Key mortgage and consumer credit indicators – Q1 2019*

MORTGAGE

Halifax

Delinquency rate (%): All loans 0.37%

Average payment ($): 1,132 ↑ 2.4%

St. Johns

Delinquency rate (%): All loans 0.51%

Average payment ($): 1,226 ↑ 2.1%

Moncton

Delinquency rate (%): All loans 0.62%

Average payment ($): 869 ↑ 1.2%

LOC (Consumer with a mortgage)

Halifax

Deliquency rate (%): 0.66%

Average payment ($): 252

St. Johns

Deliquency rate (%): 0.86%

Average payment ($): 286

Moncton

Deliquency rate (%): 0.87%

Average payment ($): 267

* Based on institutions (such as banks, large credit unions, a number of medium or small credit unions and some monoline lenders) reporting to Equifax Canada. Figures reported are for Q1 2019 and variation year-over-year from Q1 2018. LOC stands for line of credit. Other debt includes home equity line of credit (HELOC), credit cards and auto loans.

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"Mortgage and credit trends varied across the Atlantic region, with activity impacted by higher interest rates. Nonetheless, consumer delinquency rates remain low."

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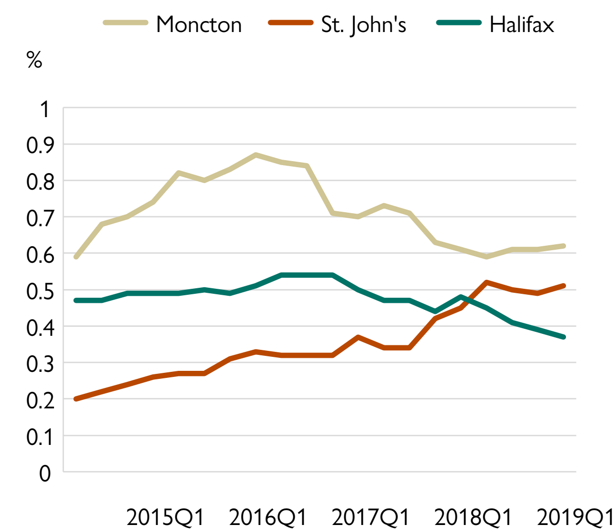
Mortgage and consumer credit trends

Delinquency rates in Halifax edge downward in Q1 2019

- While delinquency rates have gradually gone up in St. John's since 2014, rates in Halifax and Moncton have trended downward in recent years (figure 1).
- Flat economic conditions likely impacted the year-over-year increase in delinquency rates in St. John's.
- In Halifax, strengthening employment levels likely contributed to greater financial stability, supporting lower mortgage delinquency rates, while rates were slightly higher in Moncton.

Figure 1

Mortgage delinquency rates (%)
Selected Atlantic CMAs



Sources: Equifax and CMHC calculations

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

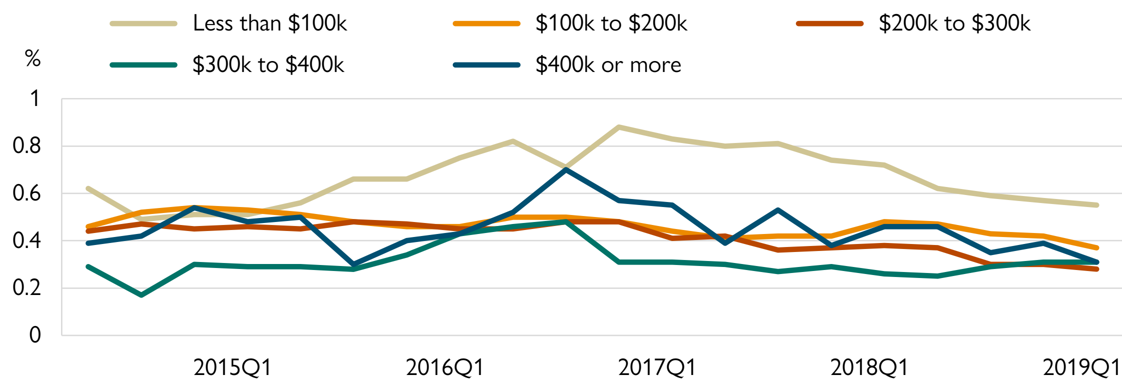
- Mortgage delinquency rates for all price ranges continue to trend downwards or remained flat year-over-year (figure 2).
- Although population growth has been expanding Halifax's labour force in recent years, employment levels remained stagnant. In recent quarters however, economic conditions strengthened,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

