Residential Mortgage Industry Dashboard

Spring 2020

This report provides insights into the residential mortgage industry through analysis of the most recently available data for 2019. Even though significant changes can be expected in the coming quarters on account of the economic disturbance resulting from the COVID-19 pandemic, monitoring market indicators before and during this period is crucial to understanding and measuring the impacts.

THE CANADIAN MORTGAGE MARKET WAS RELATIVELY STEADY IN 2019

- In 2019, outstanding mortgage debt grew by 4% (slightly slower than the 4.1% growth in 2018), and average sale prices grew by 2.4%, to $500,938 (see chart 1). This indicates that the market stabilized following the rapid increase and correction in house prices that occurred in recent years.
- The 6% rise in mortgage flows in 2019 was mainly due to an increase in homeowners renewing their loans (see chart 2). In fact, more than half of all mortgages were renewed with the same bank. At the same time, the number of new mortgages issued for the purchase of a property barely increased during that period (0.3%). This small rise resulted from imbalances in the markets, with strong increases in new mortgages in some tighter markets, specifically in Quebec, Ontario and the Maritimes, and decreases in Western Canada.
- Mortgage Investment Corporation (MIC) activity has further concentrated in Ontario, with close to 50% of asset concentration in the third quarter of 2019, an increase compared to the 38% proportion a year earlier. This increased exposure in Ontario and the higher default rates in the MIC segment have slightly increased the risk profile of MICs, despite the improvements on some risk factors such as a lower debt-to-capital ratio and a reduced share of first mortgages (see table 1).
- With mortgage growth stronger in the uninsured sector, private-label Residential Mortgage-Backed Securities (RMBS) have been growing in recent years but remained around 1.1% of the total funding mix in 2019 (see chart 3). Alternative credit enhancements and quality of originations are among the key factors that have increased investors' appetite. Recently issued securitized pools have shown an LTV ratio below 69%, average credit scores between 741 and 793 and expected losses ranging from 0.2% to 7%, which suggests low-risk, quality issuances.

Monitoring the market in light of the COVID-19 pandemic

- The COVID-19 pandemic is strongly impacting the Canadian economy and is expected to affect the housing and mortgage markets. The Canadian government and mortgage lenders have undertaken a number of measures designed to support the mortgage industry and foster financial stability. See table 2 for an overview of the measures put in place so far by CMHC and other mortgage loan insurers, lenders, the Bank of Canada, the Minister of Finance and OSFI.

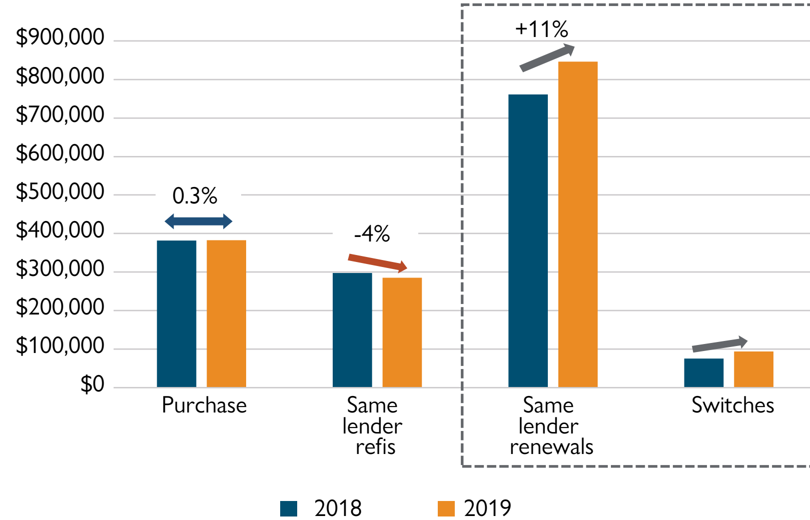
Canada

CMHC SCHL

Chart 1 Pace of Residential Mortgage Credit Stabilized in 2019, Despite a Slight Acceleration at Year-End

