

## Key mortgage and consumer credit indicators – Q1 2019\*



### MORTGAGE

Number of new loans  
(thousands)

New loans **43.9**  
↑ 2.9%

Average balance  
(thousands of \$)

New loans **171.3** ↑ 0.4%  
All loans **140.9** ↑ 1.8%

Delinquency rate (%)

All loans **0.38%**  
↑ 0.04 ppt\*\*

Average payment (\$)

New loans **1,017** ↑ 2.9%  
All loans **928** ↑ 3.2%

Overall, the volume of mortgage activity was on the rise, partly reflecting strong housing market activity in Québec.



### HELOC

Average balance (thousands of \$)

All loans **91.4**  
↑ 1.3%

Utilization rate (%)

All loans **55.9**  
↓ 0.8 ppt\*\*

Delinquency rate (%)

All loans **0.15%**  
STABLE

The average HELOC balance grew, while the utilization rate remained relatively stable.



### OTHER DEBT

Average balance (\$)

| Consumer with a mortgage | Consumer without a mortgage |
|--------------------------|-----------------------------|
| <b>7,496</b>             | <b>5,921</b>                |
| ↑ 3.0%                   | ↑ 4.6%                      |

Delinquency rate (%)

| Consumer with a mortgage | Consumer without a mortgage |
|--------------------------|-----------------------------|
| <b>0.76%</b>             | <b>1.82%</b>                |
| ↓ 0.02 ppt**             | ↑ 0.02 ppt**                |

Other debt continued to increase, particularly for consumers without a mortgage.

<sup>1</sup> Census metropolitan areas.

\* 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. HELOC stands for home equity line of credit. Other debt includes personal line of credits, credit cards and auto loans.

\*\* PPT stands for percentage point.

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**“In the first quarter of 2019, mortgage delinquency rates remained stable and relatively low in Montréal and Québec. That said, monthly obligations on debt backed by a real estate asset were on the rise in these urban centres.”**



Mbea Bell  
Economist

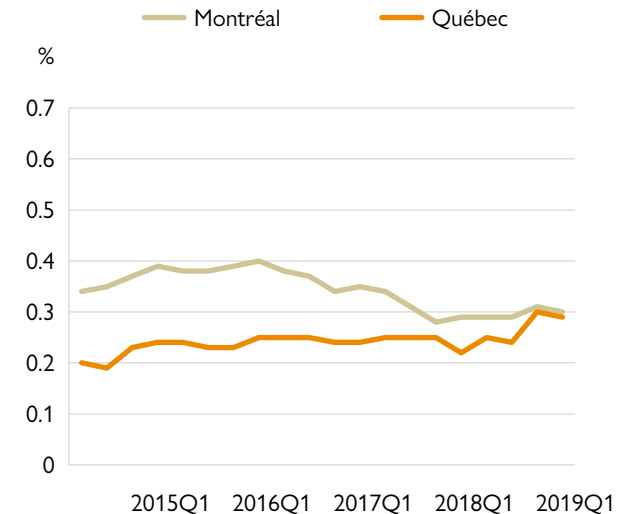
# Mortgage and consumer credit trends

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

- According to data from the credit rating agency Equifax (figure 1), the mortgage delinquency rates remained stable and relatively low in Québec’s two largest urban centres. In the first quarter of 2019, the rates were 0.30% in Montréal and 0.29% in Québec<sup>3</sup>—levels similar to the Canadian average (0.30%).
- Economic growth and employment growth have been particularly strong over the last two years in Montréal and Québec. This likely contributed to the financial stability of households and their ability to make their mortgage payments on time (or less than 90 days late).

Figure 1

Mortgage delinquency rates (%), Montréal CMA and Québec CMA



Sources: Equifax and CMHC calculations

<sup>3</sup> Montréal and Québec census metropolitan areas (CMAs).

## Mortgage delinquency rates stay relatively stable in Montréal, regardless of the mortgage limit at origination

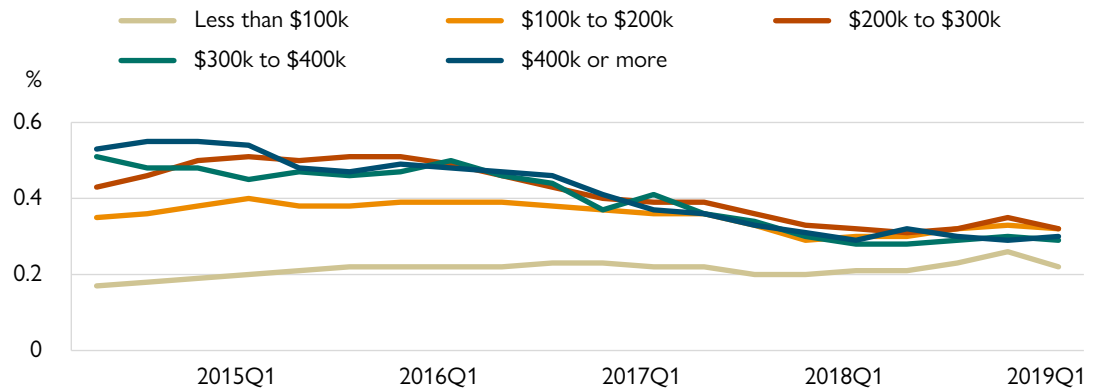
- Following a period of gradual decline, mortgage delinquency rates in Montréal remained stable over the 12 months to the end of the first quarter of 2019. This stability was observed for all mortgage limits at origination (figure 2).
- The delinquency rates of mortgages with limits lower than \$100,000 in Montréal stayed slightly below the rates for the other mortgage categories.
- 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.

