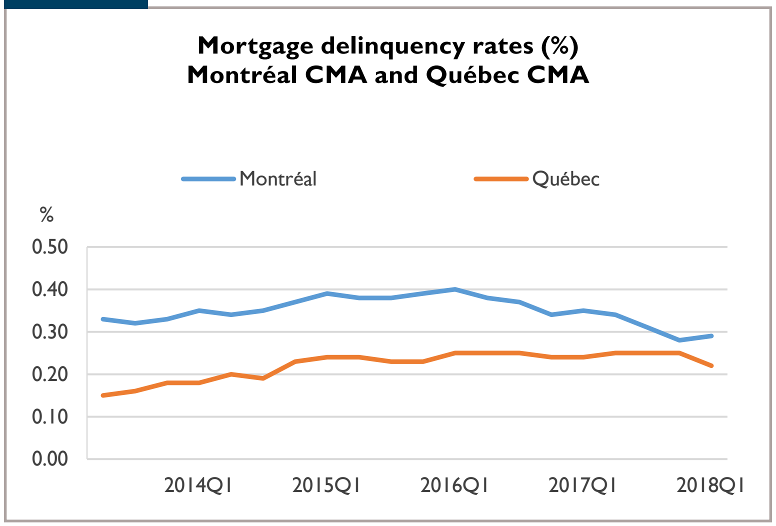
MORTGAGE AND CONSUMER CREDIT TRENDS

Quebec CMA's[1] – Q1 2018

CANADA MORTGAGE AND HOUSING CORPORATION

Date Published: Q3 2018

Figure 1



Source: Equifax and CMHC calculations

Mortgage delinquency rates have remained low in Montréal and Québec over the last few years

- According to Equifax data, the proportion of mortgages in delinquency in both the Montréal metropolitan area and Québec City has varied relatively little over the last few years and remains low. In the first quarter of 2018, mortgages in delinquency represented 0.29% of mortgages in Montréal and 0.22% in Québec.
- Overall, the strength of the job market certainly contributed to mortgage holders' financial stability and supported their ability to make their mortgage payments on time (or less than 90 days late).
- Additionally, there has been a slight downward trend in the mortgage delinquency rate in Montréal for just under the last two years. This evolution is consistent with the marked growth of the Montréal economy since the second half of 2016.

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)

69339_2018_Q03



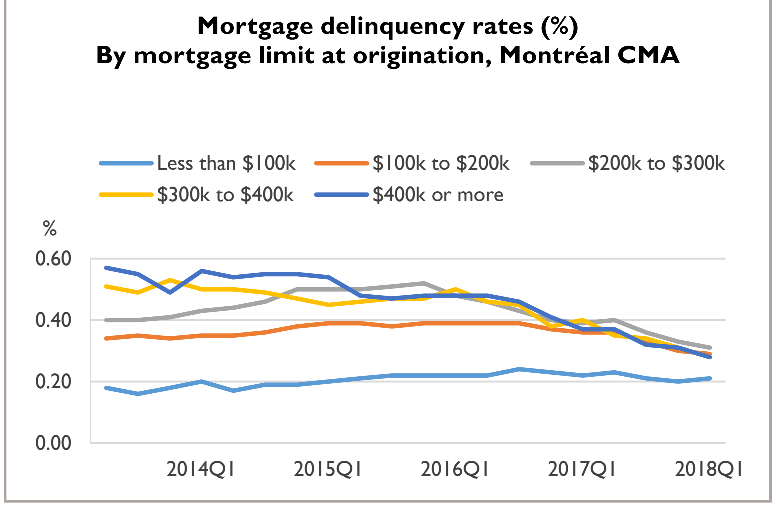
Canada

CMHC SCHL

Mortgage delinquency rates for all mortgage values are following a slight downward trend in Montréal

- The strong performance of the Montréal economy over the past two years likely improved mortgage holders' ability to make their payments, even for higher-value mortgages, for which payments were also probably higher.
- For example, 0.56% of mortgage loans of $400,000 or over were in delinquency in the first quarter of 2014. This proportion has since halved, and was 0.28% in the first quarter of 2018. The delinquency rate remained lowest for mortgages with a value at origination under $100,000 (0.21% in the first quarter of 2018).
- Overall, the proportion of mortgages in delinquency was low, whatever the mortgage value at origination (value at the time the mortgage was opened).