In Moncton, delinquency rates for other types of credit was mixed 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 likely that mortgage holders have higher incomes and more stable employment compared to non-mortgage holders (typically renters), which helps decrease their likelihood of falling into delinquency.
- Delinquency rates for credit cards and auto loans were notably higher for non-mortgage holders compared to 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 stable year-over-year for mortgage holders in Moncton and Halifax. In St. John's, delinquency rates for lines of credit and auto loans increased, although remaining below 1%.

Figure 2

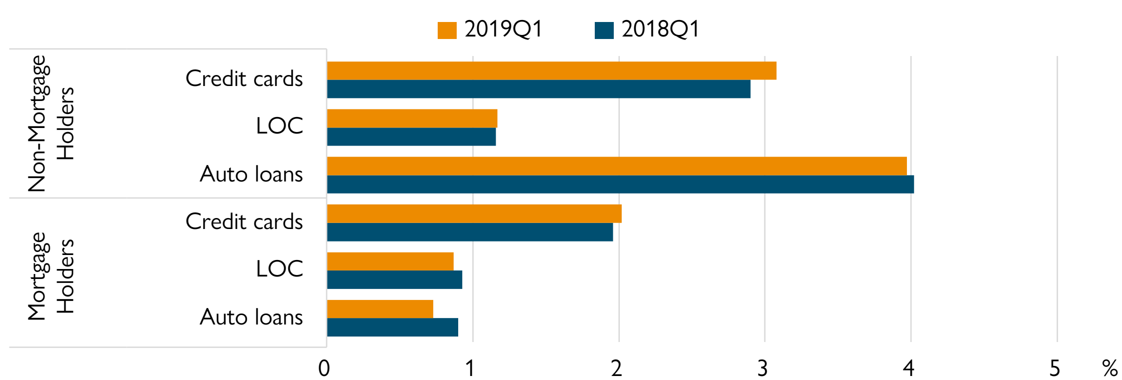
Halifax CMA - Mortgage delinquency rates (%) by mortgage limit at origination



Sources: Equifax and CMHC calculations

Figure 3

Moncton CMA - Credit delinquency rates (%) for mortgage holders and consumers without a mortgage



Sources: Equifax and CMHC calculations

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

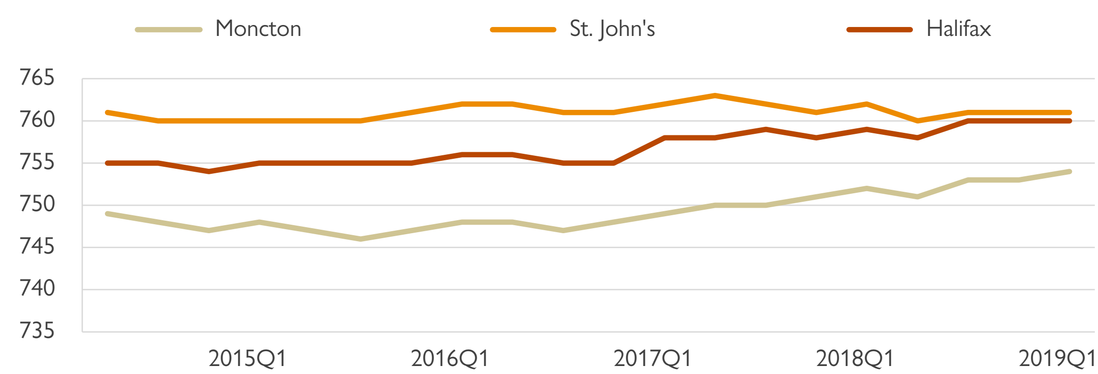
- Average Equifax Risk Scores have been trending upwards in Moncton and Halifax while remaining relatively stable in St. John's (figure 4). With less than 10 points between scores, all centres would reflect a similar credit grade.
- In Moncton and Halifax, rising scores were likely underpinned by improving 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 factoring into higher average risk scores.

