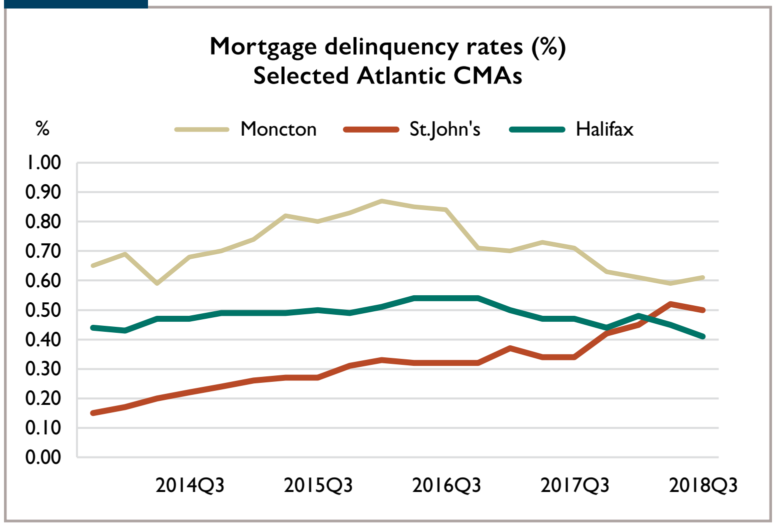
MORTGAGE AND CONSUMER CREDIT TRENDS
Atlantic CMA[1]s – Q3 2018

CANADA MORTGAGE AND HOUSING CORPORATION

Date Published: Q1 2019

Figure 1



Source: Equifax and CMHC calculations

Delinquency rates in St. John's and Halifax edge downwards in Q3 2018

- While delinquency rates have been gradually rising since 2014 in the St. John's CMA, the markets of Halifax and Moncton saw delinquency rates begin to trend downwards in recent years (figure 1).
- Flat economic conditions have likely impacted the year-over-year increase in delinquency rates in St. John's. In Halifax and Moncton, strengthening employment levels in 2018, especially in full time jobs and the young adult population has likely contributed to greater financial stability, supporting lower mortgage delinquency rates.
- Mortgage delinquency rates in St. John's increased across all age cohorts year-over-year, while in Halifax and Moncton, delinquency rates among the different age groups declined or remained stable.

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.

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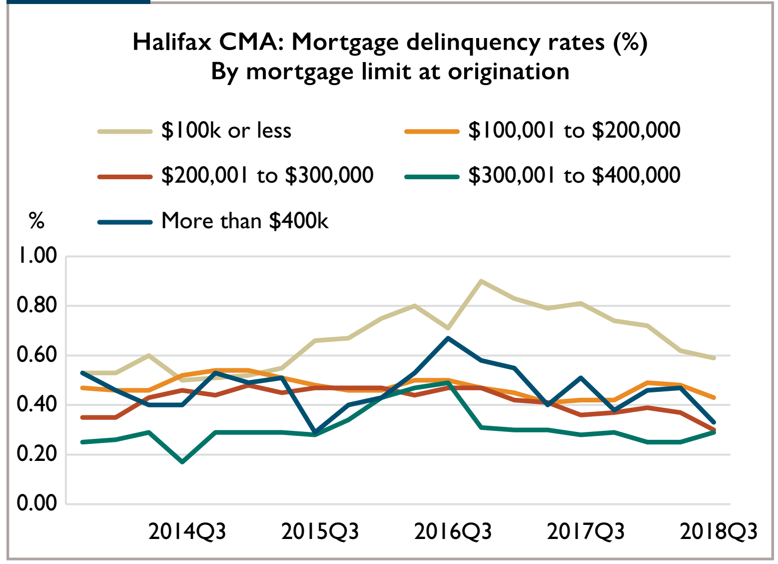
[1] Census Metropolitan Area (CMA)

Delinquency rates for most mortgages in the Halifax CMA remain below half of one percent

- Mortgage delinquency rates for all price ranges continue to trend downwards or remained flat year-over-year (figure 2).
- Although population growth has been expanding Halifax's labour force in recent years, employment levels remained stagnant. In 2018 however, economic conditions strengthened, with employment growth concentrated in full time positions and increasing across all age cohorts.
- With strong resale demand throughout 2018 and new listings remaining low, the amount of time a home spent on the market has been declining across all Halifax submarkets. For those homeowners who may have fallen into delinquency, these market conditions may have been additionally favourable.

