

Performance Audit

Home Construction Regulatory Authority

// Independent Auditor's Report



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1.0 Audit at a Glance

// Why We Did This Audit

- On February 1, 2021, the Government of Ontario designated the Home Construction Regulatory Authority (HCRA) as the administrative authority responsible for licensing and regulating Ontario new home builders and sellers of new homes, known as vendors. HCRA is overseen by the Ministry of Public and Business Service Delivery and Procurement (Ministry).
- A home is typically the largest purchase an individual will make in their lifetime. Ontario homebuyers took possession of almost 60,000 new homes in 2024, at an average price of over \$790,000. Ontarians purchasing new homes rely on effective regulation of new home builders and vendors to protect their investment.
- We conducted this audit to assess whether HCRA effectively licenses and regulates new home builders and vendors to protect homebuyers.



Homebuyers took possession of almost **60,000 new homes** in 2024, at an average price of over **\$790,000**

// What We Found

HCRA Automatically Renewed Licensees with Conduct Issues

- HCRA automatically renewed the licences of licensees with a history of conduct issues, without staff review, through its fast-track renewal process. HCRA did not have any controls in place to ensure it checks its own complaints and inspections data against applicant responses to questions on their past conduct declaration.
- HCRA's complaints and inspections data contradicted the information provided by some licensees who declared a clean history of compliance. Had the HCRA data been considered, those licensees would not have been eligible for fast-track renewal.

» Recommendation 1

Since Inception HCRA Approved Licences Without Conditions for Over 99% of the 2,042 Applicants Whose Credit Scores Failed to Meet HCRA's Threshold

- HCRA's assessment process is insufficient to form an opinion on whether the applicant can reasonably be expected to be financially responsible in the conduct of business. There have been indications of increased financial risk in the new home building industry in recent years, such as an increasing number of licensee insolvencies and Tarion claim payments for deposit refunds.
- HCRA relies primarily on a single indicator, a credit score, when evaluating the financial position of licence applicants. HCRA sets a threshold for applicant credit scores. If the applicant's score is above the threshold, the applicant passes the financial requirement.
- If the applicant fails to meet HCRA's credit score threshold, the Assistant Deputy Registrar (ADR) of Licensing determines whether the financial responsibility requirement is met. HCRA does not have guidelines for what constitutes a pass or fail for this ADR review. The ADR's determination is made on a case-by-case basis.
- Since HCRA began operations, 2,042, or 7% of all applications, had credit scores that failed to meet the credit score threshold. HCRA approved 2,026 of these applications, or 99.2%, with no conditions. The remaining 16 applications were approved with conditions, and only one included conditions relating to the financial position of the applicant. These facts call into question the value of the ADR review process in assessing an applicant's financial position.

» Recommendation 2

HCRA Does Not Consider All Required and Important Licensee Financial Information in Licensing Decisions

- For both new licences and licence renewals, the *New Home Construction Licensing Act, 2017* (NHCLA) requires HCRA to evaluate whether the applicant can reasonably be expected to be financially responsible in the conduct of business by considering the past and present financial position of the applicant, as well as the officers and directors.



HCRA does not consistently consider insolvency history when assessing applications

- HCRA does not consider several sources of applicant financial information that could support the assessment of applicant financial position and financial conduct:
 - HCRA does not obtain and review any updated information related to the present financial position of officers and directors when evaluating applicant financial responsibility unless those individuals are new to the HCRA. Therefore, HCRA is not effectively meeting its requirements under the NHCLA.
 - HCRA requires new applicants to submit financial statements or a copy of their tax return but does not actually review or consider this information.
 - HCRA does not consistently consider insolvency history when assessing applications.

» Recommendation 2

HCRA Oversight and Enforcement Is Not Proactive

- HCRA does not assign risk ratings to licensees to guide its oversight and enforcement activities. HCRA also does not conduct regular, proactive oversight with a focus on preventing issues before they impact homebuyers. Instead, inspections, investigations and other enforcement activities are reactive and initiated in response to complaints received.
- HCRA has never laid charges or taken any enforcement action related to the requirements in the NHCLA that are less likely to be identified through complaints, such as those related to the security of confidential information or prominent display of their HCRA licence.

» Recommendation 5



HCRA Has a Backlog of Over 1,500 Complaints

- HCRA has seen its backlog of open complaints against new home builders and vendors increase significantly each year since its inception. HCRA's backlog of open complaints increased from 129 as of March 31, 2021, to 1,526 as of March 31, 2025. This is an increase of over 1,000%.
- HCRA has not set any targets or benchmarks for how long on average complaints should take to close. We obtained HCRA's complaint data and calculated that the average time it takes HCRA to close complaints against licensees has increased significantly each year since it began operations in 2021, reaching 419 days in 2024/25.
- The average time it takes HCRA to close an illegal building complaint against unlicensed builders has been decreasing since reaching a peak of 331 days in 2022/23, but was still 232 days, or over 7.5 months, on average in 2024/25.



419

average number
of days it took HCRA to close
complaints against licensees
in 2024/25

» Recommendation 6

HCRA Does Not Use Municipal Building Permit Data in Its Oversight

- HCRA was not using municipal building permit data to proactively identify illegal builders. In November 2023, HCRA analyzed publicly available building permit data from the City of Kitchener in support of proposed legislative changes. That analysis identified several builders who were likely operating illegally.

» Recommendation 8

// Our Conclusion

We found that HCRA's systems, processes and policies to license and regulate new home builders and vendors were not consistently effective in protecting consumers when purchasing a new home. For example:

- » HCRA's review of a licensee's past conduct and financial position was limited when approving licence applications, and HCRA conducted limited verification of the information an applicant submitted.
- » HCRA's oversight and enforcement processes were not proactive or risk-based and were not focused on prevention. Instead, enforcement activities were primarily initiated in response to complaints received.

HCRA was not measuring and reporting on the effectiveness of key aspects of its regulatory oversight of new home builders and vendors related to its core licensing, oversight and enforcement activities.

The Ministry had some processes in place to oversee HCRA and monitor whether it fulfills its mandate to administer the delegated provisions of the NHCLA.

We found that the performance indicators that HCRA reported to the Ministry were insufficient to enable the Ministry to monitor whether HCRA was effectively delivering its core licensing, oversight and enforcement activities.

We also identified limitations in the reporting the Ministry receives related to HCRA's progress on strategic objectives.

HCRA has agreed with all 10 of our recommendations, and the Ministry has agreed with or conditionally accepted three of the four recommendations addressed to it.





2.0 Background

2.1 Overview

On February 1, 2021, the Government of Ontario designated HCRA as the administrative authority responsible for licensing and regulating new home builders and vendors in Ontario. HCRA is responsible for administering the NHCLA, which received royal assent in December 2017 and came into force on February 1, 2021.

Prior to the establishment of HCRA, Tarion, the administrative authority responsible for administering the Province's new home warranty program, was also responsible for registering new home builders and vendors in Ontario.

An independent review of the *Ontario New Home Warranties Plan Act, 1990* (ONHWPA) and Tarion, which is responsible for administering the ONHWPA, was initiated in November 2015 and completed in March 2017 by the Honourable J. Douglas Cunningham (Cunningham Review). The Cunningham Review identified key concerns and potential conflicts with Tarion's dual role and recommended the creation of a separate regulatory authority to oversee new home builder and vendor regulation, which led to the government's creation of HCRA.

As of March 31, 2025, HCRA had 70 employees and was overseeing 7,232 licensed new home builders and vendors (licensees). HCRA primarily funds its operations from the fees it collects from licensees and does not receive any government funding. In the 2024/25 fiscal year, HCRA's revenues totalled \$11.9 million, and its expenditures were \$15.1 million; it was operating at a deficit.

HCRA was overseeing 7,232 licensed new home builders and vendors as of March 31, 2025.

HCRA is accountable to the Ministry of Public and Business Service Delivery and Procurement (Ministry), which oversees HCRA and monitors its performance to ensure it is meeting its mandate. HCRA's Board is accountable to the Minister through the Board Chair. An administrative agreement signed in January 2021 outlines the roles and responsibilities of the Minister, the Ministry, HCRA and HCRA's Board of Directors.

2.2 Legislation and Regulations

The NHCLA and its regulations establish HCRA's authority to regulate new home builders and vendors, in particular, its licensing, discipline, inspection, investigation and enforcement powers. There are 10 regulations under the NHCLA, including those related to administrative penalties, the Code of Ethics, licence applications, and required addenda to Agreements of Purchase and Sale of homes.

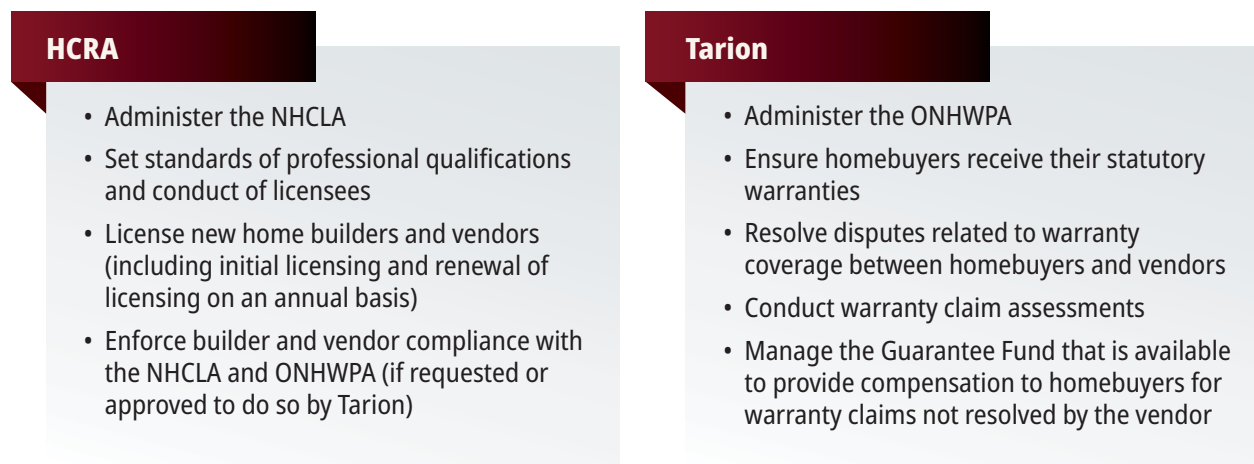
The ONHWPA creates statutory warranties that all vendors of new homes must provide to homeowners. These warranties include the need for homes to be fit for habitation and constructed in accordance with applicable standards. Tarion is responsible for administering the ONHWPA, including administering warranties and protections claims.

