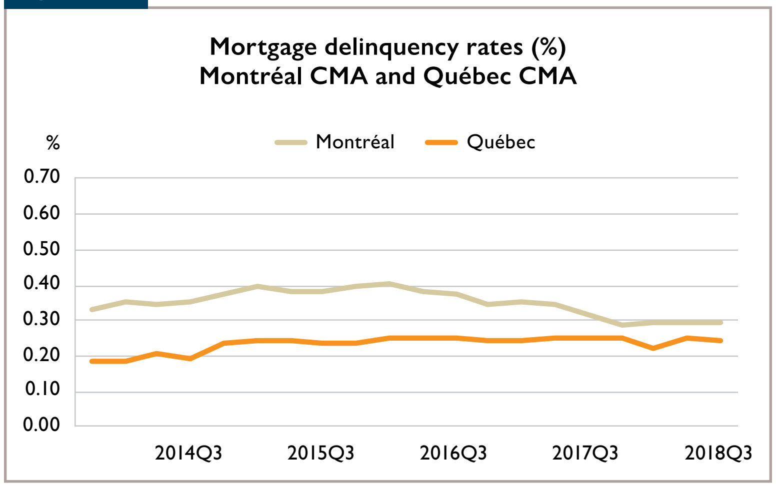
MORTGAGE AND CONSUMER CREDIT TRENDS
Québec CMA[1]s – Q3 2018

CANADA MORTGAGE AND HOUSING CORPORATION

Date Published: Q1 2019

Figure 1



Source: Equifax and CMHC calculations

Mortgage delinquency rates remain stable and relatively low in Montréal and Québec

- According to data from the credit rating agency Equifax (figure 1), the shares of delinquent mortgages in the Montréal and Québec metropolitan areas remained stable and relatively low in the third quarter of 2018. These shares were 0.29% in Montréal and 0.24% in Québec.[2] These rates are close to the Canadian average, which was 0.28% for the same period.
- The Montréal and Québec areas have shown strong economic growth and particularly vibrant job markets in the last two years. This certainly contributed to the financial stability of households and supported their ability to make their mortgage payments on time (or less than 90 days late).
- The shares of delinquent mortgages in these urban centres do not seem to have been significantly affected by the rise in interest rates over the 12 months to the end of the third quarter of 2018.

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.

69339_2019_Q01

[1] Census Metropolitan Area (CMA)
[2] Montréal and Québec census metropolitan areas (CMAs).

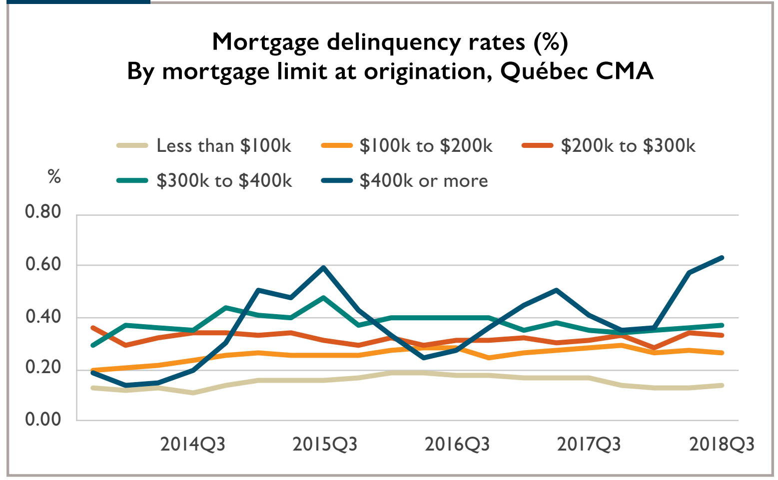
Canada

CMHC SCHL

Shares of delinquent mortgages in Québec stay stable for most ranges of mortgage values at origination

- In Québec, the mortgage delinquency rate was slightly lesser for lower-value mortgages at origination. In the third quarter of 2018, the rates varied between 0.13% for mortgages with a value at origination of less than $100,000 and 0.63% for those of $400,000 or more.
- Overall, these rates remained stable over the 12 months to the end of the third quarter of 2018, with the exception of the rate for mortgages with a value at origination of $400,000 or more. However, there are very few loans in that range in Québec (less than 2% of all mortgages), which explains the greater volatility of the data.
- According to Equifax data, a mortgage is considered "originated" not only when a new loan is granted but also when an existing loan is renewed with another lender or when a refinance loan is made. As such, the value at origination is not necessarily the same as the original loan value.