Among Atlantic CMAs, Halifax has lowest share of consumers with a mortgage

- With the exception of Moncton, the share of consumers with a mortgage loan remained unchanged year-over-year in the 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 is likely explained by the significantly larger rental market in Halifax. The construction of new rental apartments in Halifax continues to expand with rental tenure becoming increasingly popular as the ageing population downsizes out of homeownership and growing levels of international migrants seek apartments.

Figure 4

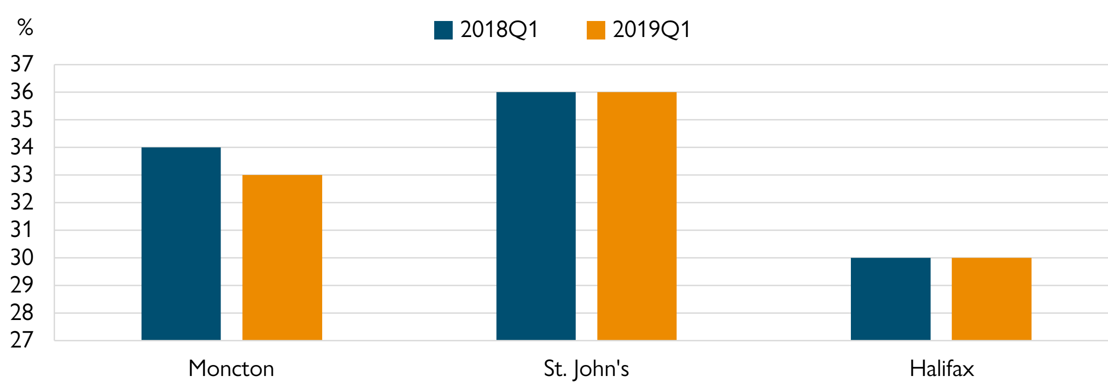
Average Equifax Risk Score among mortgage holders
Selected Atlantic CMAs



Sources: Equifax and CMHC calculations

Figure 5

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



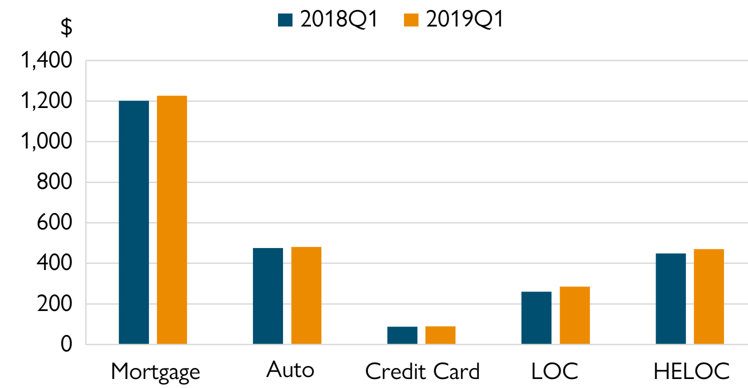
Sources: Equifax and CMHC calculations

Average mortgage payments in St. John's remain highest in Atlantic region

- Monthly mortgage payments in St. John's averaged $1,226 in the first quarter of 2019 (figure 6). In comparison, mortgage payments averaged $1,132 in Halifax and $869 in Moncton, reflective of the house price difference among these centres.
- The Atlantic CMA's recorded higher monthly mortgage payments compared to their provincial averages. This gap hovered around $170 between St. John's and Newfoundland, and between Halifax and Nova Scotia, whereas it 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 towards more affordable multi-unit housing options, causing average price growth to remain muted in recent quarters.

Figure 6

St. John's CMA - Average monthly obligations ($) per consumer, by type of credit



Sources: Equifax and CMHC calculations

Resources

You can find this data – and data for all Census Metropolitan Areas (CMAs) in Canada – at **cmhc.ca/mortgage-consumer-credit-trends-data**

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.