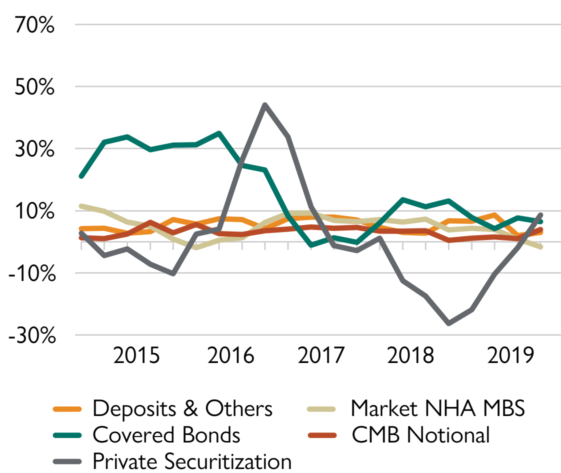
Statistics Canada. Table 10-10-0129-01 Residential mortgage credit, outstanding balances of major private institutional lenders, Bank of Canada (x 1,000,000)

Chart 2 Increase in Mortgage Flows in 2019 Mainly Due to Mortgage Renewals



Source: CMHC Residential Mortgage Data Reporting of NHA MBS issuers, CMHC calculations

Chart 3 Securitization Grew at a Stronger Pace in 2019



Sources: OSFI; CMHC Securitization; annual / quarterly reports; DBRS

Table 1 Increased exposure of first mortgages and concentration of mortgages in Ontario for the top 25 Mortgage Investment Corporations (MICs) in Canada

	Q3-2018	Q4-2018	Q1-2019	Q2-2019	Q3-2019
Average lending rate	9.1%	9.2%	9.2%	9.1%	9.1%
Average share of first mortgages	79.7%	79.5%	79.7%	78.4%	78.0%
Average loan-to-value (LTV) ratio	59.2%	57.9%	57.9%	58.8%	58.2%
Debt-to-capital ratio	18.1%	18.0%	18.0%	17.2%	15.9%
Geographical distribution	**Q3-2018**	**Q4-2018**	**Q1-2019**	**Q2-2019**	**Q3-2019**
British Columbia	41.9%	42.2%	42.8%	37.3%	33.2%
Alberta	14.0%	14.0%	13.8%	9.5%	11.2%
Ontario	37.8%	37.5%	37.6%	46.5%	49.4%
Others	6.3%	6.3%	5.8%	6.8%	6.3%
Estimated value of outstanding mortgages held by MICs per capita	**Q3-2018**	**Q4-2018**	**Q1-2019**	**Q2-2019**	**Q3-2019**
British Columbia	-	$1,093.63	$1,129.65	$1,004.27	$881.77
Alberta	-	$420.30	$419.13	$292.46	$341.89
Ontario	-	$338.27	$345.64	$435.20	$457.65

Source: Fundamentals Research Corporation, Statistics Canada, CMHC calculations

Table 2

Please note that this list only covers the programs and measures that are intended to impact directly and exclusively the mortgage markets in Canada. This list was last updated on April 21st 2020.

Program	Implemented by	Program details	Intent
Expansion of mortgage default management tools	Genworth Canada CMHC Canada Guaranty	CMHC will permit lenders to allow payment deferrals beginning immediately. Canada Guaranty will extend the existing Homeownership Solutions Program.	Both these initiatives are aimed at helping homeowners with either insured or uninsured mortgages who are financially strained by the COVID-19 outbreak. These alleviating measures for homeowners attempt to mitigate any potential downward pressure on the housing market that would force foreclosures, which could potentially lead to the deterioration of house prices.
Big banks' coordinated relief	Big six banks	Canada's big six banks will allow mortgage payment deferrals for up to six months as part of extraordinary measures to help customers struggling with the financial impacts of the novel coronavirus pandemic. Other financial institutions, including some credit unions, Mortgage Finance Companies (MFCs) and even some Mortgage Investment Corporations and Mortgage Investment Entities (MICs and MIEs), are also allowing payment deferrals.	
Expansion of default management tools for multi-unit residential properties	CMHC	CMHC's expansion of mortgage default management tools provide additional relief measures to help renters. In fact, CMHC requires that landlords with an insured multi-unit loan not evict any tenants.	This measure is intended to ensure that households experiencing employment loss or reduction in income are not found in a more vulnerable position. This measure also intends to stabilize rental markets in Canada.
Insured Mortgage Purchase Program (IMPP)	CMHC Government of Canada	The Government will purchase up to $150 billion of insured mortgage pools through CMHC.	This program will provide long-term stable funding to banks and mortgage lenders, which will help facilitate continued lending to Canadian consumers and businesses and add liquidity to Canada's mortgage market.
Bank of Canada's interest rate cuts	Bank of Canada	Through two rounds of cuts, the Bank of Canada has lowered its target for the overnight rate to 0.25%.	This is intended to help the economy cope with the negative shocks of COVID-19 and the recent sharp drop in oil prices.
Purchase of Canada Mortgage Bonds (CMBs) in the secondary market		The Bank will purchase $500 million per week of CMBs in the secondary market for as long as it is deemed necessary.	Same as the IMPP program: This program will provide long-term stable funding to banks and mortgage lenders, which will help facilitate continued lending to Canadian consumers and businesses and add liquidity to Canada's mortgage market.

