021, 49.9% of millennials aged 25 to 39 owned homes, compared with 56.2% of Generation X and 55.9% of baby boomers at the same ages (Mirdamadi & Gordon, 2026). The comparison does not attribute the entire generational gap to mortgage policy, but it demonstrates that younger adults have entered ownership under less favourable conditions (Mirdamadi & Gordon, 2026).

Parental assistance and co-signing

Family assistance has become an important response to these barriers. In 2023, 32.9% of Canadian homeowners younger than 35 reported using a gift, inheritance, or family borrowing to enter the housing market (McCormack & Sheridan, 2025). Co-signing is distinct from a cash transfer: a parent adds income to the application and accepts legal responsibility for repayment, thereby increasing the adult child's qualifying capacity (Li, 2026).

Among mortgages issued to first-time buyers under age 50, the estimated parental co-signing rate rose from 4% in 2004 to approximately 11% in 2025. Moreover, 74% of co-signed adult children would not have qualified for their current mortgage independently; for affected borrowers in late 2022, co-signing raised the average maximum attainable home price from $458,000 to $787,000 (Li, 2026). These estimates provide strong national evidence of the mechanism, although current data reveal much less about its distribution by race and immigration status (Li, 2026; McCormack & Sheridan, 2025). The policy context is therefore one in which formal rules evaluate repayment capacity, while access to a strong parental balance sheet can informally expand that capacity for some buyers but not others (Li, 2026; OSFI, 2026).

LITERATURE REVIEW

Research on parental mortgage co-signing intersects with four bodies of literature: intergenerational wealth transfers, housing-based wealth accumulation, mortgage access and family assistance, and social inequality. Although Canadian research examining co-signing directly remains limited, the broader literature demonstrates how unequal parental resources can influence whether, when, and at what price adult children enter homeownership. Co-signing must therefore be considered within a larger system through which family wealth shapes housing opportunities across generations (Li, 2026; Wang & Squires, 2024).

Intergenerational wealth transfers

Intergenerational wealth transfers occur both after death through inheritances and bequests and during parents' lifetimes through gifts, family loans, property transfers, guarantees, and mortgage co-signing. These *inter vivos* transfers are especially important in housing markets because parents can provide assistance when their adult children face down-payment or mortgage-qualification barriers. Unlike inheritance, which may arrive later in adulthood, parental housing assistance can affect entry into an asset market at a financially consequential stage of the life course (Wang & Squires, 2024).

A systematic review of 32 studies found that parental assistance generally improves younger adults' access to homeownership but may simultaneously widen inequality because families possess substantially different resources to transfer (Wang & Squires, 2024). The broader importance of inherited advantage is also evident in

Canadian wealth data. Using a machine-learning decomposition, Salas-Rojo and Rodríguez (2022) estimated that inheritance-related inequality of opportunity accounted for 47.8% of net-wealth inequality in Canada. This does not mean that 47.8% of Canadian wealth was inherited; rather, it estimates the proportion of observed wealth inequality associated with unequal inheritance receipt. Together, these findings position family transfers as mechanisms through which existing economic advantages can be reproduced across generations.

Housing and wealth accumulation

Housing is central to intergenerational stratification because a home functions simultaneously as a place of residence and a major household asset. Homeowners accumulate equity through mortgage-principal repayment and may benefit from property-price appreciation, although leverage also exposes them to losses when prices fall or household income declines (Causa et al., 2019). In Canada, real estate equity represented 42% of total household wealth in 2023, while housing assets accounted for nearly half of the wealth held by younger families (McCormack & Sheridan, 2025). Consequently, gaining access to homeownership can substantially affect a household's long-term wealth trajectory. At the macroeconomic level, Canadian research has also examined how housing prices, GDP growth, and unemployment relate to income inequality from 1990 to 2022 (Mousavi, 2025).