Figure 2

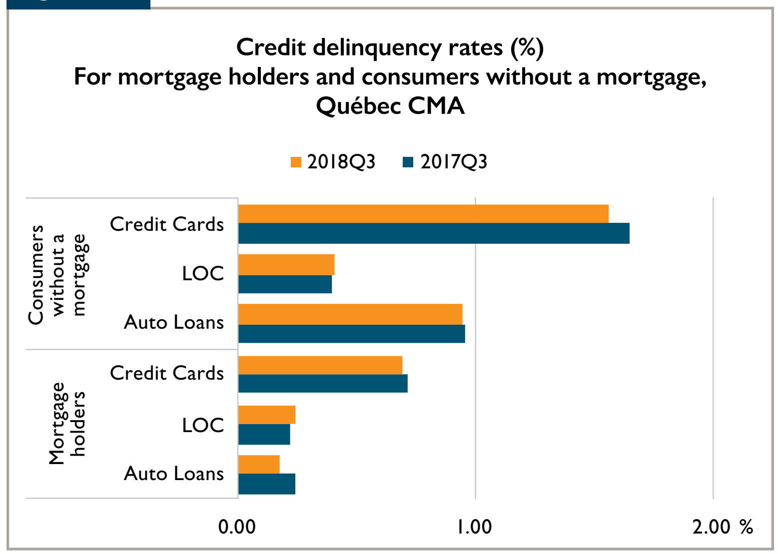


Source: Equifax and CMHC calculations, seasonally adjusted

Delinquency rates for other credit products are lower among mortgage holders

- In Québec, just like in Montréal, the rates of accounts in delinquency for credit cards, lines of credit and auto loans were slightly lower among mortgage holders than among consumers without a mortgage (figure 3).
- Mortgage holders typically have higher incomes than other consumers, a stable job and a good credit record, which likely reduces their risk of payment default for all credit products.
- In all cases, the rates of accounts in delinquency were highest for credit cards. This is probably due, in part, to the fact that borrowing is relatively easy with credit cards, which exposes users to a higher risk of payment default.

Figure 3

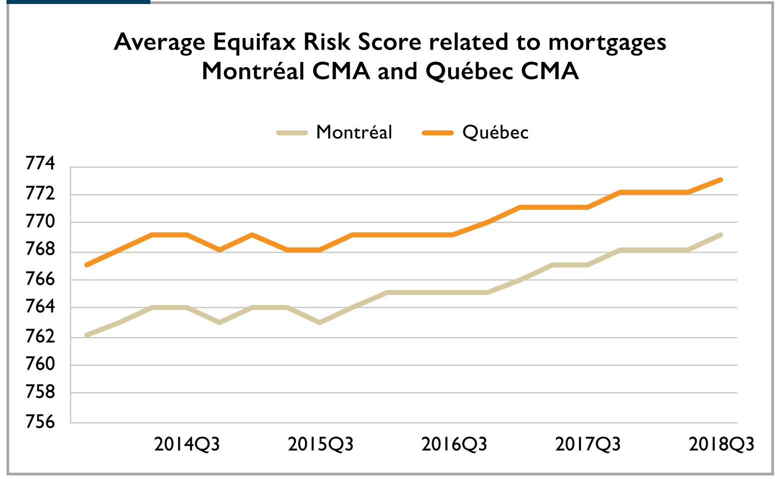


Source: Equifax and CMHC calculations

Mortgage holders have excellent credit scores on average

- In the third quarter of 2018, the average credit scores related to mortgages were 769 in Montréal and 773 in Québec. A score of 750 or more is considered excellent. These high averages partly account for the relatively low mortgage delinquency rates.
- Average credit scores in mortgage files have been on a very slight upward trend over the past several quarters, in both Montréal and Québec (figure 4). This means that, on average, the likelihood that a mortgage holder will become seriously delinquent within the next 24 months has decreased slightly.
- Borrowers' ability to meet their financial obligations has likely been favoured by the strong performance of the economy for the past several quarters, which was probably reflected in their Equifax credit scores. As well, with the tighter financing conditions since the fall of 2016, it is likely that proportionally fewer consumers with lower credit scores qualified for a loan.

Figure 4

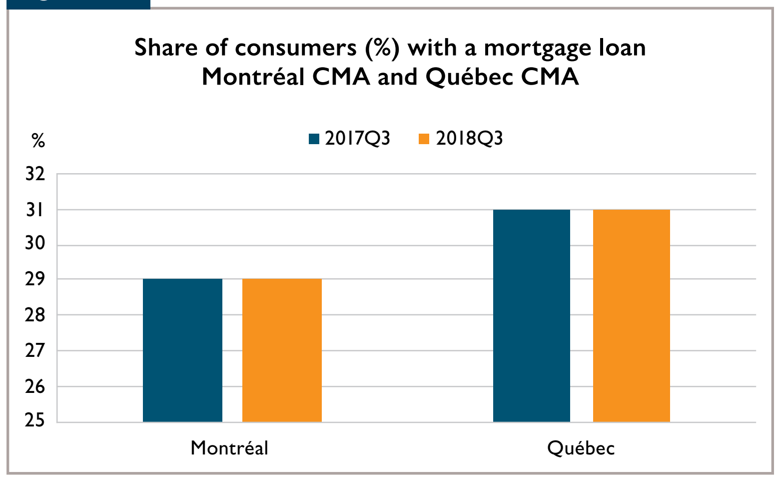


Source: Equifax and CMHC calculations

Shares of mortgage holders are stable in Montréal and Québec

- Data from Equifax revealed that, in the third quarter of 2018, the shares of consumers with a mortgage were 29% in Montréal and 31% in Québec (figure 5). These proportions have remained stable over the past several years. These figures should be interpreted with caution, however, as not all financial institutions report to Equifax.
- In the third quarter of 2018, nearly 90% of mortgage holders in both Montréal and Québec were aged 25 to 64.