Under a Prosecution Services Agreement with Tarion, HCRA can investigate and prosecute offences under the ONHWPA if requested by Tarion, or if the investigation is initiated by HCRA and prosecution is approved by Tarion. The purpose of the agreement is to avoid duplication of compliance and enforcement efforts between HCRA and Tarion. HCRA recovers investigation and prosecution costs from Tarion under the agreement. Of the 205 charges laid by HCRA since its inception, 103, or 50%, were laid under the ONHWPA.

Figure 1 summarizes the primary responsibilities of HCRA and Tarion.

Figure 1: Primary Responsibilities of HCRA and Tarion

Prepared by the Office of the Auditor General of Ontario



2.3 Builder and Vendor Licensing

Under the NHCLA, all builders and vendors of new homes must hold a valid licence with HCRA. There are three licence types:

- » **Builder** – person or company who performs the work, including the supply of materials necessary to construct a new home.
- » **Vendor** – person or company who sells a new home. It is the vendor who typically sells and transfers the title of the new home to a purchaser.
- » **Builder/Vendor** – person or company who will both build and sell a new home.

Of the 7,232 active licensees as of March 31, 2025, 89% held a Builder/Vendor licence. **Figure 2** provides the number of licensees by year. The data shows that the number of active licensees has increased from 6,186 in December 2021 to 7,232 in March 2025, representing an increase of 1,046 active licensees, or 17%.

Figure 2: Active Licensees and Increase by Year as of March 31, 2021–2025

Source of data: HCRA

Year	Licensees (#)	Change (%)
2021*	6,186	N/A
2022	6,383	3.2
2023	6,691	4.8
2024	6,971	4.2
2025	7,232	3.7

* As of December 28, 2021. Licensee count as of March 31, 2021, was not available.

2.3.1 Licensing Requirements

HCRA has stated policies and procedures that applications for licences are to be evaluated against the following four categories.

- » **Conduct** – *Can the applicant be expected to carry on business in accordance with the law and with honesty and integrity?* HCRA's procedure is to evaluate conduct primarily through:
 - a check into the credit profile of any new sole proprietors, partners, directors and officers with no previous history with HCRA;
 - a criminal record and judicial matters check for any new sole proprietors, partners, directors and officers as applicable with no previous history with HCRA; and
 - any history of interested persons with HCRA or Tarion, including non-compliance with the NHCLA or ONHWPA. An interested person is a person who may not be the applicant, officer or director, but who nonetheless exercises influence or control over the operations of the applicant or licensee.

» **Competency** – *Does the applicant have the knowledge and skills necessary to build new homes or to sell new homes, and to generally engage with purchasers and homeowners?* HCRA's policy is that applicants must show they meet five business competencies: business planning and management, financial planning and management, project management and supervision, legal issues in housing, and customer service and Tarion requirements. Builder applicants must meet two additional technical building competencies: knowledge of building codes and construction technology.

According to policy these competencies are met if one person or group of people within the organization:

- has completed an HCRA-approved course for each competency;
- has passed an HCRA-approved course challenge exam for each competency;
- holds equivalent knowledge gained through other education and/or experience, as evaluated by HCRA's Registrar; or
- a combination of the above.

» **Financial responsibility** – *Can the applicant be expected to be financially responsible in the conduct of business?* HCRA's policy is to evaluate financial responsibility primarily by obtaining and reviewing applicant credit scores and credit reports from a credit reporting agency.

» **Good standing** (applies to renewals only) – *Has the applicant met its responsibilities as a licensee?* HCRA's policy is to evaluate good standing by assessing the applicant's compliance with the NHCLA, the ONHWPA and their regulations. HCRA should also consider whether the licensee has satisfied any conditions of their licence and has fulfilled Tarion obligations related to warranty performance.

Licences must be renewed annually. HCRA approves some renewal applications that it deems to represent a minimal risk to the public via "fast-track". This is a process where HCRA's customer relationship management (CRM) system automatically approves the renewal if it meets several criteria, with no review of the renewal application by HCRA staff. The CRM is HCRA's platform for storing and managing information related to licensees, such as contact details, licensing status, complaints and investigations, as well as information received from Tarion.

To be eligible for fast-track renewal, applicants are expected to meet several criteria, including:

- » answering "No" to all questions on the past-conduct declaration form included in **Appendix 1**, indicating a clean history of conduct;

- » having a passing credit score;
- » declaring no changes to owners, officers, directors, interested persons or other related parties;
- » having an active licence status with no conditions;
- » having not been manually flagged by management in the CRM for concerns over licence eligibility; and
- » declaring they are not a charitable organization.

The CRM does not look at its complaints and investigations data or information received from Tarion in its fast-track renewal process.

As shown in **Figure 3**, in 2024/25 HCRA processed 643 new licence applications and 6,710 renewal applications. In 2024/2025, around 40% of the renewal applications were renewed using fast-track.

Figure 3: HCRA Licence Applications Processed by Type and HCRA Decision, 2020/21–2024/25

Source of data: HCRA

	2020/21 ¹	2021/22	2022/23	2023/24	2024/25	Total
New Applications						
Approved	17	963	838	672	625	3,115
Approved with conditions	–	2	3	11	18	34
Refused	–	1	–	1	–	2
New Applications Total	17	966	841	684	643	3,151
Renewal Applications						
Approved	10	7,150	5,150	6,985	6,670	25,965
Approved with conditions	–	38	15	26	40	119
Refused	–	–	1	2	–	3
Renewal Applications Total	10	7,188	5,166	7,013	6,710	26,087
Fast-track renewals	8	605	109 ²	967 ²	2,658	4,347
Fast-track renewals (%)	80.0	8.4	2.1 ²	13.8 ²	39.6	16.7

1. From HCRA inception at February 1, 2021, to March 31, 2021.

2. Between August 2022 and April 2023, a CRM system error prevented some eligible renewal applications from being processed via fast-track.



2.4 Oversight and Enforcement

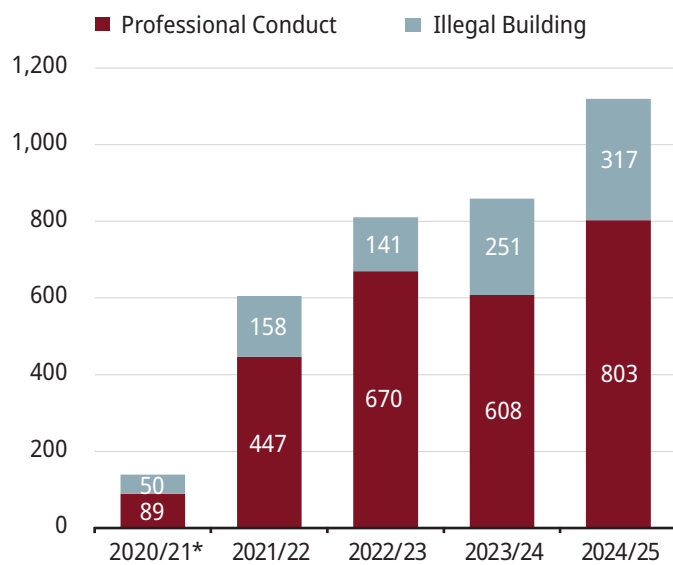
The main way HCRA oversees builders and vendors of new homes is by receiving and addressing complaints against them. Complaints can be submitted via an online form on HCRA's website or by phone, mail or email. Complaints are submitted from various sources, including homebuyers, builders, Tarion, neighbours and real estate agents.

Complaints against builders and vendors are categorized by HCRA as either the professional conduct of licensees or illegal building. The latter relates to building or selling new homes without a licence under the NHCLA.

Figure 4 provides the number of professional conduct and illegal building complaints by year. The figure shows that complaints increased by 85%, from 605 in HCRA's first full year of operations in 2021/22 to 1,120 in 2024/25. Professional conduct complaints against licensees made up 72% of complaints received by HCRA in 2024/25.

Figure 4: Complaints Received by Type, 2020/21–2024/25

Source of data: HCRA



* From HCRA inception at February 1, 2021, to March 31, 2021.

Professional Conduct Complaints Against Licensees

HCRA reviews professional conduct complaints against licensees upon receipt and assigns them a risk rating of low, medium or high based on factors such as the impact on homebuyers, number of homebuyers impacted, type of complaint and history of previous complaints against the licensee. Examples of common professional conduct complaints include those related to price increases, breach of contract and delayed closings. The risk rating is used to assign the complaint to the appropriate staff seniority level.

72%

of complaints received in 2024/25 were related to professional conduct

Staff contact the licensee to obtain their position on the complaint, and licensees are required under the NHCLA to provide any requested information.

If HCRA finds the complaint is not supported by evidence, or is outside HCRA's jurisdiction, the complaint may be closed with no further action, and the complainant is notified. If the licensee is found to be contravening the NHCLA, the

ONHWPA or their regulations, several compliance tools are available to HCRA, ranging from a warning letter up to laying provincial charges, as outlined in **Appendix 2**. HCRA uses a framework that guides the selection of compliance actions based on the details of the contravention and the compliance history of the licensee.