Parental housing wealth is also associated with the value of the properties acquired by adult children. In Toronto, Vancouver, Victoria, and Kelowna, adult children whose parents belonged to the highest housing-wealth group owned properties worth between 29.6% and 37.4% more, on average, than those owned by children whose parents belonged to the lowest group (Khalid et al., 2024). This association does not prove that parental assistance caused the difference. Nevertheless, it indicates that parental economic position is related not only to whether children become homeowners but also to the value of the asset through which they begin accumulating equity.

Mortgage access and family assistance

Families assist younger buyers through down-payment gifts, inheritances, private loans, co-ownership, and mortgage co-signing. In 2023, 32.9% of Canadian homeowners under age 35 reported using a gift, inheritance, or borrowing from family to enter the housing market—the highest proportion among the age groups examined (McCormack & Sheridan, 2025). These forms of assistance should not be treated as interchangeable. A cash gift reduces the amount a buyer must borrow, whereas a co-signer adds income and repayment capacity to the mortgage application while assuming legal responsibility for the debt (Li, 2026).

The proportion of Canadian first-time-buyer mortgages co-signed by a parent increased from approximately 4% in 2004 to 11% in 2025. Among borrowers with parental co-signers, 74% would not have qualified for their existing mortgages independently. For affected buyers in the fourth quarter of 2022, the estimated maximum attainable purchase price increased from $458,000 without parental support to $787,000 with a co-signer (Li, 2026). Co-signing can therefore influence both access to homeownership and the value of the property purchased. At the same time, it transfers mortgage risk across generations because parents become legally responsible if the primary borrowers cannot meet their obligations.

Inequality by class, race, immigration status, and generation

The ability to provide mortgage assistance is unevenly distributed. Canadians born in the 1990s whose parents owned residential property were twice as likely to own a home in 2021 as those whose parents did not own property. Adult children whose parents owned multiple properties were nearly three times as likely to become homeowners. These relationships persisted after accounting for the adult child's income, age, and province and were particularly strong among individuals earning $80,000 or less (Mirdamadi & Khalid, 2023). Parental property ownership therefore operates as a class resource that supplements—and may partly compensate for limitations in—the child's individual income.

Race and immigration status further shape housing outcomes. Li et al. (2025) identified significant homeownership differences among second-generation Black, Chinese, South Asian, and White Canadians.

They also found similarities between first- and second-generation members of the same racialized groups, indicating that homeownership disparities cannot be explained solely by immigrant generation. Statistics Canada has also reported that immigrant parents are overrepresented in certain forms of parent–child property co-ownership in Toronto and Vancouver (Khalid et al., 2024). However, co-ownership is not equivalent to mortgage co-signing, and existing Canadian co-signing studies do not provide a detailed breakdown by racialized identity or immigration status (Khalid et al., 2024; Li, 2026). Direct evidence concerning which racialized and immigrant groups receive parental co-signatures therefore remains limited.

Generational disparities are more clearly documented. Among people aged 25 to 39, the adjusted homeownership rate was 49.9% for millennials, compared with 56.2% for Generation X and 55.9% for baby boomers when those generations were the same age (Mirdamadi & Gordon, 2026). Younger homeowners are also more likely to report relying on family assistance (McCormack & Sheridan, 2025). Overall, the literature identifies a cumulative pathway through which unequal parental assets contribute to unequal mortgage access and purchase values, which subsequently shape housing-equity accumulation. Nevertheless, further Canadian research is needed to measure how co-signing itself is distributed across class, racial, immigrant, and regional groups and to establish its long-term effects on intergenerational wealth inequality.

Policy Analysis

Parental mortgage co-signing connects unequal family wealth to unequal access to a regulated credit market. Its distributional effect follows a cumulative sequence: unequal parental wealth → unequal ability to co-sign → unequal access to homeownership → unequal equity accumulation → wider intergenerational wealth gaps. The evidence does not establish that every co-signed purchase creates wealth or that co-signing alone causes housing inequality. It does show, however, that parental financial capacity can determine whether a buyer qualifies and the value of the property that buyer can acquire (Allen et al., 2024; Li, 2026). Co-signing therefore distributes the opportunity to accumulate housing wealth according partly to family resources.