Figure 5

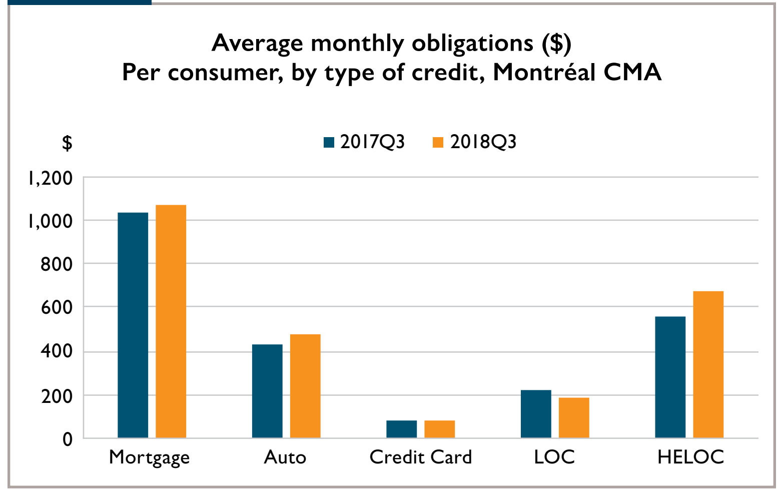


Source: Equifax and CMHC calculations

Mortgage payments represent the greatest obligation on average

- In Montréal, mortgage payments represented an average obligation of $1,081 per month in the third quarter of 2018 (figure 6), the highest average among all credit products. In Québec, this obligation was $870 per month for the same period. The difference is no doubt largely due to the higher house prices in the Montréal metropolitan area.
- On average, consumers in Montréal had to make monthly payments of $186 on lines of credit not backed by real estate assets, compared to $680 on home equity lines of credit. The fact that home equity lines of credit usually have a higher credit limits and lower interest rates probably helps explain the higher average amounts borrowed.
- For credit cards, the average monthly obligation per consumer was $87 in Montréal. It is important to note, however, that this amount was calculated based on the minimum payment required, not on the total balance. Payments that would cover the full amount borrowed would be much higher.

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 (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, Instagram 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
2014Q3	0.33	0.18
	0.35	0.18
	0.34	0.20
	0.35	0.19
2015Q3	0.37	0.23
	0.39	0.24
	0.38	0.24
	0.38	0.23
2016Q3	0.39	0.23
	0.40	0.25
	0.38	0.25
	0.37	0.25
2017Q3	0.34	0.24
	0.35	0.24
	0.34	0.25
	0.31	0.25
2018Q3	0.28	0.25
	0.29	0.22
	0.29	0.25
	0.29	0.24

Source: Equifax and CMHC calculations

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

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2014Q3	0.12	0.19	0.36	0.29	0.18
	0.11	0.20	0.29	0.37	0.13
	0.12	0.21	0.32	0.36	0.14
	0.10	0.23	0.34	0.35	0.19
2015Q3	0.13	0.25	0.34	0.43	0.30
	0.15	0.26	0.33	0.40	0.50
	0.15	0.25	0.34	0.39	0.47
	0.15	0.25	0.31	0.47	0.59
2016Q3	0.16	0.25	0.29	0.37	0.42
	0.18	0.27	0.32	0.39	0.33
	0.18	0.28	0.29	0.39	0.24
	0.17	0.28	0.31	0.39	0.27
2017Q3	0.17	0.24	0.31	0.39	0.36
	0.16	0.26	0.32	0.35	0.44
	0.16	0.27	0.30	0.38	0.50
	0.16	0.28	0.31	0.35	0.40
2018Q3	0.13	0.29	0.33	0.34	0.35
	0.12	0.26	0.28	0.35	0.36
	0.12	0.27	0.34	0.36	0.57
	0.13	0.26	0.33	0.37	0.63

Source: Equifax and CMHC calculations, seasonally adjusted

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

	Mortgage holders			Consumers without a mortgage		
Date	Auto loans	LOC	Credit cards	Auto loans	LOC	Credit cards
2017Q3	0.25	0.23	0.72	0.96	0.40	1.66
2018Q3	0.18	0.25	0.70	0.95	0.41	1.57

Source: Equifax and CMHC calculations

Figure 4
Average Equifax Risk Score related to mortgages
Montréal CMA and Québec CMA

Date	Montréal	Québec
2014Q3	762	767
	763	768
	764	769
	764	769
2015Q3	763	768
	764	769
	764	768
	763	768
2016Q3	764	769
	765	769
	765	769
	765	769
2017Q3	765	770
	766	771
	767	771
	767	771
2018Q3	768	772
	768	772
	768	772
	769	773

Source: Equifax and CMHC calculations

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

Date	Montréal	Québec
2017Q3	29	31
2018Q3	29	31

Source: Equifax and CMHC calculations

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

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2017Q3	1,045	442	87	230	564
2018Q3	1,081	478	87	186	680

Source: Equifax and CMHC calculations