HOUSING MARKET INFORMATION

MORTGAGE AND CONSUMER CREDIT TRENDS
Atlantic CMA[1]'s – Q1 2018

CANADA MORTGAGE AND HOUSING CORPORATION

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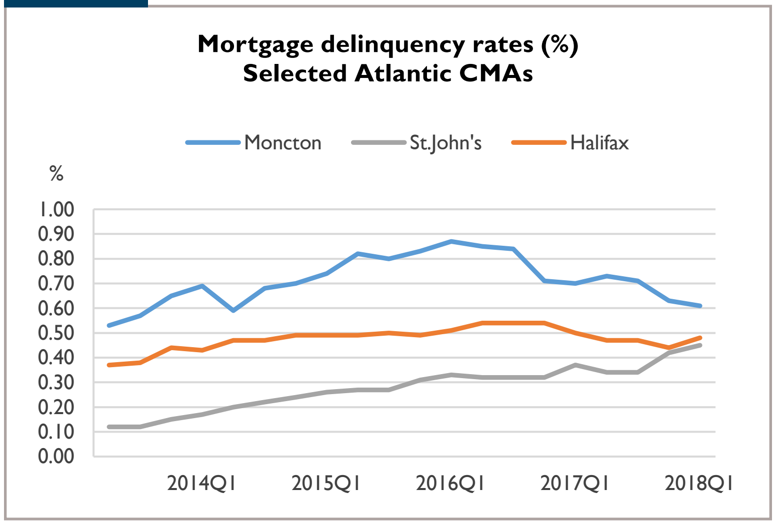
Figure 1



Source: Equifax and CMHC calculations

In Atlantic Canada's three major cities, mortgage delinquency rates have hovered around one half percentage point since 2014

- Since 2014, delinquency rates have followed slightly different paths across Atlantic Canada: rising in St. John's, remaining stable in Halifax and recently declining in Moncton (see Figure 1).
- Currently, the rate in all three centers is close to a half of one per cent.
- Improving employment levels and housing market conditions have likely contributed to lower mortgage delinquency rates in Halifax and Moncton.

Resources

You can find this data – and data for all Census Metropolitan Areas (CMAs) in Canada – at https://www.cmhc-schl.gc.ca/en/Data-and-Research/Data-Tables/mortgage-consumer-credit-trends-cmas.

[1] Census Metropolitan Area (CMA)

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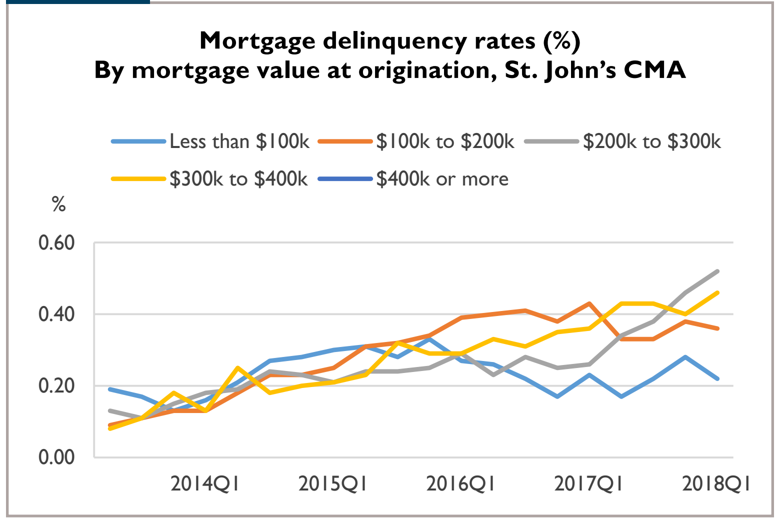
Delinquency rates for larger mortgages in St. John's have been slightly growing since 2014

- Mortgage delinquency rates in St. John's have been increasing slightly for those worth between $200,000 and $300,000 at origination (see Figure 2).
- This market has been facing economic and labour market weakness which has probably contributed to the rising trend.
- Job losses in St. John's and increased interprovincial out-migration have increased listings. This, in turn, has made it more difficult for people to exit delinquency by selling their homes.