Figure 2

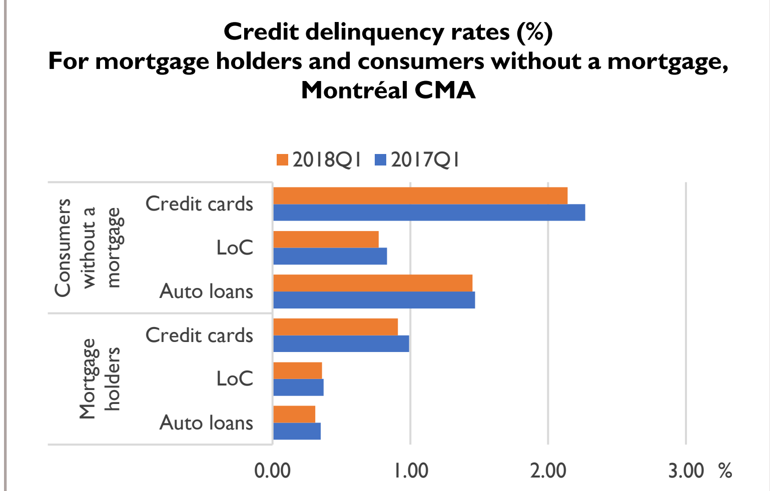


Source: Equifax and CMHC calculations

Delinquency rates also moved down slightly for other credit types

- In Montréal, the proportions of accounts in delinquency for credit cards, lines of credit and auto loans decreased slightly in the first quarter of 2018 relative to one year before.
- Credit cards remained the product for which the delinquency rate among consumers was highest. Two factors might perhaps explain this result: the relative ease of borrowing with credit cards, and credit card interest rates, which are generally higher than interest rates for other types of credit. Monthly obligations can therefore increase quickly.
- Overall, delinquency was less frequent among mortgage holders than among consumers without a mortgage. This could be partly because consumers who were granted a mortgage loan had to have their ability to service their debt thoroughly assessed. It is therefore possible that mortgage holders are, on average, in a better financial position than other consumers.

Figure 3



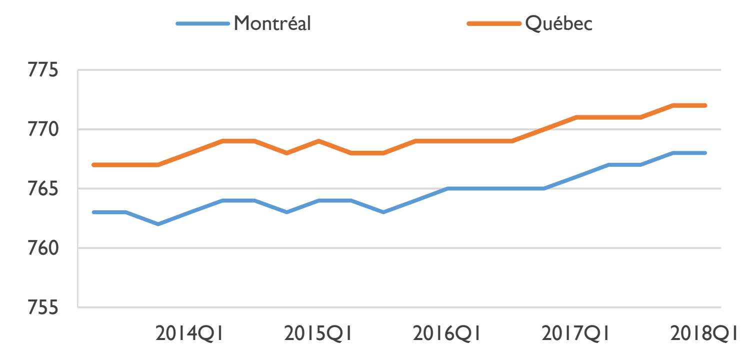
Source: Equifax and CMHC calculations

Mortgage holders' average credit score rising slightly since 2015

- From 2015 to the beginning of 2018, mortgage holders' average Equifax Risk Score (ERS) moved slightly higher, in both Montréal and Québec. This evolution means that, on average, the likelihood that a mortgage holder will become seriously delinquent within the next 24 months has decreased.
- An ERS of 750 or more is considered excellent. In the first quarter of 2018, the average ERS for mortgage holders was 768 in Montréal and 772 in Québec.
- Consumers' financial situation has likely improved as a result of the strong performance of the economy over a number of quarters, and this has probably been echoed in their credit scores.

Figure 4

Average Equifax Risk Score among mortgage holders
Montréal CMA and Québec CMA



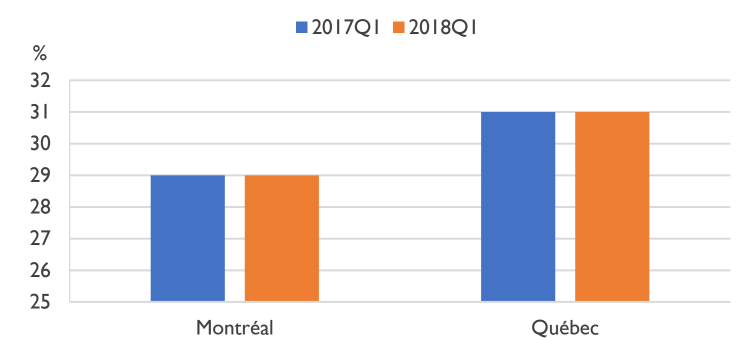
Source: Equifax and CMHC calculations

The share of consumers with a mortgage higher in Québec than in Montréal

- In the first quarter of 2018, 31% of consumers in the Québec area had a mortgage on their credit report. In Montréal, the figure was 29%. These percentages were stable relative to the same period in 2017.
- The slightly higher proportion of mortgage holders in Québec could be partly because of the higher proportion of owner households there than in the Montréal area. This data should, however, be interpreted with caution, since not all financial institutions share information with Equifax.