Illegal Building Complaints

A significant mandated activity of HCRA is the investigation of illegal building and selling of homes, including building or selling without a licence under the NHCLA or failing to enrol a home in the Tarion warranty program.

If HCRA finds that an illegal building complaint contains information to support illegal building or selling, it opens an investigation and gathers evidence. If the investigation finds that the builder or vendor is building or selling without a licence or has failed to enrol a home in the Tarion warranty program, several compliance tools are available to HCRA as outlined in **Appendix 2**. The type of compliance action used is guided by a decision framework and depends on criteria such as any previous history of non-compliance and the risk to homebuyers.

A significant mandated activity of HCRA is the investigation of illegal building and selling of homes.

Charges Laid

Figure 5 provides the number of charges laid by violation since HCRA began operations. HCRA had laid 205 charges against 18 defendants as of March 31, 2025. 114, or 56% of charges, related to illegal building, which includes failing to enrol a new home with Tarion or acting as a builder or vendor without a licence. Charges laid, including the names of the defendants, are posted on HCRA’s website.

Figure 5: HCRA Charges Laid by Violation, February 1, 2021–March 31, 2025

Source of data: HCRA

Violation	Charges Laid	Defendants
Failure to enrol a new home with Tarion	30	5
Acting as a builder or vendor without a licence	84	21
Failure to comply with a condition of a licence	85	3
Other	6	4
Total	205	18*

* Count of unique defendants. Column does not sum to 18 because some defendants were charged with multiple violations.

2.5 Performance Measurement and Public Reporting

Under the administrative agreement between the Minister and HCRA, HCRA has established nine regulatory performance measures, shown in **Appendix 3**, that are intended to continuously monitor its progress toward meeting its strategic priorities and objectives. The results of these measures are reported to the Minister and publicly through HCRA’s annual report and periodically to the Board of Directors.



3.0 Audit Objective and Scope

Our audit objective was to assess whether HCRA has systems, processes and policies in place to:

- » administer the delegated provisions of the NHCLA to license and regulate home builders and vendors of new homes and protect consumers when purchasing a new home; and
- » measure and report on the effectiveness of its regulatory oversight of builders and vendors of new homes.

In addition, our audit assessed whether the Ministry has processes in place to oversee HCRA and monitor whether it fulfills its mandate to administer the delegated provisions of the NHCLA.

Our audit scope focused on HCRA's core regulatory functions with the potential to have a direct impact on the protection of new homebuyers, namely, those relating to licensing, oversight, complaint handling and enforcement. Our audit did not review HCRA's builder education and technical research function or its consumer education efforts. Our audit also excluded HCRA's governance and support functions, such as those related to the Board of Directors, administration, finance and human resources.

For more details, see our **Audit Criteria**, **Audit Approach** and **Audit Opinion**.



4.0 What We Found

4.1 Builder and Vendor Licensing

4.1.1 HCRA Automatically Renewed Licensees with Conduct Issues

We found that HCRA automatically approved licence renewal applications of licensees with a history of conduct issues, such as breach of contract and harassment or verbal abuse, with no staff review.

The NHCLA requires HCRA to evaluate the past and present conduct of licensees applying to renew their licence. HCRA's annual licence renewal process requires applicants to make a past conduct declaration. Licensees who declare a clean history of conduct are eligible for "fast-track" renewal if they meet additional criteria, as described in **Section 2.3.1**. Fast-track renewals are automatically renewed upon receipt by HCRA's CRM system and do not require review by HCRA staff.

The licence renewal past conduct declaration, provided in **Appendix 1**, requires the applicant to respond yes or no to whether they have:

- » been the subject of any investigation in any jurisdiction;
- » been subject to disciplinary action or are currently a party to such a proceeding in any jurisdiction; and
- » carried on activities that contravene legislation, including the NHCLA and ONHWPA.

We found that HCRA's CRM system did not have any controls in place to check applicant responses to these questions against its own complaints and inspections data.

In addition, we found that HCRA's complaints and inspections data contradicted the information provided by some licensees who declared a clean history of compliance. Had the HCRA data been considered, those licensees would not have been eligible for fast-track renewal.

We analyzed the over 2,600 fast-track renewals granted by HCRA in the 2024/25 fiscal year and found that:

- » 134 licensees had open complaints with HCRA at the time of fast-track renewal.
- » 33 of these licensees had open complaints that were classified as high-risk by HCRA at the time of fast-track renewal. These included, for example, complaints where the homebuyer was alleging harassment or verbal abuse by the licensee. Some of these complaints had led to subsequent HCRA enforcement action.
- » For 25 of these licensees, HCRA had sent a letter requesting that the licensee provide their position on the matter, illustrating that the licensee would have been aware of the open investigation.
- » 136 of licensees that were fast-tracked had complaints previously closed by HCRA; 29 of them were also included in the list of 134 licensees with open complaints mentioned previously. At the time of fast-track renewal, HCRA had taken enforcement action against 25 of these licensees, including issuing warning letters and education letters, applying licence conditions, and referring the complaint to the discipline committee for issues such as breach of contract and harassment or verbal abuse.

134 licensees
had open complaints
with HCRA at the time
of fast-track renewal



Although the number of licensees incorrectly renewed via fast-track, with open or closed complaints, is small in comparison to the total number of fast-track renewals granted, these complaints can relate to issues that could have a significant impact to new homebuyers and should instead warrant a detailed review prior to renewal.

A small number of licensees can also potentially impact a significant number of homebuyers. The 134 licensees that had open complaints with HCRA at the time of their 2024/25 fast-track renewal enrolled over 1,100 homes with Tarion in that same fiscal year.

Example case: fast-tracked with significant contraventions

We found that in some cases HCRA fast-tracked licensee renewals despite significant contraventions of the NHCLA. For example:

- » In July 2024, a builder with an active HCRA investigation had their licence automatically renewed via fast-track. The investigation had been open for over 550 days.
- » HCRA closed the investigation six days after fast-tracking the renewal and issued the builder over \$16 million in administrative penalties for 76 contraventions of the Code of Ethics.
- » The builder had used the threat of project failure to pressure purchasers to pay a higher price for their home or to sign a mutual release so that the builder could resell the homes. HCRA determined the derived economic benefit to the builder from these actions to be over \$16 million and set the administrative penalty to match that amount.
- » In November 2024, HCRA settled with the licensee at the Licence Appeal Tribunal by reducing the administrative penalty to \$6.4 million and agreeing to take no further action related to the contraventions.
- » In June 2025, HCRA learned via media reports that the builder had been placed into receivership.
- » At the conclusion of our audit work in July 2025, the builder held an active licence without conditions, most recently renewed via fast-track in July 2024.

Why It Matters

Buying a home is one of the largest investments a person makes in their lifetime. When they sign a contract with a builder or vendor there is an expectation that the builder/vendor is reliable. An HCRA licence can provide the homebuyer with additional assurance. By automatically renewing licensees without evaluating its own licensee complaints and inspections data, HCRA is potentially putting new homebuyers at risk.

Recommendation 1

We recommend that HCRA implement automated controls within its CRM system that checks licensee conduct and compliance history data against applications to confirm eligibility for fast-track renewals.

For the auditee responses, see **Recommendations and Auditee Responses**.

4.1.2 HCRA’s Evaluation of Applicant Financial Position Is Not Comprehensive and Does Not Address All Requirements

We found that HCRA relies primarily on a single indicator, a credit score, when evaluating the financial position of applicants for licences. We found that HCRA does not consider other important or required applicant financial information when evaluating financial responsibility, such as financial statements, or up-to-date information related to the financial positions of officers and directors.

HCRA relies primarily on a credit score to evaluate the applicant’s financial position.

For both new licences and licence renewals, the NHCLA requires HCRA to evaluate whether the applicant can reasonably be expected to be financially responsible in the conduct of business by considering the past and present financial position of the applicant, as well as its officers and directors. To fulfill this requirement, HCRA uses credit scores or credit reports from a Canadian credit reporting agency. If the applicant has no credit history, HCRA accepts a credit score for the parties providing funding. If there is no credit history available for the parties providing funding, HCRA searches for a filing with the Superintendent of Bankruptcy to identify any history of insolvency.

We noted that there are indications that the financial position of some HCRA licensees has been deteriorating in recent years. For instance, Tarion has been paying increasing amounts for claims where the builder was required to, but either did not or could not, refund the buyer’s deposit. In addition, an increasing number of HCRA’s licensees have become insolvent. **Figure 6** provides the claim payments Tarion has made for deposit refunds by year and the number of HCRA licensees who became insolvent.

Figure 6: Tarion Deposit Claims Paid and HCRA Licensee Insolvencies, 2021–2024

Source of data: Tarion

	2021	2022	2023	2024
Tarion deposit protection claims paid (\$ millions)	1.6	7.0	10.4	76.9
HCRA licensee insolvencies (#)	1	1	10	21

While the number of insolvencies in 2024 (21) is small relative to the over 7,000 HCRA licensees, an insolvency can be very costly to both homebuyers and Tarion. For example, the \$76.9 million Tarion paid in deposit protection claims in 2024 was more than four times greater than the combined claims it had paid for the previous three years (2021 to 2023).

In addition, homebuyers may still suffer personal losses as Tarion deposit coverage is capped. **Figure 7** outlines Tarion deposit coverage.

Figure 8 provides an example of the loss to a homebuyer, using the Ontario average new home purchase price in 2024 and an assumed deposit of 20%.