The distributive mechanism

The first link is the capacity to co-sign. A parent adds income and credit strength to the application and assumes legal responsibility if the primary borrower fails to pay. The arrangement therefore requires sufficient income, acceptable credit, and debt-service capacity, not simply parental willingness (Allen et al., 2024; Li, 2026). Children of financially secure homeowners and higher-income parents have greater access to this instrument than children of renters, heavily indebted parents, or low-income parents. The broader literature likewise finds that parental housing support facilitates ownership while reproducing inequality because families differ substantially in the resources they can provide (Wang & Squires, 2024).

The second link is access to mortgage credit. The share of Canadian first-time-buyer mortgages with a parental co-signer increased from approximately 4% in 2004 to 11% in 2025. Among co-signed adult children, 74% would not have qualified for their current mortgage independently. For affected borrowers in the fourth quarter of 2022, the estimated maximum attainable purchase price rose from $458,000 without support to $787,000 with a co-signer (Li, 2026). Co-signing thus changes both whether ownership is possible and the value of the home purchased. Without it, a similar buyer may rent longer, buy a smaller or less expensive property, relocate to a cheaper market, or remain outside homeownership.

The next links are equity accumulation and transmission. Owners build equity through principal repayment and may benefit from appreciation, although leverage can also magnify losses and ownership does not guarantee a positive return (Causa et al., 2019). Entry timing and purchase value nevertheless shape the duration and scale of this wealth-building opportunity. In several expensive Canadian cities, adult children whose parents were in the highest housing-wealth group owned properties worth 29.6% to 37.4% more than those owned by children whose parents were in the lowest group (Khalid et al., 2024). This association does not prove that co-signing caused the difference, but it is consistent with parental resources shaping the asset base from which children accumulate equity. If successful, that equity can later support another purchase, serve as collateral, or assist the next generation. The mechanism can therefore become recursive.

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Who benefits and who is excluded

Immediate beneficiaries are often younger buyers with lower incomes or weaker credit profiles who fall below independent qualification thresholds (Li, 2026). Co-signing may therefore help a lower-income adult child, but its distributional effect is not broadly progressive because eligibility depends on parental capacity rather than need. Canadians born in the 1990s whose parents owned property were twice as likely to own homes as those whose parents did not; children of multiple-property owners were nearly three times as likely to own (Mirdamadi & Khalid, 2023). Co-signing can consequently assist a comparatively low-income child while still transmitting advantage from an asset-rich family.

Excluded groups include children of renters, low-income or highly indebted parents, and young adults whose parents are unwilling or unable to accept legal liability. Some newcomers may also lack accumulated Canadian housing equity or sufficient domestic income and credit capacity to co-sign. Immigration status is not uniformly disadvantageous, however. Immigrant families differ in wealth and support practices, and immigrant parents are overrepresented in some forms of parent–child co-ownership in Toronto and Vancouver (Khalid et al., 2024). Current national data also do not report co-signing rates by racialized group or immigration status (Li, 2026). The most defensible conclusion is that exclusion follows unequal access to transferable family resources, while racial and migration inequalities may shape those resources through broader housing and labour-market processes (Li et al., 2025).

Why co-signing is a structural policy issue

For one household, co-signing is a voluntary private contract. Across the housing system, however, repeated family transactions alter who can access ownership. Mortgage rules formally assess income, credit, debt service, and repayment capacity, yet co-signing lets an applicant supplement these individual characteristics with parental capacity. Two buyers with similar earnings and credit can therefore receive different access to mortgage credit because only one can draw on a strong family balance sheet. The difference reflects inherited financial capacity, not merely individual saving or employment.