Figure 2

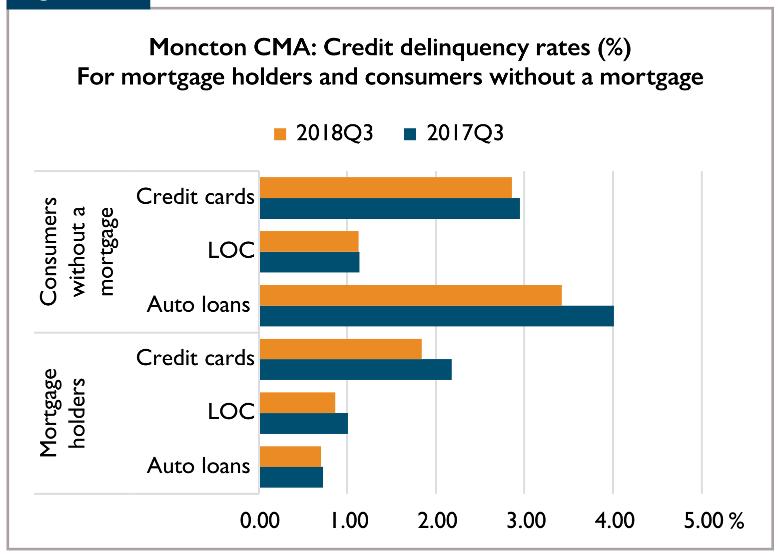


Source: Equifax and CMHC calculations, seasonally adjusted.

In Moncton, delinquency rates for other types of credit has declined for both mortgage holders and non-mortgage holders

- Delinquency rates continue to remain higher for non-mortgage holders compared to mortgage holders (figure 3). It is probable that mortgage holders may have higher incomes and more stable employment compared to non-mortgage holders (typically renters), which helps decrease their likelihood of falling into delinquency.
- When compared to mortgage holders, delinquency rates for credit cards and auto loans were notably higher for non-mortgage holders. This trend holds true for the Halifax and St. John's markets as well.
- Delinquency rates for other types of loans declined or remained fairly stable year-over-year for mortgage holders in Moncton and Halifax. However, in St. John's, delinquency rates for lines of credit and auto loans witnessed an uptick, although still remaining below 1%.

Figure 3

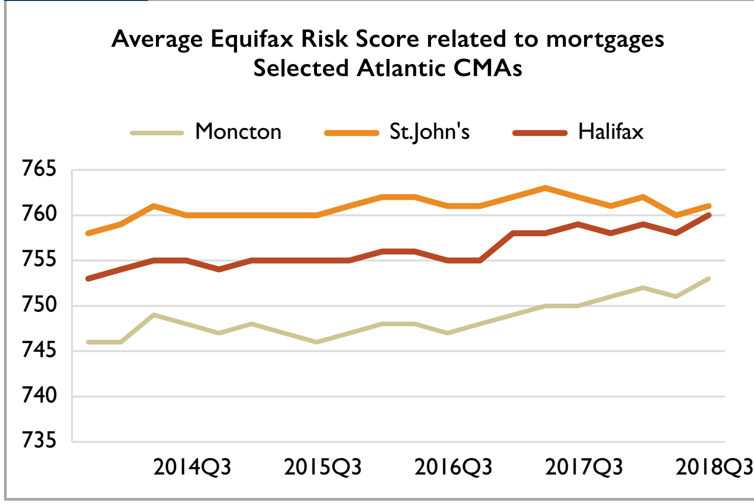


Source: Equifax and CMHC calculations

Equifax Risk Scores have averaged above 750, or "excellent" for the three Atlantic CMAs

- Average Equifax Risk Scores have been trending upwards in Moncton and Halifax while remaining relatively stable in St. John's (figure 4). With less than 10 points between scores, all centres would reflect a similar credit grade.
- In Moncton and Halifax, the uptick in scores was likely strengthened by improving economic conditions, promoting greater financial stability among consumers.
- As Atlantic Canada's population continues to age, changing consumption patterns and a rise in overall wealth accumulated over the years may also be in the background of higher average risk scores.