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+)

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)

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

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. Currently, Equifax Canada can provide mortgage information from as early as mid-2012, and other credit information from as early as 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
2014Q2	0.59	0.87	0.20	0.47
2014Q3	0.68	0.86	0.22	0.47
2014Q4	0.70	0.75	0.24	0.49
2015Q1	0.74	0.83	0.26	0.49
2015Q2	0.82	0.85	0.27	0.49
2015Q3	0.80	0.83	0.27	0.50
2015Q4	0.83	0.85	0.31	0.49
2016Q1	0.87	0.88	0.33	0.51
2016Q2	0.85	0.76	0.32	0.54
2016Q3	0.84	0.79	0.32	0.54
2016Q4	0.71	0.86	0.32	0.54
2017Q1	0.70	0.72	0.37	0.50
2017Q2	0.73	0.76	0.34	0.47
2017Q3	0.71	0.73	0.34	0.47
2017Q4	0.63	0.72	0.42	0.44
2018Q1	0.61	0.68	0.45	0.48
2018Q2	0.59	0.65	0.52	0.45
2018Q3	0.61	0.58	0.50	0.41
2018Q4	0.61	0.61	0.49	0.39
2019Q1	0.62	0.56	0.51	0.37

Sources: Equifax and CMHC calculations

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

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2014Q2	0.62	0.46	0.44	0.29	0.39
2014Q3	0.49	0.52	0.47	0.17	0.42
2014Q4	0.51	0.54	0.45	0.30	0.54
2015Q1	0.51	0.53	0.46	0.29	0.48
2015Q2	0.56	0.51	0.45	0.29	0.50
2015Q3	0.66	0.48	0.48	0.28	0.30
2015Q4	0.66	0.46	0.47	0.34	0.40
2016Q1	0.75	0.46	0.45	0.43	0.43
2016Q2	0.82	0.50	0.45	0.46	0.52
2016Q3	0.71	0.50	0.48	0.48	0.70
2016Q4	0.88	0.48	0.48	0.31	0.57
2017Q1	0.83	0.44	0.41	0.31	0.55
2017Q2	0.80	0.41	0.42	0.30	0.39
2017Q3	0.81	0.42	0.36	0.27	0.53
2017Q4	0.74	0.42	0.37	0.29	0.38
2018Q1	0.72	0.48	0.38	0.26	0.46
2018Q2	0.62	0.47	0.37	0.25	0.46
2018Q3	0.59	0.43	0.30	0.29	0.35
2018Q4	0.57	0.42	0.30	0.31	0.39
2019Q1	0.55	0.37	0.28	0.31	0.31

Sources: Equifax and CMHC calculations

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

	Mortgage Holders			Non-Mortgage Holders		
Date	Auto loans	LOC	Credit cards	Auto loans	LOC	Credit cards
2018Q1	0.90	0.93	1.96	4.02	1.16	2.90
2019Q1	0.73	0.87	2.02	3.97	1.17	3.08

Sources: Equifax and CMHC calculations

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

Date	Moncton	Saint John	St. John's	Halifax
2014Q2	749	746	761	755
2014Q3	748	746	760	755
2014Q4	747	745	760	754
2015Q1	748	745	760	755
2015Q2	747	745	760	755
2015Q3	746	744	760	755
2015Q4	747	744	761	755
2016Q1	748	745	762	756
2016Q2	748	746	762	756
2016Q3	747	743	761	755
2016Q4	748	744	761	755
2017Q1	749	746	762	758
2017Q2	750	746	763	758
2017Q3	750	747	762	759
2017Q4	751	747	761	758
2018Q1	752	749	762	759
2018Q2	751	748	760	758
2018Q3	753	749	761	760
2018Q4	753	750	761	760
2019Q1	754	751	761	760

Sources: Equifax and CMHC calculations

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

Date	Moncton	Saint John	St. John's	Halifax
2018Q1	34	30	36	30
2019Q1	33	30	36	30

Sources: 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
2018Q1	1,201	475	88	260	449
2019Q1	1,226	481	90	286	471

Sources: Equifax and CMHC calculations