Before a vendor can legally sell or offer to sell a home, ONHWPA requires that they receive confirmation of qualification for enrolment from Tarion. According to the Ministry, Tarion’s analysis is expected to include an assessment of the likelihood of claims payouts for the specific project prior to permitting a builder to build and sell the new homes. Nevertheless, HCRA is responsible for evaluating the overall financial position of applicants for new licences and renewals.

When a builder experiences financial difficulties, potential losses to homebuyers can be significant. For example, the insolvency of one HCRA licensee in February 2024 led to 115 claims from homebuyers for deposit refunds as of July 2025, with total reported losses of \$14.5 million and total compensation of \$9.6 million paid by Tarion. This is a shortfall to the homebuyers of \$4.9 million, or over \$42,000 per average claim. See **Example case: umbrella group insolvencies**.

Figure 7: Tarion Deposit Coverage by Type of Home and Purchase Price





Source of data: Tarion

Type of Home / Purchase Price	Tarion Deposit Coverage
Freehold homes up to \$600,000	Up to \$60,000
Freehold homes greater than \$600,000	10% of the purchase price, up to \$100,000
Condominiums*	\$20,000

* The builder must place all condominium deposits in a trust account under the *Condominium Act, 1998*. If the builder fails to do so or to return the deposit upon termination, Tarion provides protection for up to \$20,000.

Figure 8: Example of Potential Homebuyer Deposit Loss

Prepared by the Office of the Auditor General of Ontario

Avg. price of a new freehold home in Ontario (2024)*		\$978,000
20% homebuyer deposit		\$195,600
Tarion deposit coverage (10% of purchase price to max of \$100k)		\$97,800
Potential deposit shortfall to homebuyer		(\$97,800)

* Source: Tarion

Since Inception HCRA Approved Licences Without Conditions for Over 99% of the 2,042 Applicants Whose Credit Scores Failed to Meet HCRA’s Threshold

HCRA sets a threshold for applicant credit scores. If the applicant’s score is above the threshold, the applicant passes the financial requirement, and no further evaluation of financial responsibility is done by HCRA.

For owners of a sole proprietorship, HCRA uses their personal credit score and compares it to a threshold of 650. For corporations, HCRA uses a credit score that measures the risk of business failure, known as a Business Failure Risk Score (BFRS). The credit reporting agency classifies the BFRS into five risk levels as shown in **Figure 9**.

Figure 9: Credit Reporting Agency BFRS Levels and Ranges

Source of data: Canadian credit reporting agency used by HCRA*

Business Failure Risk Level	Minimum Score	Maximum Score
1 – Low risk of failure	1,401	1,650
2 – Medium-low risk of failure	1,151	1,400
3 – Medium-high risk of failure	1,061	1,150
4 – High risk of failure	1,026	1,060
5 – Highest risk of failure	1,000	1,025

* Equifax

In February 2023, in response to an update to the BFRS model by the credit reporting agency, HCRA adjusted the threshold to 1,061, the minimum score to maintain a threshold in Risk Level 3. Credit reporting agency data from 2025 indicated that approximately 1.5% of businesses for which they had records had a BFRS score of 1,061 or lower.

In addition to maintaining a threshold in Risk Level 3, HCRA’s justification for adjusting the threshold was that it would result in increased efficiency and reduce the processing time for some applications, particularly as it would result in more applications qualifying for fast-track renewal. We noted that the proportion of renewal applications that passed the threshold, and were eligible for fast-track renewal, increased after the threshold was adjusted from 86% in 2022/23 to 96% in 2024/25.

If the applicant fails to meet the credit score threshold, HCRA obtains a full credit report for the ADR of Licensing to review and determine if the financial responsibility requirement is met. HCRA does not have guidelines for what constitutes a pass or fail for this ADR review. The ADR's determination is made on a case-by-case basis.

We found that since HCRA began operations, 2,042 applicants had credit scores that failed to meet the credit score threshold, representing approximately 7% of all applications received. HCRA approved 2,026 of these applications, or 99.2%, without any conditions. We reviewed the remaining 16 applications, all of which were approved with conditions, and found that only one included conditions relating to the financial position of the applicant. This calls into question the value of the ADR review process in assessing applicant financial position.

We also found that of the 35 licensee insolvencies since HCRA's inception until July 2025, six had a BFRS score that failed to meet the threshold on their most recent application prior to insolvency. This calls into question whether the cut-off is appropriately set or sufficient on its own to evaluate financial position and responsibility. For comparison, 17 of the 35 licensee insolvencies would have failed the credit score threshold if the threshold had not been adjusted in February 2023.

HCRA Does Not Consider All Required and Important Licensee Financial Information in Licensing Decisions

We found that HCRA was not considering several sources of applicant financial information that could support the assessment of applicant financial position and financial conduct:

- » HCRA obtains a personal credit score for applicant directors and officers who are new to the HCRA. However, HCRA does not obtain an updated score or any other financial information for these individuals when the licensee renews, or if the individual is subsequently listed as a director or officer of a new applicant. Therefore, HCRA is not effectively meeting its requirement under the NHCLA to consider the present financial position of officers and directors for both new applicants and renewals.
- » HCRA requires new applicants to submit financial statements or a copy of their tax return but does not actually review or consider this information.
- » HCRA's CRM system is automatically updated with Tarion's data on claims against licensees. As stated above, Tarion is making an increasing number of payments for deposit protection claims where homebuyers were entitled to deposit refunds, but builders were unable or unwilling to pay. This could be an indicator of licensee financial distress or misconduct, but HCRA does not consider deposit protection claims in its assessment of applicant financial responsibility.

We reviewed the 35 licensees that had become insolvent from HCRA's inception until July 2025. We found multiple examples where HCRA had not considered the insolvency when assessing that same licensee for their renewal immediately following the insolvency. We also found multiple examples where HCRA had not considered the insolvency when assessing subsequent applications for related companies operating under the same umbrella group with the same directors and officers. The example below highlights insolvencies among related licensees and the potential impact.



Example case: umbrella group insolvencies

Three of six licensees under an umbrella group have become insolvent since HCRA's inception. Each of the licensees had the same two company directors.

Builder A:

- » Most recently had their licence renewed by Tarion in December 2019, prior to HCRA's inception, and had not submitted a complete application for renewal since that time.
- » They became insolvent in June 2021, and HCRA became aware of their insolvency in February 2022.
- » Despite being insolvent and having not completed an application for renewal since 2019, Builder A's licence was not revoked by HCRA until November 2024.

Builder B was initially licensed by HCRA in May 2023 and became insolvent in April 2024.

Builder C:

- » Was initially licensed by HCRA in March 2022 and became insolvent in February 2024.
- » As of July 2025, the insolvency of Builder C had led to 115 claims from homebuyers for deposit refunds, with total reported losses of \$14.5 million and total compensation of \$9.6 million paid by Tarion.

HCRA's assessment and approval of the initial licence applications and subsequent renewals for **Builder B** and **Builder C** did not consider the previous insolvency of **Builder A**, despite having the same two company directors.

Why It Matters

When a builder experiences financial difficulties, potential losses to homebuyers can be significant. There are indications that the financial position of some HCRA licensees has been deteriorating in recent years, signalling increased risk in the industry, such as an increasing number of licensee insolvencies and Tarion claim payments for deposit refunds.

Homebuyers expect that HCRA's assessment process is sufficient to form an opinion on whether the applicant can reasonably be expected to be financially responsible in the conduct of business.

When a builder experiences financial difficulties, potential losses to homebuyers can be significant.

Recommendation 2

We recommend that HCRA:

- review and determine if higher credit score thresholds would be a more effective indicator of whether applicants can be expected to be financially responsible in the conduct of business and update them as needed;
- develop decision-making guidelines for the review and approval of applications that do not meet the credit score threshold;
- develop and implement processes for the mandatory consideration of licensee and related party insolvencies in the assessment of licence applications;
- evaluate the financial position of officers and directors of applicants, as required by the NHCLA; and
- assess what additional financial information could assist HCRA to evaluate applicant financial responsibility in the conduct of business, including financial statements, financial ratios and indicators, tax returns and Tarion claims for deposit refunds, and develop and implement a policy and process to use this information to assess applicants.

For the auditee responses, see **Recommendations and Auditee Responses**.



4.1.3 HCRA Does Not Confirm Licensee's Business Information with the Ministry

The Ministry, which is responsible for overseeing HCRA, is also responsible for registering Ontario businesses and maintaining business information in the Ontario Business Registry (OBR). HCRA requires new applicants to disclose the principal owners, officers, directors and/or partners, usually by providing a corporate profile report or partnership documents that the applicants obtain from the Ministry. HCRA also requires any subsequent changes to this information to be self-declared by the licensee.

This information must be reported to HCRA in a timely manner so that HCRA can evaluate new applicants and applicants for renewal. We found that HCRA does not attempt to verify the accuracy of the licensee's information by obtaining OBR data for licensees directly from the Ministry to confirm that the business information has been declared accurately or to identify undeclared changes.

HCRA does not verify the accuracy of licensee information against OBR data from the Ministry.

We obtained OBR data from the Ministry and were able to positively match 5,913 HCRA licensees. We compared licensee directors listed as active by HCRA to directors that were listed as removed/inactive in the OBR and found that 274 licensees, or 5%, had one or more directors who, according to OBR data, were no longer with the licensee.

Accurate, up-to-date business information is important in the evaluation of licensee applications. We found multiple examples where HCRA indicated a renewal application met the competency requirements described in **Section 2.3.1** by relying on the competencies possessed by directors who were no longer with the licensee. For example, HCRA approved the renewals of a licensee in 2023, 2024 and 2025, and, in each case, noted that all seven competency requirements were met by a particular director/officer. However, we found that the individual had ceased to be a director/officer for the licensee in 2022.

Some licensees have registered their business federally, rather than in Ontario. Federal business information, including directors, can be searched for free on Corporations Canada’s website.