Figure 4

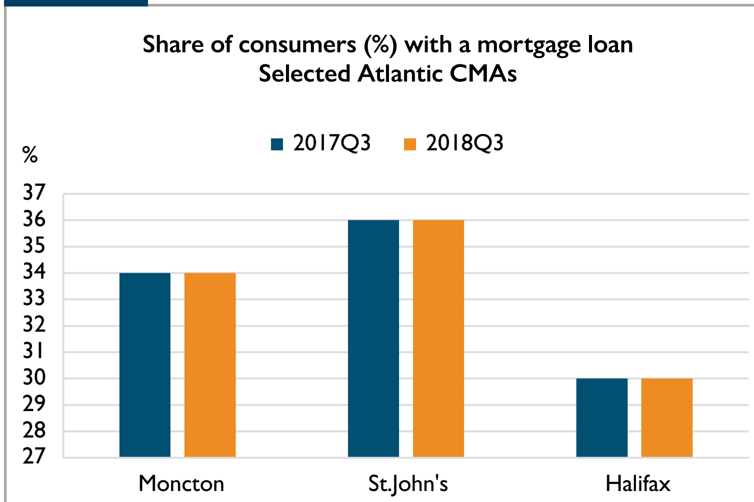


Source: Equifax and CMHC calculations

Among the Atlantic CMAs, the share of consumers with a mortgage loan is lowest in the Halifax CMA

- The share of consumers with a mortgage loan remained unchanged year-over-year in the three Atlantic CMAs (figure 5).
- The share of consumers in Halifax was in line with the Nova Scotia average, while the share in Moncton and St. John's was marginally higher than their provincial averages.
- The lower share of consumers with a mortgage loan in Halifax compared to Moncton and St. John's could be explained by the significantly larger rental market in the Halifax CMA. As rental demand remains sustained and the vacancy rate trends downwards, the construction of new rental apartments in Halifax continues to expand. Rental tenure is becoming increasingly more popular as the ageing population downsizes out of homeownership and elevated levels of international migrants seek rental accommodations.

Figure 5

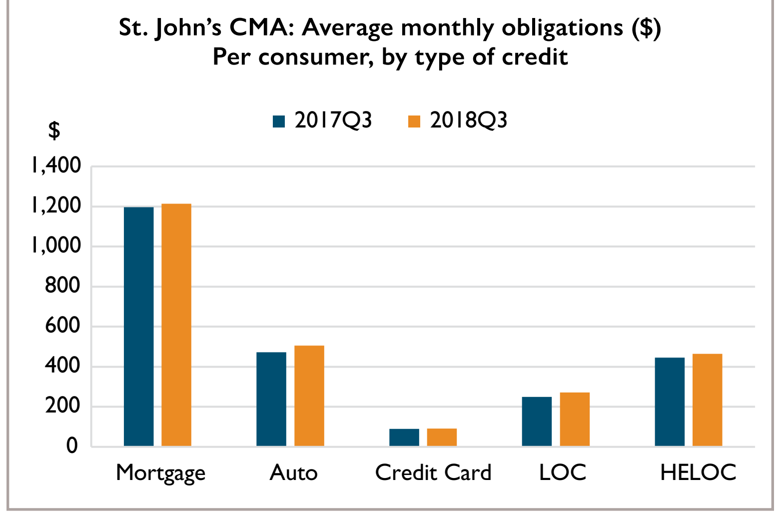


Source: Equifax and CMHC calculations

Average monthly mortgage payments in St. John's remain the highest among the Atlantic CMAs

- Monthly mortgage payments in the St. John's market averaged $1,214 in the third quarter of 2018 (figure 6). In comparison, mortgage payments averaged $1,120 in Halifax and $863 in Moncton, reflective of the price difference that exists among the three centres.
- The Atlantic CMA's recorded higher monthly mortgage payments compared to their provincial averages. This gap hovered around $165 between St. John's and Newfoundland and Halifax and Nova Scotia and narrowed to only around $70 between Moncton and New Brunswick.
- Although growing, monthly mortgage payments in St. John's were restrained by a shifting demand away from single-detached homes and towards more affordable multi-unit housing options, causing average price growth to remain muted in 2018.