Co-signing is structural because it operates inside publicly regulated mortgage and housing systems, is patterned by pre-existing wealth, and can compound through unequal access to principal repayment, appreciation, collateral, and later family transfers (Causa et al., 2019; Wang & Squires, 2024). Parents assume real repayment risk, so the arrangement is not costless; nevertheless, families without adequate resources cannot choose to bear that risk. The policy concern is not that parental assistance is inherently improper. It is that a significant route around individual mortgage constraints is available mainly through family capacity.

Canadian research has not yet estimated the complete 10- to 20-year causal effect of co-signing on wealth inequality, particularly across racialized and immigrant groups. Still, its observed effects on qualification and purchasing power, combined with established patterns of parental property advantage and housing-equity accumulation, justify treating mortgage co-signing as a policy-relevant mechanism of intergenerational wealth stratification. If housing access increasingly depends on parental balance sheets, social mobility weakens and the divide between children of homeowners and children of renters is likely to become more durable.

Policy Options

No single policy can eliminate the advantages created by parental mortgage co-signing. Realistic responses must distinguish among three objectives: identifying the distribution of co-signing, reducing financial risk, and improving housing access for people without family wealth. Four options address different parts of the mechanism.

National co-signing data and monitoring

The federal government could coordinate a national reporting standard requiring lenders to identify parental co-signers, the share of qualifying income they provide, whether they occupy the property, and the mortgage's subsequent performance. Statistics Canada could link anonymized records to income, age, immigration, and other demographic data. This option is comparatively inexpensive and would permit regulators to measure who benefits, who bears risk, and whether co-signing is widening group inequalities. It would also correct the present reliance on limited loan-level evidence (Li, 2026). Its principal limitation is that measurement alone does not improve affordability. Harmonizing federal and provincial reporting would create administrative and privacy challenges, especially for credit unions and non-bank lenders.

Risk-sensitive underwriting and disclosure

OSFI could strengthen existing underwriting expectations by requiring federally regulated lenders to record whether a mortgage would qualify without parental income, document the degree of reliance on the co-signer, and provide both generations with standardized liability and exit-risk disclosures. Lenders could also be required to test the primary borrower's capacity under plausible changes in the parent's financial circumstances. This approach would build on Guideline B-20, which already requires rigorous assessment of co-signers and their legal obligations (Office of the Superintendent of Financial Institutions [OSFI], 2017). Its strength is improved consumer protection and risk transparency without prohibiting family assistance. Its distributive effect would be modest, however. Tighter rules could exclude otherwise viable households or shift borrowing toward less-regulated lenders, while down-payment gifts would remain unaffected (Allen et al., 2024).

Targeted support for buyers without family wealth

Existing first-time-buyer measures could be redesigned to prioritize applicants who cannot obtain a parental gift, loan, or co-signature. Options include refundable matched savings, limited shared-equity assistance, or a carefully capped public mortgage guarantee subject to income and asset tests. Unlike the First Home Savings Account, whose value depends on the capacity to save and benefit from tax deductions, targeted assistance would compensate more directly for unequal family resources (Canada Revenue Agency, 2026). The principal strength is greater horizontal equity between otherwise similar buyers. The limitations are substantial: parental wealth is difficult to verify, eligibility thresholds can create unfair cut-offs, guarantees expose governments to losses, and buyer subsidies can raise prices when housing supply is unresponsive (Organisation for Economic Co-operation and Development [OECD], 2025).

Affordable and non-market housing expansion

Federal, provincial, and municipal governments could expand low-cost financing, public land contributions, and capital grants for co-operative, community-land-trust, non-profit, and affordable rental housing, while accelerating infrastructure and approvals for lower-cost market construction. This option addresses the upstream scarcity that increases both prices and dependence on parental support. CMHC estimates that annual housing starts must rise from a projected 250,000 to approximately 430,000–480,000 through 2035 to restore affordability (Canada Mortgage and Housing Corporation [CMHC], 2025). The approach benefits renters and prospective owners regardless of parental wealth and does not encourage larger household debt. Its limits are high fiscal cost, slow delivery, construction-capacity constraints, and coordination across governments. Moreover, rental and non-equity co-operative housing provide security and affordability but do not themselves create private housing equity.