Figure 2

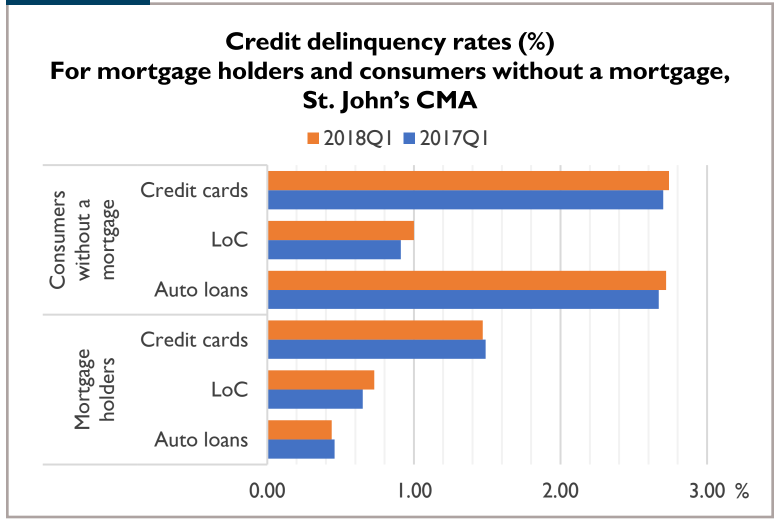


Source: Equifax and CMHC calculations

In St. John's, account delinquency rates of other types of credit is higher for non-mortgage holders compared to mortgage holders

- Account delinquency rates for credit cards, lines of credit and auto loans have fluctuated mildly year-over-year in the first quarter of 2018.
- When compared to mortgage holders, consumers without a mortgage recorded a notably higher delinquency rate in credit cards and auto loans (see Figure 3).
- Insofar as account delinquency rates are higher and growing, vulnerability to labour market shocks increases. While delinquency rates are nominally higher for non-mortgage holders, the levels are nonetheless relatively low.

Figure 3

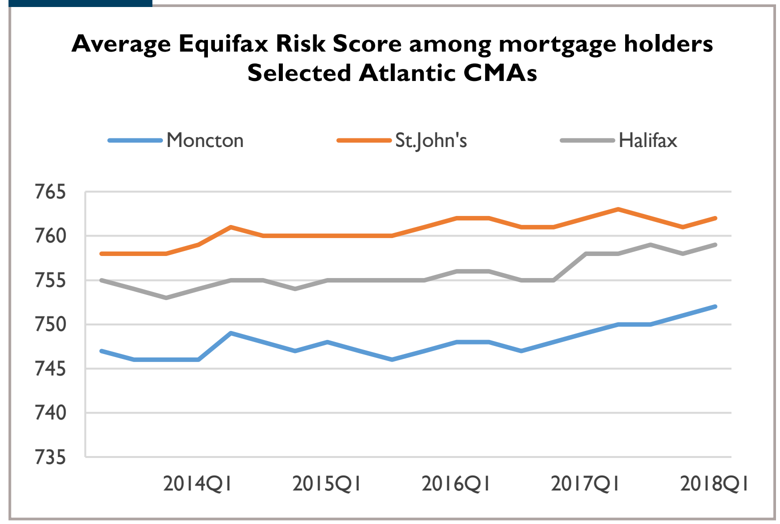


Source: Equifax and CMHC calculations

Average Equifax Risk Scores have remained relatively stable in the Atlantic region, with minor differences between CMAs

- Since 2014, averages Equifax credit scores in the three major CMAs have been close to or above the 750 threshold, which is considered a "very good" score.
- Scores have been marginally higher in St. John's CMA. The levels are approximately 5 points above Halifax and 10 points above Moncton (see Figure 4). However, these levels are all considered to reflect a similar effective credit score.
- While average score increase slightly since 2016 – possibly reflecting stronger labour market conditions, the latest levels reflect a similar rating than two years ago.