We found that HCRA was also not checking federally incorporated licensee business information with Corporations Canada for continued accuracy or undeclared changes and did not track in its systems whether a licensee was incorporated provincially or federally.

HCRA does not check federally incorporated licensee business information with Corporations Canada.

We were able to identify 133 federally incorporated licensees and searched the Corporations Canada website to review their status and compare listed company directors to those in HCRA’s system. We found differences in 13, or 10%, of licensees between the website and the HCRA applications.

Why It Matters

The NHCLA requires HCRA to consider the past and present financial position and conduct of officers and directors when determining whether an applicant is entitled to a licence or licence renewal. Without accurate, up-to-date business information as to who is involved in these businesses, HCRA cannot fulfill this requirement. Without this information, HCRA cannot determine whether applicants can reasonably be expected to be financially responsible and carry out business in accordance with the law and with integrity and honesty.

Recommendation 3

We recommend that HCRA:

- work with the Ministry to establish a regular and ongoing process to obtain and verify all required licensee business information from the Ontario Business Registry; and
- establish a regular and ongoing process to verify federally incorporated licensee business information with Corporations Canada.

For the auditee responses, see **Recommendations and Auditee Responses**.

4.1.4 Competency Requirements for Licensees Are Limited

We found that the licensee requirements for demonstrating competency in required areas are limited in comparison to licensees and registrants of other administrative authorities. In addition, we found that long-standing recommendations made in the 2017 Cunningham Review of Tarion and our Office's Special Audit of Tarion in 2019 for on-site competency requirements and continuing education had not been implemented by the Ministry and HCRA.

NHCLA regulations only require licensees to demonstrate that one person in their organization meets each required competency area outlined in **Section 2.3.1**, regardless of the size of the applicant's organization or the number of homes being built. This is despite the fact that competencies can be obtained by completing HCRA-approved courses and exams. For example, HCRA had a record of one individual meeting the competency requirements for a licensee that enrolled 133 homes with Tarion between 2023 and 2024.

There is also no requirement that someone who is involved in the supervision or building of houses must meet the technical competency requirements. In addition, HCRA does not require licensees to demonstrate that individuals in their organization are undertaking continuing education to update their knowledge of requirements and best practices in home building.

The Cunningham Review of Tarion, discussed in **Section 2.1**, which was released prior to the establishment of HCRA, recommended:

Employees of builder registrants carrying out key functions and responsibilities of the builder such as site managers and those officers, directors, senior executives and partners as are stipulated in regulation, should be required to meet minimum technical competencies.

Our Office's 2019 Special Audit of Tarion made a similar recommendation. As of July 2025, no steps had been taken by HCRA or the Ministry to propose appropriate regulatory requirements to address these recommendations.

The Cunningham Review also recommended that: *There should be mandatory continuing education requirements for all registrants and other individuals required to meet technical competencies.* As of July 2025, HCRA and the Ministry had not developed requirements for continuing education.

We noted that other administrative authorities in Ontario with similar licensing and enforcement mandates, although in different industries, had education or competency requirements for individuals in specific licensee/registrant roles related to service or product delivery. For instance, individuals who sell travel services and/or provide travel advice to the public on behalf of Travel

Industry Council of Ontario (TICO) registrants must meet TICO’s Education Standards. **Figure 10** provides a comparison of administrative authority competency and education requirements.

Figure 10: Comparison of Administrative Authority Competency / Education Requirements

Prepared by the Office of the Auditor General of Ontario

Administrative Authority	Apply to Specific Roles	Continuing Education Required
Ontario Motor Vehicle Industry Council (OMVIC)	✓	✓*
Bereavement Authority of Ontario (BAO)	✓	✓
Condominium Management Regulatory Authority of Ontario (CMRAO)	✓	✓
Real Estate Council of Ontario (RECO)	✓	✓
TICO	✓	✗
HCRA	✗	✗

* OMVIC’s continuing professional development program will launch in April 2026.

We also reviewed Canadian provinces with similar new home builder licensing regimes and found that British Columbia and Quebec had similar competency requirements to Ontario but required continuing education. Alberta did not have competency requirements for new home builders.

Why It Matters

Competent licensees are essential to help ensure the quality of new homes being built in Ontario. Homebuyers who make the decision to buy a new home have an expectation that those involved in the building of new homes possess the competencies and education required.

Recommendation 4

We recommend that HCRA:

- work with the Ministry to establish best practice technical competency standards that individuals in home building companies who supervise day-to-day construction should demonstrate;
- work with the Ministry to establish mandatory continuing education requirements for licensees; and
- implement processes to monitor and facilitate licensee compliance with such requirements.

For the auditee responses, see **Recommendations and Auditee Responses**.



4.2 Oversight and Enforcement

4.2.1 HCRA Oversight and Enforcement Is Not Proactive

HCRA does not assign risk ratings to licensees to guide its oversight and enforcement activities, and does not conduct regular, proactive oversight with a focus on preventing licensee contraventions of the NHCLA, ONHWPA and their regulations. Instead, inspections, investigations and other enforcement activities are reactive and primarily initiated in response to complaints received by HCRA from homeowners, Tarion or other stakeholders.

Other administrative authorities in Ontario, such as TICO, RECO and OMVIC, assign risk ratings based on factors such as prior contraventions of requirements, market risk, operational management, complaints and compliance history, and financial risk. These administrative authorities use these risk ratings to inform proactive oversight and enforcement activities, such as frequency of inspections.

Proactive risk-based oversight and enforcement is considered a best practice. The Government of Ontario's Regulator Code of Practice applies to Ontario ministries, and it establishes principles and expectations for regulatory delivery. It states: *We target our efforts based on risk so that resources are focused on preventing and addressing the issues that matter most to Ontarians.*

Proactive oversight would allow HCRA to identify and potentially prevent issues with the selling of new homes.

Proactive oversight would allow HCRA to identify and potentially prevent issues with the selling of new homes without relying on consumer complaints to identify issues. For example, proactive review of licensee documentation, such as contracts, amendments and correspondence with homebuyers, could identify issues that HCRA typically waits for homebuyers to complain about before investigating. This includes issues related to floor area calculations, contract terminations, price increases, delayed closings and other contract breaches.



Proactive oversight would also allow HCRA to inspect for requirements under the NHCLA that are important but that homebuyers may not be aware of and therefore are unlikely to complain about. For example, the NHCLA includes licensee requirements relating to the security of confidential information and the prominent display of an HCRA licence. We found that, since its inception, HCRA has never laid charges or taken any enforcement action related to these requirements. The vast majority of HCRA charges laid since inception related to failing to enrol a home with Tarion, acting as a builder or vendor without a licence,

or failing to comply with a condition placed on their licence by HCRA, as detailed in **Section 2.4, Figure 5.**

Why It Matters

Proactive risk-based oversight and enforcement is a best practice that allows regulators to focus available resources on identifying and preventing contraventions before they impact consumers. HCRA's current reactive approach creates potential gaps in the enforcement of important legislative requirements that homebuyers are unlikely to be aware of and file complaints about. As a result, HCRA cannot identify and prevent issues before they may have negative impacts on homebuyers.

Recommendation 5

We recommend that HCRA:

- develop a risk rating system that incorporates relevant licensee risk factors;
- assign a risk rating to each licensee; and
- develop and implement processes for conducting proactive oversight, monitoring and enforcement activities that are guided by licensee risk ratings.

For the auditee responses, see **Recommendations and Auditee Responses.**

4.2.2 HCRA has a Backlog of Over 1,500 Complaints, and Targeted to Close Only 50%

We found that the time it takes HCRA to process complaints against builders and vendors had significantly increased since it began operations in 2021 and, as of March 31, 2025, HCRA had a backlog of over 1,500 open complaints.

HCRA's Backlog of Complaints Is Rapidly Increasing

We noted that HCRA has set a target of closing 50% of complaints received since it began operations, and reports results against this target in its annual report.

HCRA has seen its backlog of open complaints increase significantly each year. **Figure 11** shows that HCRA's backlog of open complaints increased from 129 as of March 31, 2021, to 1,526 as of March 31, 2025. This is an increase of over 1,000%.

According to HCRA's 2025/26 business plan, the performance measure and target of closing 50% of complaints received since inception will be replaced with percentage of complaints resolved within one year in its 2025/26 annual report. A target for this new measure had not yet been developed.

Figure 11: HCRA Complaints Received, Closed and Backlog, by Year

Source of data: HCRA

	Jan 2021 to Mar 2021*	2021/22	2022/23	2023/24	2024/25
Backlog at the beginning of the year	Nil	129	569	878	1,061
Complaints received	139	605	811	859	1,120
Complaints closed	10	165	502	676	655
Backlog at end of the year	129	569	878	1,061	1,526

* HCRA began receiving complaints in January 2021 and began operations in February 2021.

HCRA Took an Average of 419 Days to Close a Professional Conduct Complaint

We found that HCRA had not set any targets or benchmarks for how long an average complaint should take to close (see **Section 2.4** for a description of HCRA's complaint handling process). In contrast, we found that other administrative authorities, including TICO, RECO, OMVIC and BAO, had set targets or benchmarks for the time they take to close complaints. We obtained HCRA's complaint data and calculated how long it takes to close a complaint.

Figure 12 shows that the time it takes HCRA to close professional conduct complaints against licensees reached 419 days in 2024/25. This consisted of 184 days to assign the complaint to a complaint handler and an additional 235 days to close the complaint.

The average time it takes HCRA to close an illegal building complaint has been decreasing since reaching a peak of 331 days in 2022/23, but was still 232 days, or over 7.5 months, on average in 2024/25.

We noted that the length of time HCRA takes to process complaints was a common complaint made about HCRA to the Ministry. In addition, we noted similar concerns in public inquiries directed to our Office.