Figure 5

Share of consumers (%) with a mortgage loan
Montréal CMA and Québec CMA

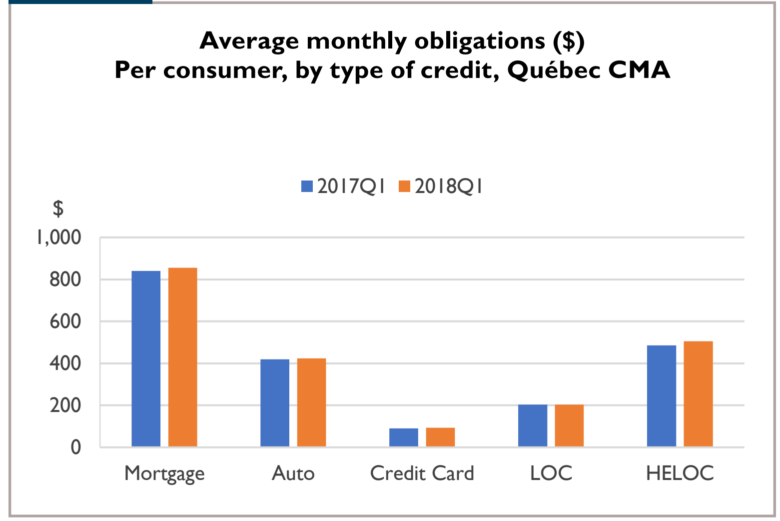


Source: Equifax and CMHC calculations

Mortgage payments: the greatest average monthly obligation for consumers

- Not surprisingly, mortgage loan payments were the highest average debt payments for consumers. In Québec, mortgage payments represented an average monthly obligation of $855 in the first quarter of 2018.
- For credit cards, during the same period, the average monthly obligation per consumer was $93 in Québec. It is important to note, however, that this amount was calculated based on the minimum required payment, and not the total balance. Payments that would cover the full amount borrowed would be much higher.
- Overall, average monthly obligations per consumer increased from the first quarter of 2017 to the first quarter of 2018. This growth was likely fueled by increases in household consumer spending and by rising interest rates.

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)

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.

CMHC HELPS CANADIANS MEET THEIR HOUSING NEEDS.

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, LinkedIn, Facebook and YouTube.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1
Mortgage delinquency rates (%)
Montréal CMA and Québec CMA

Date	Montréal	Québec
2013Q1	0.33	0.15
	0.32	0.16
	0.33	0.18
2014Q1	0.35	0.18
	0.34	0.20
	0.35	0.19
	0.37	0.23
2015Q1	0.39	0.24
	0.38	0.24
	0.38	0.23
	0.39	0.23
2016Q1	0.40	0.25
	0.38	0.25
	0.37	0.25
	0.34	0.24
2017Q1	0.35	0.24
	0.34	0.25
	0.31	0.25
	0.28	0.25
2018Q1	0.29	0.22

Source: Equifax and CMHC calculations

Figure 2
Mortgage delinquency rates (%)
By mortgage limit at origination, Montréal CMA

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2013Q1	0.18	0.34	0.40	0.51	0.57
	0.16	0.35	0.40	0.49	0.55
	0.18	0.34	0.41	0.53	0.49
2014Q1	0.20	0.35	0.43	0.50	0.56
	0.17	0.35	0.44	0.50	0.54
	0.19	0.36	0.46	0.49	0.55
	0.19	0.38	0.50	0.47	0.55
2015Q1	0.20	0.39	0.50	0.45	0.54
	0.21	0.39	0.50	0.46	0.48
	0.22	0.38	0.51	0.47	0.47
	0.22	0.39	0.52	0.47	0.48
2016Q1	0.22	0.39	0.48	0.50	0.48
	0.22	0.39	0.46	0.46	0.48
	0.24	0.39	0.43	0.45	0.46
	0.23	0.37	0.40	0.38	0.41
2017Q1	0.22	0.36	0.39	0.40	0.37
	0.23	0.36	0.40	0.35	0.37
	0.21	0.33	0.36	0.34	0.32
	0.20	0.30	0.33	0.31	0.31
2018Q1	0.21	0.29	0.31	0.28	0.28

Source: Equifax and CMHC calculations

Figure 3
Credit delinquency rates (%)
For mortgage holders and consumers without a mortgage, Montréal CMA

	Mortgage holders			Consumers without a mortgage		
Date	**Auto loans**	**LoC**	**Credit cards**	**Auto loans**	**LoC**	**Credit cards**
2017Q1	0.35	0.37	0.99	1.47	0.83	2.27
2018Q1	0.31	0.36	0.91	1.45	0.77	2.14

Source: Equifax and CMHC calculations

Figure 4
Average Equifax Risk Score among mortgage holders
Montréal CMA and Québec CMA

Date	Montréal	Québec
2013Q1	763	767
	763	767
	762	767
2014Q1	763	768
	764	769
	764	769
	763	768
2015Q1	764	769
	764	768
	763	768
	764	769
2016Q1	765	769
	765	769
	765	769
	765	770
2017Q1	766	771
	767	771
	767	771
	768	772
2018Q1	768	772

Source: Equifax and CMHC calculations

Figure 5
Share of consumers (%) with a mortgage loan
Montréal CMA and Québec CMA

Date	Montréal	Québec
2017Q1	29	31
2018Q1	29	31

Source: Equifax and CMHC calculations

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

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2017Q1	841	419	91	203	485
2018Q1	855	424	93	204	505

Source: Equifax and CMHC calculations