Program	Implemented by	Program details	Intent
Stress test	Minister of Finance OSFI	The Minister of Finance has suspended the change to the mortgage rules set for April 6. OSFI has suspended all of its consultations and policy development on new or revised guidance until conditions stabilize. This includes the new proposed B-20 benchmark rate for uninsured mortgages. As a result, the benchmark rate as currently published by the Bank of Canada will remain in force until further notice.	The suspension of these regulatory changes is aimed at reducing the process-related burden on financial institutions, which are also dealing with an increase in inquiries related to COVID-19. In addition, the great uncertainty in this unprecedented context has further encouraged the suspension of some measures, in order to ensure their appropriateness.* * See OSFI's news release for more details on regulatory flexibility to support COVID-19 efforts: https://www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/nr_20200327.aspx

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Read the annual Residential Mortgage Industry Report

cmhc.ca/residential-mortgage-industry-report

ALTERNATIVE TEXT AND DATA FOR FIGURES

Chart 1 Pace of Residential Mortgage Credit Stabilized in 2019, Despite a Slight Acceleration at Year-End

Year	Total outstanding balances at month-end for major private institutional lenders, seasonally adjusted	Mortgage debt growth rate
2000	413,812	-
	415,362	-
	419,298	-
	420,385	-
	421,417	-
	424,040	-
	425,233	-
	426,693	-
	428,386	-
	430,569	-
	431,217	-
	431,389	-
2001	431,404	4.3%
	431,308	3.8%
	432,085	3.0%
	433,279	3.1%
	435,622	3.4%
	439,536	3.7%
	441,925	3.9%
	445,740	4.5%
	447,649	4.5%
	450,238	4.6%
	453,641	5.2%
	455,882	5.7%
2002	457,830	6.1%
	459,863	6.6%
	462,269	7.0%
	465,917	7.5%
	470,701	8.1%
	475,897	8.3%
	478,954	8.4%
	482,900	8.3%
	485,588	8.5%
	488,490	8.5%
	492,059	8.5%
	494,579	8.5%
2003	496,219	8.4%
	497,855	8.3%
	500,121	8.2%
	503,220	8.0%
	507,395	7.8%
	513,272	7.9%
	518,001	8.2%
	523,407	8.4%
	527,027	8.5%
	532,261	9.0%
	536,005	8.9%
	538,812	8.9%
2004	540,744	9.0%
	542,900	9.0%
	546,369	9.2%
	551,313	9.6%
	557,312	9.8%
	565,087	10.1%
	570,989	10.2%
	576,410	10.1%
	581,229	10.3%
	585,829	10.1%
	592,114	10.5%
	594,708	10.4%
2005	596,956	10.4%
	598,715	10.3%
	601,790	10.1%
	606,546	10.0%
	612,134	9.8%
	620,496	9.8%
	626,753	9.8%
	633,830	10.0%
	640,239	10.2%
	646,089	10.3%
	651,800	10.1%
	655,533	10.2%
2006	658,165	10.3%
	661,429	10.5%
	667,113	10.9%
	671,272	10.7%
	677,539	10.7%
	687,545	10.8%
	692,646	10.5%
	699,275	10.3%