Figure 12: HCRA Average Days to Close a Complaint, by Year Closed

Source of data: HCRA

	2021/22	2022/23	2023/24	2024/25
Professional Conduct Complaints				
Days to assign to a complaint handler (A)	74	201	198	184
Days to close after assigned (B)	111	77	116	235
Days to close after receipt (A + B)	185	278	314	419
Illegal Building Complaints				
Days to close after receipt *	81	331	305	232

* The assignment date for illegal building complaints that become an investigation versus those that do not become investigations are not comparable, and therefore only days to close after receipt was measured for illegal building.

HCRA Has Not Fully Analyzed Its Resources to Determine Requirements or Differences in Staff Productivity

HCRA management indicated that the increasing processing times and backlog of complaints was primarily a resourcing issue. Management stated that HCRA does not have enough complaint handlers to process the increasing number of complaints they have received.

While HCRA management had performed some evaluation of professional conduct and illegal building staff levels, HCRA had not performed a complete analysis of staff levels to determine the resources it requires to address complaints at a rate that keeps pace with the volume received. In addition, HCRA had not done a complete analysis of processing times between complaint handlers to identify significant variances, best practices or benchmarks.

As described in **Section 2.4**, HCRA assigns a risk level of low, medium or high to each complaint it receives. It uses the risk level to assign the complaint to a complaint handler with the appropriate experience and skill level. We analyzed complaints closed in 2024/25 by the 13 complaint handlers who had closed 10 or more complaints during the year. We found that processing time varied significantly among them.

HCRA indicated that each complaint is unique, with varying degrees of complexity and risk that may affect processing times. However, without a complete analysis of resource requirements or variances in processing times between complaint handlers HCRA cannot identify and address the root cause of its increasing complaint backlog.

Why It Matters

New homebuyers are waiting for an increasingly long time to have their complaints against builders and vendors addressed by HCRA, and HCRA's backlog of open complaints has been increasing significantly each year. If HCRA does not address complaints and take enforcement action where it is warranted, in a timely manner, additional homebuyers may be impacted before corrective action is taken.

Recommendation 6

We recommend that HCRA:

- review significant variances in the time it takes different complaint handlers to close a complaint, identify root causes and develop best practices in complaint processing;
- set benchmarks for the time it takes to assign a complaint to a complaint handler, as well as the time it takes for the complaint handler to close the complaint, and review cases where complaints exceed these benchmarks; and
- perform an analysis to establish technological resources and staff requirements that would allow HCRA to address complaints at a rate that keeps pace with the volume received.

For the auditee responses, see **Recommendations and Auditee Responses**.

4.2.3 HCRA Does Not Use Its CRM System to Record and Track Licensee Regulatory Contraventions



We found that when HCRA identifies, through complaints, that a licensee has contravened a regulatory requirement, it does not record the contravention in its CRM system, even though the system includes fields that would enable this information to be recorded and tracked. As a result, HCRA cannot fully evaluate whether its complaint handling and enforcement processes are producing consistent outcomes or whether its enforcement actions are serving as a sufficient deterrent to repeat offences. This limitation to HCRA's data similarly prevented us from performing our own analysis.

We noted that in public inquiries to both the Ministry and our Office regarding HCRA, concerns were often raised about HCRA's complaint handling process. These complaints included those related to whether the enforcement action taken was sufficient to act as a deterrent in the future.

During the course of our audit, in March 2025, HCRA implemented a professional conduct quality assurance program. The program aims to randomly sample a minimum of five percent of closed complaint files per quarter, and to review them for appropriate assessment of risk, processing, documentation and recommended outcome.

HCRA's professional conduct quality assurance program relies solely on a random sample review of complaint files. Tracking regulatory contraventions in the CRM would allow HCRA to expand its quality assurance program to include a regular analysis of all complaints and regulatory contraventions to identify overall trends, issues or inconsistencies, and to potentially perform targeted reviews of complaint files.

Why It Matters

Without recording data on regulatory contraventions, HCRA does not have the information necessary to investigate and effectively address the concerns of homebuyers relating to its handling of complaints and whether the enforcement action taken was sufficient to act as a deterrent. This information would also be valuable for future licensing application decisions.

Recommendation 7

We recommend that HCRA:

- use its CRM system to record and track identified licensee contraventions of regulatory requirements; and
- conduct regular analysis of all complaints and contraventions of regulatory requirements to identify and investigate trends and concerns, and to take corrective action where necessary.

For the auditee responses, see **Recommendations and Auditee Responses**.

4.2.4 HCRA Does Not Use Municipal Building Permit and Building Code Data in Its Oversight

Municipalities play a key role in the regulation of new home building by issuing building permits and inspecting builds for compliance with the *Building Code Act, 1992*. We found that HCRA was not using municipal building permit data to proactively identify illegal builders.

We also found that HCRA did not use provincial court data and did not consider fines and charges laid by municipalities against builders under the *Building Code Act, 1992* to help assess licensee conduct and competency.

Applicants can be issued a building permit from a municipality without a licence issued by HCRA by indicating that a licence is not required because, for example, they are an owner-builder, with no verification required by the municipality of whether this is true.

HCRA has proposed legislative changes that would require an owner-builder to acquire an exemption certificate from HCRA before a municipality could issue a building permit. HCRA worked with the Ministry on public consultation materials related to the changes. As of August 2025, the Ministry had received direction to continue policy work related to illegal building and had committed to public consultation on proposals to address illegal building.

We reviewed other Canadian provinces with similar new home builder licensing regimes and found that British Columbia and Alberta require owner-builders to obtain exemptions.

To support its proposed legislative changes and demonstrate that illegal builders were obtaining building permits, in November 2023, HCRA conducted an ad hoc analysis of publicly available building permit data from the City of Kitchener. HCRA's analysis found that:

- » of 91 builders who were issued new home building permits by the City, 23 (25%) were not licensed by HCRA;
- » these 23 builders were issued 44 building permits for single family homes, which is an average of nearly two permits per builder; and
- » these results indicated that some of these builders were likely operating illegally.

While HCRA had conducted this analysis to support its proposed legislative changes, it did not investigate the potential illegal builders identified through this analysis. HCRA was also not regularly conducting similar analysis of municipal building permit data to proactively identify and take enforcement action against illegal builders.

Municipalities inspect new home builds for compliance with the *Building Code Act, 1992*, and can issue charges and fines against builders in response to violations. HCRA was not obtaining data from the Ministry of the Attorney General related to charges and fines issued under the *Building Code Act, 1992*. Such information could be used by HCRA as an indicator of conduct and competence to proactively oversee licensees, as described in **Section 4.2.1**.

Why It Matters

HCRA could help better protect Ontarians by using municipal data to proactively identify illegal builders who are operating without oversight by HCRA and are building homes without Tarion's warranty coverage. Using court data on charges and fines issued by municipalities against builders would allow HCRA to protect homebuyers by proactively monitoring whether licensees are contravening the Building Code.

Recommendation 8

We recommend that HCRA:

- request that municipalities regularly share building permit data with HCRA so it can correlate it to licences to help identify illegal builders; and
- work with the Ministry to obtain data on fines and charges laid under the *Building Code Act, 1992* from the Ministry of the Attorney General and assess whether this data would provide information on competency and conduct that could be used to improve HCRA's oversight of licensees.

For the auditee responses, see **Recommendations and Auditee Responses**.



4.3 Performance Measurement and Ministry Oversight

4.3.1 HCRA Does Not Report Progress on Strategic Objectives

We found that HCRA was not reporting planned activities it had completed to support the achievement of its strategic objectives, as required by the administrative agreement between HCRA and the Minister.

The administrative agreement between HCRA and the Minister requires HCRA to plan and report on activities that support the achievement of its strategic objectives, and to report if the activity has been completed and measured, and whether the associated target has been met.

While HCRA's business plans listed planned activities, and its annual reports mentioned various actions, projects and improvements it had carried out across its core services over the previous year, we found that:

- » HCRA's business plans did not include activity measures or targets that could be used to assess the effectiveness and performance of activities in achieving strategic objectives and HCRA's organizational goals; and
- » HCRA's annual reports did not refer to specific strategic objectives or associated planned activities from the business plan, and whether planned activities were completed during the year.

For example, HCRA's 2024/25 business plan included the strategic objective: *Continually evaluate and improve processes, policies, and service-level standards that support HCRA's risk-based model.*

The business plan also included the planned activities to achieve the strategic objective. For example, one of five planned activities to support this strategic objective was: *Implement an organization-wide risk appetite statement.*

HCRA's 2024/25 annual report did not reference this strategic objective and did not specify whether any work had been completed on implementing an organization-wide risk appetite statement.

As part of its oversight function, the Ministry reviews HCRA's draft annual report and completes a checklist of the administrative agreement reporting requirements. For the 2023/24 annual report, the most recent checklist completed at the time of our audit, the Ministry indicated HCRA had met all reporting requirements despite not including activity measures, targets or activities completed during the year.

Why It Matters

The business plan and annual report are HCRA's primary method for communicating strategic objectives and planned activities, and for reporting on the achievement of their strategic objectives to both the public and the Ministry. Without reporting on whether planned activities were completed and whether targets were met, the public, stakeholders and the Ministry cannot evaluate whether HCRA is following its strategic and business plans, or whether it is achieving its objectives.

Recommendation 9

We recommend that HCRA:

- include in its business plan measures and targets to assess the performance of planned activities intended to support the achievement of strategic objectives; and
- include in its annual report the strategic objectives and activities identified in its business plan, whether those activities were completed during the year, whether activity targets were met, and explanations in instances where activity targets were not met.

For the auditee responses, see **Recommendations and Auditee Responses**.