These options are complementary rather than interchangeable. Data and underwriting reforms can be introduced relatively quickly, whereas targeted assistance and expanded supply address unequal access more directly but entail larger fiscal and implementation trade-offs.

RECOMMENDATIONS

Canada should adopt a two-level response: reduce dependence on family wealth by expanding affordable housing supply, while addressing near-term unequal access through targeted assistance and national monitoring. Prohibiting parental co-signing is not recommended because it could exclude creditworthy borrowers without correcting the conditions that make co-signing valuable.

Actions within five years

The Department of Finance, OSFI, and provincial financial regulators should establish a national reporting standard for parental co-signing. Regulated lenders should identify non-occupying family co-signers, record whether the primary borrower would qualify independently, measure the income added by the co-signer, and report mortgage performance. Statistics Canada and the Bank of Canada should publish annual analyses by income, age, region, and—where sample sizes permit—racialized group and immigration status. This would turn the present estimates into a reliable basis for policy design and evaluation (Li, 2026).

Federal and provincial governments should also pilot a capped shared-equity program for first-time buyers who meet income and asset limits and receive no parental gift, loan, or co-signature above a defined threshold. Assistance should be restricted to principal residences, locally price-capped, repayable upon sale, and independently evaluated after five years. This would narrow the parental-resource gap while limiting fiscal exposure. It should remain targeted because broad buyer subsidies can increase prices when supply is constrained (Organisation for Economic Co-operation and Development, 2025).

Ten-year structural priority

The strongest long-term recommendation is sustained expansion of market, affordable, and non-market housing. The federal government should provide predictable ten-year capital funding and low-cost financing for non-profit rental housing, co-operatives, and community land trusts. Provinces should permit greater density near transit and employment centres, while municipalities should shorten approvals, release suitable public land, and align infrastructure with housing targets. Intergovernmental funding should be conditional on measurable completions, affordability periods, and permitting improvements. CMHC estimates that annual starts must rise from roughly 250,000 projected units to 430,000–480,000 through 2035 to restore affordability (Canada Mortgage and Housing Corporation [CMHC], 2025). Progress should therefore be assessed by completed homes, tenure, and sustained affordability—not merely announced funding.

Together, these measures would improve immediate fairness while reducing the structural scarcity that makes access to homeownership dependent on parental balance sheets.

CONCLUSION

This policy synthesis finds that parental mortgage co-signing is more than private family assistance. In Canada's high-cost housing market and income-based mortgage system, it is a structural mechanism through which unequal parental resources shape unequal housing opportunities. Financially capable parents can help adult children qualify, enter ownership sooner, or purchase more valuable homes; other families cannot offer the same advantage. The difference extends beyond the initial transaction because ownership creates opportunities to accumulate equity, support later purchases, and transfer wealth to another generation.

This finding matters for policy because a formally uniform mortgage system can produce unequal outcomes when applicants enter it with vastly different family resources. Treating co-signing solely as a private contract overlooks how it interacts with regulated credit, housing scarcity, and the unequal distribution of wealth. An outright ban would not resolve these underlying conditions. Governments and regulators should instead combine national monitoring of co-signed mortgages with targeted support for first-time buyers who lack family wealth and sustained expansion of affordable market and non-market housing.

Without action, parental financial capacity is likely to become an increasingly important condition of entry into homeownership. That trajectory would weaken the relationship between individual income and housing opportunity, deepen the divide between children of owners and non-owners, and allow existing wealth inequalities to become more durable across generations. The policy goal should therefore be broader than regulating a single mortgage practice: it should ensure that access to secure housing and the opportunity to build wealth do not depend primarily on the balance sheet of one's parents.

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