Figure 4

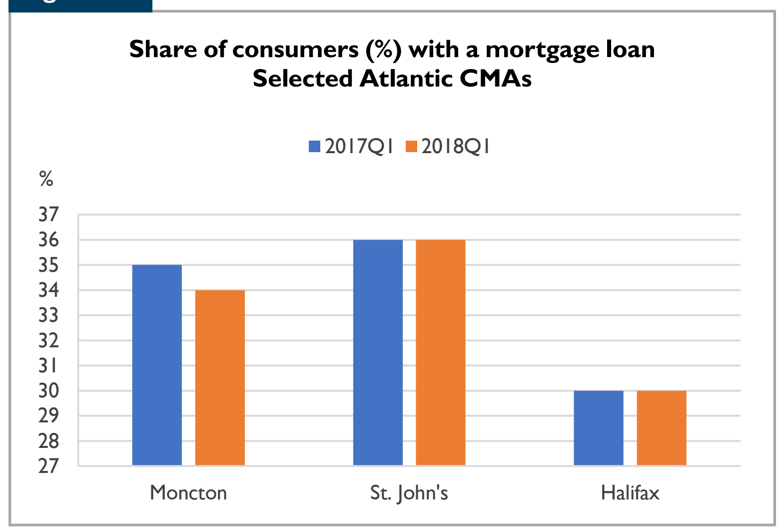


Source: Equifax and CMHC calculations

The share of consumers with a mortgage loan is lower in Halifax compared to the other Atlantic CMAs

- The share of consumers with a mortgage loan remained unchanged year-over-year in Halifax and St. John's and decreased marginally in the Moncton market.
- Halifax continues to have the lowest share of consumers with a mortgage loan among the Atlantic CMAs. With a higher concentration of universities and a younger adult population, it has also received a notable level of immigrants (who generally have a higher propensity to rent). Moreover, some seniors are down-sizing in living arrangements, which is shifting demand toward rental tenure.

Figure 5

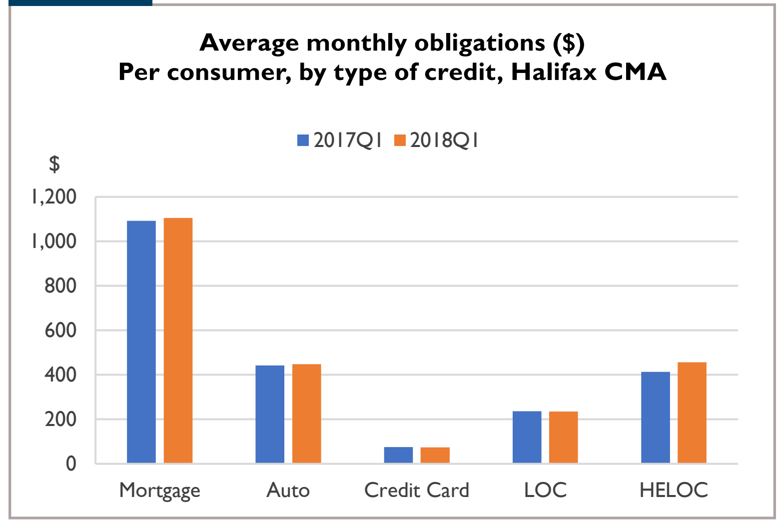


Source: Equifax and CMHC calculations

In Halifax, average monthly payments have remained stable from a year ago

- Irrespective of the category, average monthly credit payment obligations have remained stable when compared to the same period last year (see Figure 6).
- In Halifax, monthly mortgage payments average at $1,105. This is higher than Moncton with an average of $858 per month but below St. John's, which averages $1,201.
- Some consumers may have multiple types of obligations, which, depending on the categories, can amount to a more or less significant level.

Figure 6



Source: Equifax and CMHC calculations

INFORMATION DEFINITIONS

Mortgage: A debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments (e.g., monthly payments for 25 years). Mortgages are used by individuals to make real estate purchases without paying the entire value of the purchase up front. Over a period of many years, the borrower repays the loan, plus interest, until he/she eventually owns the property outright. Mortgages are also known as "liens against property" or "claims on property." If the borrower stops paying the mortgage, the lender can take legal action to end the mortgage and take possession of the collateral property.

Credit Card: A credit instrument that allows the borrower to make purchases now and pay them off in full or in installments later. Credit cards are issued by financial institutions, typically in exchange for fees. These types of fees include annual fees, cash advance fees and/or late payment fees.

Line of Credit (LOC): A credit instrument extended by financial institutions that allows borrowers to borrow funds up to a certain limit at any time. Interest is calculated and payable by the borrower only when money is actually withdrawn from the limit. Typically, LOCs are not secured by any asset.