Year	Total outstanding balances at month-end for major private institutional lenders, seasonally adjusted	Mortgage debt growth rate
	705,973	10.3%
	711,063	10.1%
	716,857	10.0%
	721,553	10.1%
2007	724,613	10.1%
	728,846	10.2%
	735,625	10.3%
	742,473	10.6%
	749,663	10.6%
	763,255	11.0%
	771,278	11.4%
	781,098	11.7%
	791,619	12.1%
	798,636	12.3%
	807,474	12.6%
	814,283	12.9%
2008	819,304	13.1%
	823,938	13.0%
	831,148	13.0%
	837,761	12.8%
	846,055	12.9%
	858,176	12.4%
	866,207	12.3%
	873,567	11.8%
	881,212	11.3%
	884,108	10.7%
	887,796	9.9%
	896,467	10.1%
2009	896,217	9.4%
	897,098	8.9%

Year	Total outstanding balances at month-end for major private institutional lenders, seasonally adjusted	Mortgage debt growth rate
	900,938	8.4%
	903,424	7.8%
	908,110	7.3%
	918,842	7.1%
	926,407	6.9%
	932,497	6.7%
	940,016	6.7%
	945,629	7.0%
	951,610	7.2%
	956,511	6.7%
2010	957,998	6.9%
	959,585	7.0%
	963,900	7.0%
	971,150	7.5%
	979,555	7.9%
	993,145	8.1%
	998,074	7.7%
	1,003,554	7.6%
	1,010,663	7.5%
	1,014,678	7.3%
	1,020,801	7.3%
	1,026,578	7.3%
2011	1,029,809	7.5%
	1,029,303	7.3%
	1,033,200	7.2%
	1,038,901	7.0%
	1,047,066	6.9%
	1,058,532	6.6%
	1,065,980	6.8%
	1,073,641	7.0%

Year	Total outstanding balances at month-end for major private institutional lenders, seasonally adjusted	Mortgage debt growth rate
	1,069,526	5.8%
	1,074,348	5.9%
	1,074,862	5.3%
	1,079,071	5.1%
2012	1,082,668	5.1%
	1,086,038	5.5%
	1,091,647	5.7%
	1,095,771	5.5%
	1,102,160	5.3%
	1,109,797	4.8%
	1,116,056	4.7%
	1,123,815	4.7%
	1,129,444	5.6%
	1,133,315	5.5%
	1,137,106	5.8%
	1,141,074	5.7%
2013	1,142,046	5.5%
	1,145,096	5.4%
	1,149,169	5.3%
	1,153,459	5.3%
	1,160,225	5.3%
	1,169,139	5.3%
	1,175,266	5.3%
	1,182,956	5.3%
	1,188,033	5.2%
	1,193,438	5.3%
	1,198,098	5.4%
	1,198,778	5.1%
2014	1,201,452	5.2%
	1,203,265	5.1%

Year	Total outstanding balances at month-end for major private institutional lenders, seasonally adjusted	Mortgage debt growth rate
	1,205,341	4.9%
	1,210,374	4.9%
	1,217,044	4.9%
	1,225,369	4.8%
	1,233,491	5.0%
	1,240,761	4.9%
	1,246,694	4.9%
	1,252,815	5.0%
	1,256,887	4.9%
	1,259,735	5.1%
2015	1,264,228	5.2%
	1,267,749	5.4%
	1,270,709	5.4%
	1,276,095	5.4%
	1,284,196	5.5%
	1,295,361	5.7%
	1,305,693	5.9%
	1,314,917	6.0%
	1,322,016	6.0%
	1,329,253	6.1%
	1,335,861	6.3%
	1,341,709	6.5%
2016	1,345,333	6.4%
	1,348,404	6.4%
	1,351,372	6.3%
	1,357,775	6.4%
	1,366,879	6.4%
	1,378,373	6.4%
	1,387,574	6.3%
	1,399,249	6.4%
	1,408,048	6.5%
	1,412,873	6.3%
	1,421,685	6.4%
	1,424,796	6.2%
2017	1,426,442	6.0%
	1,430,032	6.1%
	1,436,172	6.3%
	1,442,494	6.2%
	1,451,381	6.2%
	1,462,644	6.1%
	1,470,517	6.0%
	1,478,747	5.7%
	1,483,896	5.4%
	1,490,887	5.5%
	1,496,794	5.3%
	1,499,487	5.2%
2018	1,501,070	5.2%
	1,503,032	5.1%
	1,505,689	4.8%
	1,507,655	4.5%
	1,513,872	4.3%
	1,520,275	3.9%
	1,526,276	3.8%
	1,532,854	3.7%
	1,540,283	3.8%
	1,543,016	3.5%
	1,548,633	3.5%
	1,551,850	3.5%
2019	1,554,692	3.6%
	1,556,010	3.5%
	1,558,696	3.5%
	1,563,189	3.7%
	1,571,191	3.8%
	1,580,022	3.9%
	1,587,350	4.0%
	1,597,433	4.2%
	1,605,783	4.3%
	1,612,579	4.5%
	1,619,704	4.6%
	1,624,469	4.7%
	1,628,906	4.8%