4.3.2 HCRA's Performance Indicators Are Insufficient to Measure and Report on the Effectiveness of Its Core Licensing, Oversight and Enforcement Activities

We found that HCRA's performance indicators were insufficient to inform the public and enable the Ministry to monitor whether HCRA was effectively delivering its licensing, oversight and enforcement activities to fulfill its consumer protection mandate.

Under the administrative agreement between the Minister and HCRA, HCRA must establish performance indicators to use in assessing and reporting on its performance, subject to the approval of the Minister. HCRA must provide the Minister with performance targets and results for the performance indicators on an annual basis, as well as at other times if requested by the Minister. Performance indicators must also be reported on publicly in HCRA's annual report, and must include indicators related to effectiveness, efficiency, and customer and stakeholder satisfaction.

HCRA's performance indicators, related targets and results, reported in its 2024/25 annual report, are provided in **Appendix 3**. We noted that HCRA's performance indicators did not measure the effectiveness of its core licensing, oversight and enforcement activities in protecting homebuyers, which are areas where our audit identified the significant weaknesses described in **Sections 4.1 and 4.2**. For example, performance indicators and related targets were not being reported on to enable the monitoring of:

- » licensing processes, such as the proportion of licence renewals processed automatically via fast-track relative to those reviewed by staff;
- » oversight activity coverage, such as the percentage of licensees who received an inspection or review;
- » the percentage of illegal builders identified who were brought into compliance; and
- » complainant satisfaction with HCRA's complaint handling process.

Why It Matters

Without performance reporting on the effectiveness of HCRA's core licensing, oversight and enforcement activities, the Ministry cannot effectively oversee HCRA's fulfillment of its mandate, and the public is not adequately informed of HCRA's performance in protecting new homebuyers.

Recommendation 10

We recommend that HCRA work with the Ministry to develop and report on performance indicators that measure the effectiveness of HCRA's core licensing, oversight and enforcement activities.

For the auditee responses, see **Recommendations and Auditee Responses**.

Recommendations and Auditee Responses

Recommendation 1

We recommend that HCRA implement automated controls within its CRM system that checks licensee conduct and compliance history data against applications to confirm eligibility for fast-track renewals.

HCRA Response

HCRA agrees with the recommendation. HCRA will implement automated controls to check licensee conduct and compliance history data to confirm eligibility for fast-track renewals.

Recommendation 2

We recommend that HCRA:

- review and determine if higher credit score thresholds would be a more effective indicator of whether applicants can be expected to be financially responsible in the conduct of business and update them as needed;
- develop decision-making guidelines for the review and approval of applications that do not meet the credit score threshold;
- develop and implement processes for the mandatory consideration of licensee and related party insolvencies in the assessment of licence applications;
- evaluate the financial position of officers and directors of applicants, as required by the NHCLA; and
- assess what additional financial information could assist HCRA to evaluate applicant financial responsibility in the conduct of business, including financial statements, financial ratios and indicators, tax returns and Tarion claims for deposit refunds, and develop and implement a policy and process to use this information to assess applicants.

HCRA Response

HCRA agrees with the recommendation and will develop plans to implement each recommended action item. As a relatively new organization, HCRA continues to advance and refine its licensing processes as part of its broader commitment to improving risk and evidence-based decision-making.

HCRA recognizes the importance of identifying financial indicators that are meaningful and appropriate for its role in assessing the past and present financial position of applicants.

HCRA recognizes that there may be additional valuable financial indicators to be assessed during the licensing process and is committed to continually reviewing and refining both its financial indicators and its processes.

Recommendation 3

We recommend that HCRA:

- work with the Ministry to establish a regular and ongoing process to obtain and verify all required licensee business information from the Ontario Business Registry; and
- establish a regular and ongoing process to verify federally incorporated licensee business information with Corporations Canada.

HCRA Response

HCRA agrees with the recommendation and will develop plans to implement each recommended action item. This will include obtaining and integrating Ontario Business Registry data from the Ministry to improve the accuracy and efficiency of its licensing processes. HCRA received approval from the Ministry and was granted fee exempt access to the Ontario Business Registry in August 2025. This initiative will help ensure licensing decisions are based on reliable, up-to-date business information, reinforcing HCRA's commitment to transparency, accountability, and consumer protection.

Ministry Response for Action #1

The Ministry agrees with the recommendation. The Ministry will work with HCRA to ensure that HCRA uses resources such as the Ontario Business Registry and the federal government's Corporations Canada website to validate applicant business information. The Ministry will also work with HCRA to explore whether a more efficient process can be developed to validate information contained in the Ontario Business Registry.

Recommendation 4

We recommend that HCRA:

- work with the Ministry to establish best practice technical competency standards that individuals in home building companies who supervise day-to-day construction should demonstrate;
- work with the Ministry to establish mandatory continuing education requirements for all licensees; and
- implement processes to monitor and facilitate licensee compliance with such requirements.

HCRA Response

HCRA agrees with the recommendation and will work with the Ministry to establish the regulatory frameworks that it will then implement, requiring individuals supervising construction to meet established standards and requiring licensees to participate in mandatory continuing education requirements.

Ministry Response for Actions #1 and #2

The Ministry thanks the Auditor General but cannot agree with this recommendation at this time. The Ministry will assess the potential impact of this recommendation, including impacts on housing supply and the new home sector, before determining whether to consider changes that would be required to implement this recommendation.

Recommendation 5

We recommend that HCRA:

- develop a risk rating system that incorporates relevant licensee risk factors;
- assign a risk rating to each licensee; and
- develop and implement processes for conducting proactive oversight, monitoring and enforcement activities that are guided by licensee risk ratings.

HCRA Response

HCRA agrees with the recommendation and will develop plans to implement each action item. As a newer regulator, HCRA is committed to evolving its oversight model to be more proactive and responsive to emerging risks. HCRA will explore the development of a system to assign a risk rating to licensees based on relevant factors. This will enable HCRA to better prioritize high-risk licensees for targeted monitoring and enforcement, helping to identify and address potential issues before they escalate and strengthening accountability across the new home building industry.

Recommendation 6

We recommend that HCRA:

- review significant variances in the time it takes different complaint handlers to close a complaint, identify root causes and develop best practices in complaint processing;
- set benchmarks for the time it takes to assign a complaint to a complaint handler, as well as the time it takes for the complaint handler to close the complaint, and review cases where complaints exceed these benchmarks; and
- perform an analysis to establish technological resource and staff requirements that would allow HCRA to address complaints at a rate that keeps pace with the volume received.

HCRA Response

HCRA agrees with the recommendation and will develop plans to implement each action item. HCRA is committed to improving complaint handling processes to ensure timely and consistent service delivery. HCRA will implement quality assurance enhancements, such as incorporating additional data, that will help assess whether processing times are reasonable based on complaint complexity. HCRA will also explore establishing service standards to support consistency and transparency and evaluate resourcing needs to manage growing complaint volumes and sustain long-term improvements. Work to complete this analysis is underway.

Recommendation 7

We recommend that HCRA:

- use its CRM system to record and track identified licensee contraventions of regulatory requirements; and
- conduct regular analysis of all complaints and contraventions of regulatory requirements to identify and investigate trends and concerns, and to take corrective action where necessary.

HCRA Response

HCRA agrees with the recommendation and will develop plans to implement each action item. HCRA will improve its systems for recording and analyzing contraventions across business units. Enhancing these systems will improve the identification of trends, support consistent enforcement, and enable more risk-informed decision-making. This approach reflects HCRA's commitment to continuous improvement based on our experience as a newer regulator, and it will include proactive oversight, and ensure that regulatory actions remain fair, effective, and responsive to industry developments.

Recommendation 8

We recommend that HCRA:

- request that municipalities regularly share building permit data with HCRA so it can correlate it to licences to help identify illegal builders; and
- work with the Ministry to obtain data on fines and charges laid under the *Building Code Act, 1992* from the Ministry of the Attorney General and assess whether this data would provide information on competency and conduct that could be used to improve HCRA's oversight of licensees.

HCRA Response

HCRA agrees with the recommendation in principle. However, the HCRA has proposed legislative changes as identified in this report to require an owner-builder to acquire an exemption certificate from HCRA before a municipality can issue a building permit to them.

The implementation of this proposed legislative change has significant bearing on this recommendation. Accordingly, HCRA will first wait for a determination of whether its proposed legislative changes will take effect before assessing what additional actions are necessary to implement these recommended actions.

HCRA also agrees to work with the Ministry to obtain data on fines and charges laid under the *Building Code Act, 1992* to assess this information and determine if it would be valuable to its oversight of licensees.

Ministry Response for Action #2

The Ministry thanks the Auditor General for the recommendation. The Ministry conditionally accepts the recommendation and will explore working with partner ministries on developing options for a process to ensure HCRA has periodic and ongoing access to information about fines and charges laid under the *Building Code Act, 1992*. This recommendation may require developing regulatory proposals for the government's consideration.

Recommendation 9

We recommend that HCRA:

- include in its business plan measures and targets to assess the performance of planned activities intended to support the achievement of strategic objectives; and
- include in its annual report the strategic objectives and activities identified in its business plan, whether those activities were completed during the year, whether activity targets were met, and explanations in instances where activity targets were not met.

HCRA Response

HCRA agrees with the recommendation and will develop plans to implement each action item. HCRA is committed to improving the clarity and effectiveness of its public reporting. To support this, it will work to better align planned activities with measurable outcomes in its business plans and annual reports. This will enhance transparency, demonstrate progress toward strategic objectives, and provide stakeholders with a clearer understanding of how HCRA fulfills its consumer protection and regulatory mandate.

Recommendation 10

We recommend that HCRA work with the Ministry to develop and report on performance indicators that measure the effectiveness of HCRA's core licensing, oversight and enforcement activities.