Auto Loan: A type of secured loan extended to the borrower to purchase or lease a vehicle. Typically, in Canada, an auto loan has a length of three to seven years, or 36 to 84 months. A longer-term loan typically has a lower monthly payment obligation than a shorter-term loan. However, borrowers can pay off the entire loan before the loan term expires. At the time of maturity, auto loans include the vehicle purchase price, interest, and other service charges. The terms of an auto loan depend on various factors, including the borrower's income and credit history.

Home Equity Line of Credit (HELOC): A line of credit (LOC) secured by a home property offered as collateral against the debt. This usually allows the borrower to have access to a higher limit and a lower interest rate than would be offered by a LOC that is not backed by a real estate asset.

Revolving Loan: Loans that give a maximum limit of credit that can be used and repaid any number of times within a set period of time. Lines of credit (LOCs), home equity lines of credit (HELOCs), and credit cards are examples of revolving loans.

Installment Loan: A loan that a borrower repays over time with a fixed number of scheduled payments. Auto loans and mortgages are installment loans. Other installment loans would include such loans as those for purchasing furniture or renovations.

Write-off: A debt that is under a consolidation order, in repossession or placed for collection.

- Figure 1 – Mortgage delinquency rates

Mortgage in delinquency: A mortgage on which the borrower has failed to make the required payments in due time. Failure to make the required payments gives the lender the right to foreclose the mortgage. However, the borrower may cure the delinquency by paying the outstanding balance to conform to the payment schedule, or arrange a loan restructure with the lender.

In this report, mortgages in delinquency are those for which the borrower is more than 90 days late on their scheduled payments. In a case where partial payments were made, a mortgage is in delinquency when the borrower is late for the equivalent of four or more monthly payments. Finally, mortgages in delinquency also include written-off mortgages and mortgages that are considered bad debts.

Calculation: Mortgage delinquency rate = (number of mortgage trades in delinquency/all mortgage trades).

- Figure 2 – Mortgage delinquency rate by mortgage value at origination

Mortgage origination: Process during which a consumer applies for a new mortgage loan with a lender, and the lender processes the application. During the process, the lender works with a borrower to complete a mortgage transaction that results in a mortgage loan, and then the borrower becomes a mortgage holder.

Technically, this process requires the borrower to submit various types of financial information and documentation to the mortgage lender, including earnings statements, tax returns, any credit payment history, credit card information, deposit account balances, and information on other freehold property with or without an existing mortgage loan. Mortgage lenders use this information to determine the type of loan and the interest rate for which the borrower is eligible.

In the context of Equifax, mortgages are flagged as newly opened if the open date on the mortgage trade account is within the quarter. There is a new open date on the account when:

- a borrower gets a mortgage for the purchase of a property (an actual purchase, not a pre-approval);
- an existing mortgage borrower renews with a new lender; or
- a borrower refinances the same property, with the same or a different lender.

(continued)

Mortgage valuet at origination: the value of the mortgage at the time it was opened (see "mortgage origination" definition).

- Figure 3 – Account delinquency rates by type of credit—mortgage holders and consumers without a mortgage

Account in delinquency: An account for which the borrower is more than 90 days late on their scheduled payments. In a case where partial payments were made, an account is in delinquency when the borrower is late for the equivalent of four or more monthly payments. Finally, accounts in delinquency also include write-offs and accounts that are considered bad debts.

Calculation: Account delinquency rate[1] = (number of accounts in delinquency/ all accounts)

- Figure 4 – Average credit score among mortgage holders (based on Equifax Risk Score)

Equifax Risk Score (ERS): A consumer's credit score, which gives the likelihood that the consumer will become seriously delinquent (90+ days past due) within 24 months. The lower the score, the greater the likelihood that the consumer will become severely delinquent in that time frame. This score is not limited to predictions on mortgage repayments, but is for all credit products combined.

Credit score ranges often used are:

- Poor (less than 600);
- Fair (600-659);
- Good (660-699);
- Very Good (700-749);
- Excellent (750+)

[1] This calculation is done for each type of credit.

000 scores are given to consumers for which there isn't sufficient information in the credit report to calculate a score. Usually, a credit history in Canada of 3 to 6 months is needed to begin to generate scores.

ERS is Equifax' proprietary Credit Score. The data represent ERS 2.0

See Equifax's documentation for more information on the ERS.

- Figure 5 – Share of consumers with a mortgage loan

Number of consumers with a mortgage trade on their credit report as a percentage of all credit consumers living within the area.