Statistics Canada. Table 10-10-0129-01 Residential mortgage credit, outstanding balances of major private institutional lenders, Bank of Canada (x 1,000,000)

Chart 2 Increase in Mortgage Flows in 2019 Mainly Due to Mortgage Renewals

Mortgage Flows	2018	2019
Purchase	381,512	382,643
Same lender refis	297,492	285,084
Same lender renewals	761,423	846,423
Switches	75,833	93,547
Total flow	1,516,260	1,607,697
Total renewals and refis	1,134,748	1,225,054

Source: CMHC Residential Mortgage Data Reporting of NHA MBS issuers, CMHC calculations

Chart 3 Securitization Grew at a Stronger Pace in 2019

Period	Deposits & Others	Market NHA MBS	CMB Notional	Covered Bonds	Private Securitization	Total Mortgage Credit
2013 Q4	0.059914	0.072721	0.015521	0.090298	0.311899	0.058726
2014 Q1	0.065377	0.077122	-0.033106	0.180863	0.192546	0.056714
2014 Q2	0.055612	-0.008048	0.019415	0.255617	0.247706	0.051515
2014 Q3	0.053026	0.018897	0.005138	0.300806	0.130838	0.053778
2014 Q4	0.042421	0.114801	0.013585	0.211414	0.028003	0.058472
2015 Q1	0.043379	0.098656	0.010927	0.320717	-0.044827	0.061594
2015 Q2	0.027525	0.063687	0.025313	0.337860	-0.023085	0.051000
2015 Q3	0.033056	0.050502	0.062803	0.296257	-0.072082	0.056662
2015 Q4	0.071446	0.009051	0.029439	0.310677	-0.103349	0.067657
2016 Q1	0.056636	-0.018918	0.055968	0.313106	0.024718	0.062370
2016 Q2	0.074464	0.005355	0.026569	0.349257	0.041105	0.076623
2016 Q3	0.071399	0.012573	0.024049	0.245542	0.263589	0.071168
2016 Q4	0.042737	0.062753	0.035663	0.230916	0.440797	0.064739
2017 Q1	0.074758	0.092136	0.040934	0.083871	0.337503	0.076013
2017 Q2	0.079256	0.092666	0.047596	-0.010842	0.112747	0.068005
2017 Q3	0.079778	0.068945	0.043544	0.013553	-0.012021	0.064890
2017 Q4	0.070659	0.065567	0.046802	-0.001091	-0.027691	0.057937
2018 Q1	0.045983	0.071564	0.034292	0.060457	0.011681	0.048894
2018 Q2	0.030308	0.064138	0.034776	0.136116	-0.125997	0.043432
2018 Q3	0.028333	0.072375	0.036260	0.112846	-0.175311	0.040916
2018 Q4	0.067933	0.038812	0.004718	0.131092	-0.263219	0.054572
2019 Q1	0.066675	0.043515	0.012043	0.078882	-0.218958	0.051711
2019 Q2	0.086358	0.038991	0.015212	0.041879	-0.104479	0.061672
2019 Q3	0.019924	0.009085	0.010341	0.077372	-0.019480	0.021952
2019 Q4	0.030693	-0.016500	0.039488	0.064429	0.086357	0.028414

Sources: OSFI; CMHC Securitization; annual / quarterly reports; DBRS