HCRA Response

HCRA agrees with the recommendation and is committed to working collaboratively with the Ministry to develop meaningful performance measures that reflect the effectiveness of its core regulatory functions. Establishing clear and relevant indicators will enable HCRA to better assess progress toward strategic goals, identify areas for improvement and demonstrate the impact of its work on consumer protection.

Ministry Response

The Ministry agrees with the recommendation. The Ministry will work with HCRA to revise existing and develop new performance indicators, informed by the Auditor General's recommendation to measure the effectiveness of HCRA's core activities, and require that HCRA report publicly on these measures in its annual report.

Audit Criteria

In planning our work, we identified the audit criteria we would use to address our audit objectives (outlined in **Section 3**). These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices. Senior management at HCRA and the Ministry reviewed and agreed with the suitability of our objectives and associated criteria:

1. A framework based on best practices for obtaining licensing application information and evaluating applications against requirements is in place and applied consistently.
2. Processes are in place that identify those builders and vendors who have contravened applicable legislation and regulations.
3. Complaints against builders and vendors are addressed, and inspections and investigations are conducted where warranted, consistently and on a timely basis. Resulting compliance/enforcement action is applied consistently and supported by evidence.
4. Performance indicators and related targets are established, regularly monitored and reported on, including publicly, where appropriate, based on best practices.
5. The Ministry has processes to oversee the HCRA and monitor whether it fulfills its mandate to administer the delegated provisions of the NHCLA.

Audit Approach

We conducted our audit between January 2025 and July 2025. We obtained written representation from the HCRA and the Ministry's management that, effective September 23, 2025, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

As part of our audit work, we:

- » interviewed relevant staff from the HCRA and the Ministry;
- » examined relevant legislation, regulations, policies and procedures;
- » reviewed and analyzed licensing, complaints and enforcement data from HCRA's inception on February 1, 2021, to March 31, 2025, to identify trends and examples, and calculate indicators relevant to HCRA's core functions;
- » cross-referenced HCRA licensee data to third-party data from municipalities, the Ontario Business Registry and Corporations Canada to identify discrepancies and insights;
- » reviewed select case information and documentation related to specific builder and vendor licence applications, complaints, investigations, insolvencies and interested persons; and
- » spoke with external stakeholders including Tarion, Canadians for Properly Built Homes and the Ontario Home Builders Association.

Audit Opinion

To the Honourable Speaker of the Legislative Assembly:

We conducted our work for this audit and reported on the results of our examination in accordance with Canadian Standard on Assurance Engagements 3001—*Direct Engagements* issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

October 1, 2025



Shelley Spence, FCPA, CA, LPA

Auditor General
Toronto, Ontario

Acronyms

Acronym	Definition
ADR	Assistant Deputy Registrar
BAO	Bereavement Authority of Ontario
BFRS	Business Failure Risk Score
CMRAO	Condominium Management Regulatory Authority of Ontario
CRM	customer relationship management
HCRA	Home Construction Regulatory Authority
NHCLA	<i>New Home Construction Licensing Act, 2017</i>
OBR	Ontario Business Registry
OMVIC	Ontario Motor Vehicle Industry Council
ONHWPA	<i>Ontario New Home Warranties Plan Act, 1990</i>
RECO	Real Estate Council of Ontario
TICO	Travel Industry Council of Ontario

Appendix 1: Renewal Application Past-Conduct Declaration

Source of data: Home Construction Regulatory Authority

Past Conduct Declaration

Please confirm and answer yes or no to the following questions as the Applicant (including if applicable all officers and directors of the Applicant) including interested persons. Have you:

Had a professional registration, certificate or licence of any kind refused, suspended, revoked or cancelled in any jurisdiction?

No Yes

Been subject to disciplinary action or currently a party to such a proceeding in any jurisdiction?

No Yes

Filed for bankruptcy under the Bankruptcy and Insolvency Act, 1985?

No Yes

Been discharged from bankruptcy?

No Yes

Filed a Consumer Proposal or a Division 1 Proposal under the Bankruptcy and Insolvency Act, 1985?

No Yes

Filed an application under the Companies' Creditors Arrangement Act, 1985 (CCAA)?

No Yes

Ever been charged with an offence under the Provincial Offences Act, 1990, Criminal Code, 1985 (Canada), Workplace Safety and Insurance Act, 1997 (WSIB), Building Code Act, 1992 (Ontario), Income Tax Act, 1985 (Canada) (other than parking and speeding related offences)?

No Yes

Been found guilty of an offence under the Criminal Code, 1992 (Canada), Income Tax Act, 1985 (Canada), Provincial Offences Act, 1990 (Ontario), the Workplace Safety and Insurance Act, 1997 (Ontario), the Building Code Act, 1992 (Ontario) or the Corporations Tax Act, 1990 (Ontario) (other than parking and speeding related offences)?

No Yes

Been subject to any of the following orders: restraining order, financial obligation order, order relating to the payment of tax, or Building Code Act, 1992 (Ontario) order?

No Yes

Been the subject of any civil proceeding in the past 10 years?

No Yes

Been made aware of having been the subject of or are currently aware of being the subject of any investigation in any jurisdiction?

No Yes

Carried on activities that are in contravention of the New Home Construction Licensing Act, 2017, the Ontario New Home Warranties Plan Act, 1990, the Condominium Act, 1998, or the Building Code Act, 1992 (Ontario)?

No Yes

Is there a person employed by or under contract with the Licensee who has previously had their Tarion registration or the HCRA licence refused or revoked

No Yes

Please ensure that you have read all of the above thoroughly before proceeding.

I have read and answered all of the questions in this section truthfully. I acknowledge that any information submitted with the application for licence is subject to verification by the HCRA. I understand that it is a serious offence to provide false information to HCRA in connection with this application for licence. I further understand that providing false, incomplete or misleading information, or omitting information in this application for licence or the documents submitted with it, may result in the refusal, suspension or revocation of a licence.

Appendix 2: HCRA Compliance Tools

Prepared by the Office of the Auditor General of Ontario

Compliance Tool	Licensee	Illegal Builder Vendor	Count – Feb 2021 to March 2025
Education letter: Written reminder to the builder/vendor of their obligations and potential implications under applicable legislation such as NHCLA and ONHWPA.	✓	✓	N/A ¹
Warning letter: Written warning to a licensee or illegal builder/vendor outlining HCRA's concerns. In the case of illegal builders/vendors, a warning letter represents a requirement to come into compliance, failing which enforcement action will be taken.	✓	✓	N/A ¹
False advertising order: Order the licensee to cease making false, misleading or deceptive representation in an advertisement.	✓	✗	1
Notice of proposal: Notice that HCRA intends to apply conditions, suspend, refuse, refuse to renew, or revoke a licence. If an applicant or licensee receives a Notice of Proposal, they have the right to request a hearing before the Licence Appeal Tribunal or may reach a settlement with the HCRA.	✓	✗	57
Discipline Committee: An independent administrative tribunal that determines whether licensees have complied with the Code of Ethics. The Discipline Committee may order, amongst other things, that the licensee take further educational courses or pay a fine up to \$50,000 for individuals and \$100,000 for corporations.	✓	✗	10
Compliance order: Order directing the party to comply with requirements of the NHCLA.	✓	✓	18
Freeze order: Order requiring the party having on deposit or controlling assets to hold and/or refrain from withdrawing those assets, if HCRA believes that it is advisable for the protection of homebuyers or owners.	✓	✓	9
Restitution order: Order directing the party to pay compensation to affected consumers.	✗	✓	3
Application for restraining order: If a party is not complying with the NHCLA, the regulations or an order made under the NHCLA, HCRA may apply to the Court of Justice for an order restraining the person from acting in breach.	✓	✓	1

Compliance Tool	Licensee	Illegal Builder Vendor	Count – Feb 2021 to March 2025
<p>Administrative penalty: HCRA may impose an administrative penalty of up to \$50,000 for parties who contravene the law or fail to live up to the Code of Ethics. In some cases, proceeds of the administrative penalty allow HCRA to provide funds to impacted consumers.</p>	✓	✓	13
<p>Provincial offences charge: HCRA may lay charges under the NHCLA, ONHWPA or the <i>Provincial Offences Act</i> at the Ontario Court of Justice. Penalties for individuals, including officers or directors of charged corporations, can range up to \$50,000 for a first offence and \$100,000 for repeat offences, and could include imprisonment for a term of up to two years less a day. Penalties for corporations can range up to \$250,000 for a first offence and up to \$500,000 for subsequent convictions.</p>	✓	✓	18 ²

1. Count not available for letters sent.
2. Count of defendants. 205 total charges laid against these 18 defendants.

Appendix 3: HCRA Performance Measures

Source of data: HCRA

Performance Measure	Target	2024/25 Reported Results
Average wait time to respond to incoming phone calls	2 minutes	44 seconds
Average time for processing licence applications	New – 8 weeks	5.3 weeks
	Renewal – 4 weeks	1.7 weeks
Percentage of complaints closed since HCRA's inception	50%	59%
Percentage of successful court and tribunal appearances	Prosecutions – 90%	100%
	Licence Appeal Tribunal – 80%	100%
Average level of web traffic to the Builder Directory	25,000 licensee searches/month	31,748 licensee searches/month
	2,100 warranty searches/month	3,479 warranty searches/month
Percentage of consumers who are aware of HCRA	N/A*	1 in 5
Percentage of consumer webinar/event attendees who are satisfied with the content of the event	N/A*	70%
Percentage of licensees who are satisfied with their interactions with HCRA's customer service team	N/A*	74%
Percentage of licensees who are satisfied with the licensing process	N/A*	63%

* New performance measure in 2024/25. HCRA collected baseline data in 2024/25 and has not yet developed a target.



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