Caution: Not all financial institutions report to Equifax, but Equifax's coverage has been increasing, as more institutions are beginning to report to the organization. While the trends at the national level are stable after 2014, it is possible that lenders with a strong presence in a specific area affect this share if they were not reporting to Equifax during the entirety of the period. **This variable needs to be interpreted with caution if important shifts are observed.**

Calculation: Share = (number of consumers with a mortgage/total number of consumers)

- Figure 6 – Average monthly obligations per consumer, by type of credit

Monthly obligations are the amounts a consumer must reimburse in order to avoid being considered delinquent on their loans. In the case of installment loans, the amount is equal to the scheduled amount. In the case of revolving loans, the amount is equal to the minimum payment.

Calculation: Average monthly obligation by credit instrument = (sum of monthly scheduled payments/Total number of consumers with a scheduled payment)

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1
Mortgage delinquency rates (%)
Selected Atlantic CMAs

Date	Moncton	St.John's	Halifax
2013Q1	0.53	0.12	0.37
	0.57	0.12	0.38
	0.65	0.15	0.44
2014Q1	0.69	0.17	0.43
	0.59	0.20	0.47
	0.68	0.22	0.47
	0.70	0.24	0.49
2015Q1	0.74	0.26	0.49
	0.82	0.27	0.49
	0.80	0.27	0.50
	0.83	0.31	0.49
2016Q1	0.87	0.33	0.51
	0.85	0.32	0.54
	0.84	0.32	0.54
	0.71	0.32	0.54
2017Q1	0.70	0.37	0.50
	0.73	0.34	0.47
	0.71	0.34	0.47
	0.63	0.42	0.44
2018Q1	0.61	0.45	0.48

Source: Equifax and CMHC calculations

Figure 2
Mortgage delinquency rates (%)
By mortgage value at origination, St. John's CMA

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2013Q1	0.19	0.09	0.13	0.08	-
	0.17	0.11	0.11	0.11	-
	0.13	0.13	0.15	0.18	-
2014Q1	0.16	0.13	0.18	0.13	-
	0.21	0.18	0.19	0.25	-
	0.27	0.23	0.24	0.18	-
	0.28	0.23	0.23	0.20	-
2015Q1	0.30	0.25	0.21	0.21	-
	0.31	0.31	0.24	0.23	-
	0.28	0.32	0.24	0.32	-
	0.33	0.34	0.25	0.29	-
2016Q1	0.27	0.39	0.29	0.29	-
	0.26	0.40	0.23	0.33	-
	0.22	0.41	0.28	0.31	-
	0.17	0.38	0.25	0.35	-
2017Q1	0.23	0.43	0.26	0.36	-
	0.17	0.33	0.34	0.43	-
	0.22	0.33	0.38	0.43	-
	0.28	0.38	0.46	0.4	-
2018Q1	0.22	0.36	0.52	0.46	-

Source: Equifax and CMHC calculations

Figure 3
Credit delinquency rates (%)
For mortgage holders and consumers without a mortgage, St. John's CMA

	Mortgage holders			Consumers without a mortgage		
Date	Auto loans	LoC	Credit cards	Auto loans	LoC	Credit cards
2017Q1	0.46	0.65	1.49	2.67	0.91	2.70
2018Q1	0.44	0.73	1.47	2.72	1.00	2.74

Source: Equifax and CMHC calculations

Figure 4
Average Equifax Risk Score among mortgage holders
Selected Atlantic CMAs

Date	Moncton	St.John's	Halifax
2013Q1	747	758	755
	746	758	754
	746	758	753
2014Q1	746	759	754
	749	761	755
	748	760	755
	747	760	754
2015Q1	748	760	755
	747	760	755
	746	760	755
	747	761	755
2016Q1	748	762	756
	748	762	756
	747	761	755
	748	761	755
2017Q1	749	762	758
	750	763	758
	750	762	759
	751	761	758
2018Q1	752	762	759

Source: Equifax and CMHC calculations

Figure 5
Share of consumers (%) with a mortgage loan
Selected Atlantic CMAs

Date	Moncton	St. John's	Halifax
2017Q1	35	36	30
2018Q1	34	36	30

Source: Equifax and CMHC calculations

Figure 6
Average monthly obligations ($)
Per consumer, by type of credit, Halifax CMA

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2017Q1	1092	442	75	236	414
2018Q1	1105	448	74	235	456

Source: Equifax and CMHC calculations