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 Equifax Risk Score related to mortgages

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)

DISCLAIMER

This report uses data from the credit rating agency Equifax Canada covering approximately 80 to 85% of the mortgage market. CMHC did not access or receive personal identifiable information on individuals in producing the report. All figures are sourced from Equifax Canada unless otherwise stated. Mortgage information is currently available from Equifax Canada starting in mid-2012 while other credit information is available from 2006. Unless otherwise noted, dollars are not adjusted for inflation.

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1
Mortgage delinquency rates (%) Selected Atlantic CMAs

Date	Moncton	Saint John	St.John's	Halifax
2014Q3	0.65	0.80	0.15	0.44
	0.69	0.76	0.17	0.43
	0.59	0.87	0.20	0.47
	0.68	0.86	0.22	0.47
2015Q3	0.70	0.75	0.24	0.49
	0.74	0.83	0.26	0.49
	0.82	0.85	0.27	0.49
	0.80	0.83	0.27	0.50
2016Q3	0.83	0.85	0.31	0.49
	0.87	0.88	0.33	0.51
	0.85	0.76	0.32	0.54
	0.84	0.79	0.32	0.54
2017Q3	0.71	0.86	0.32	0.54
	0.70	0.72	0.37	0.50
	0.73	0.76	0.34	0.47
	0.71	0.73	0.34	0.47
2018Q3	0.63	0.72	0.42	0.44
	0.61	0.68	0.45	0.48
	0.59	0.65	0.52	0.45
	0.61	0.58	0.5	0.41

Source: Equifax and CMHC calculations

Figure 2
Halifax CMA: Mortgage delinquency rate (%) by mortgage limit at origination

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2014Q3	0.53	0.47	0.35	0.25	0.53
	0.53	0.46	0.35	0.26	0.46
	0.60	0.46	0.43	0.29	0.40
	0.50	0.52	0.46	0.17	0.40
2015Q3	0.51	0.54	0.44	0.29	0.53
	0.52	0.54	0.48	0.29	0.49
	0.55	0.51	0.45	0.29	0.51
	0.66	0.48	0.47	0.28	0.29
2016Q3	0.67	0.46	0.47	0.34	0.40
	0.75	0.46	0.47	0.43	0.43
	0.80	0.50	0.44	0.47	0.53
	0.71	0.50	0.47	0.49	0.67
2017Q3	0.90	0.47	0.47	0.31	0.58
	0.83	0.45	0.42	0.30	0.55
	0.79	0.41	0.41	0.30	0.40
	0.81	0.42	0.36	0.28	0.51
2018Q3	0.74	0.42	0.37	0.29	0.38
	0.72	0.49	0.39	0.25	0.46
	0.62	0.48	0.37	0.25	0.47
	0.59	0.43	0.3	0.29	0.33

Source: Equifax and CMHC calculations, seasonally adjusted

Figure 3
Moncton CMA: Credit delinquency rates (%) for mortgage holders and consumers without a mortgage

	Mortgage holders			Consumers without a mortgage		
Date	Auto loans	LOC	Credit cards	Auto loans	LOC	Credit cards
2017Q3	0.73	1.01	2.18	4.01	1.14	2.95
2018Q3	0.71	0.87	1.84	3.42	1.13	2.86

Source: Equifax and CMHC calculations

Figure 4
Average Equifax Risk Score related to mortgages Selected Atlantic CMAs

Date	Moncton	Saint John	St.John's	Halifax
2014Q3	746	744	758	753
	746	744	759	754
	749	746	761	755
	748	746	760	755
2015Q3	747	745	760	754
	748	745	760	755
	747	745	760	755
	746	744	760	755
2016Q3	747	744	761	755
	748	745	762	756
	748	746	762	756
	747	743	761	755
2017Q3	748	744	761	755
	749	746	762	758
	750	746	763	758
	750	747	762	759
2018Q3	751	747	761	758
	752	749	762	759
	751	748	760	758
	753	749	761	760

Source: Equifax and CMHC calculations

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

Date	Moncton	Saint John	St.John's	Halifax
2017Q3	34	31	36	30
2018Q3	34	30	36	30

Source: Equifax and CMHC calculations

Figure 6
St. John's CMA: Average monthly obligations ($) Per consumer, by type of credit

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2017Q3	1,197	472	89	249	445
2018Q3	1,214	505	91	271	465

Source: Equifax and CMHC calculations