## Delinquency rates for other types of credit are higher among consumers without a mortgage

- In Montréal, just like in Québec, the rates of accounts in delinquency for credit cards, LOCs and auto loans were slightly lower among mortgage holders than among consumers without a mortgage (figure 3).
- Mortgage holders typically have higher incomes and better credit records, which likely reduces their risk of payment default for all credit products.
- In all cases, the delinquency rates were highest for credit cards among all credit products. This could be due to the relatively easy access to credit cards, which exposes their users to a greater risk of payment default.

**Figure 2**

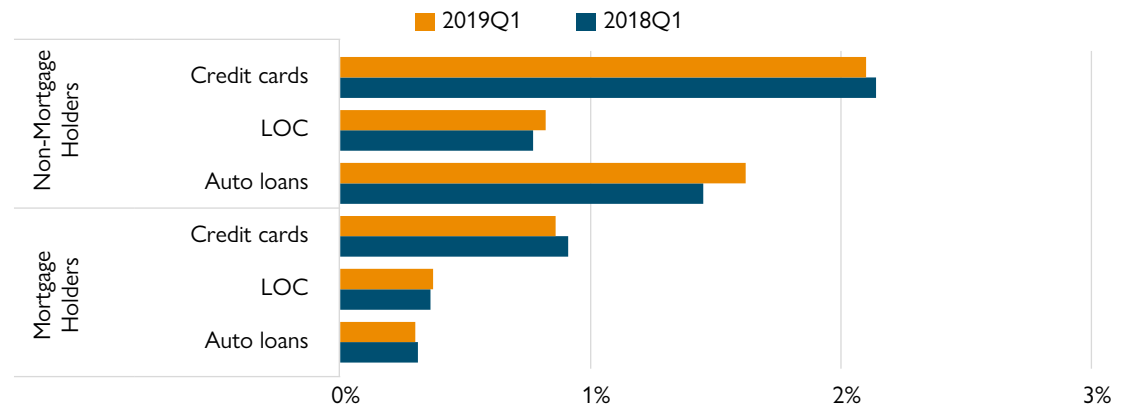
**Mortgage delinquency rates (%) by mortgage limit at origination, Montréal CMA**



Sources: Equifax and CMHC calculations, seasonally adjusted

**Figure 3**

**Credit delinquency rates (%) for mortgage holders and consumers without a mortgage, Montréal CMA**



Sources: Equifax and CMHC calculations

## Average credit scores among mortgage holders are on a slight upward trend in Montréal and Québec

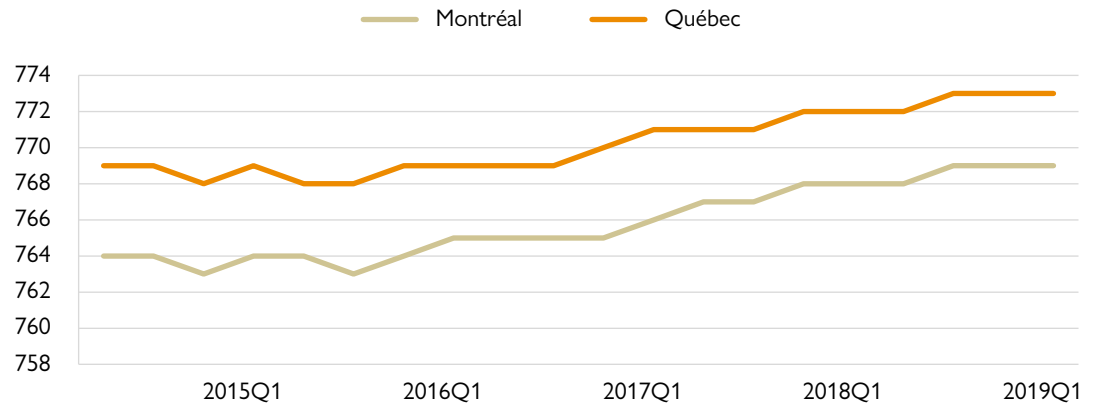
- For the past two years, the average credit scores related to mortgages have improved slightly in Québec's two largest urban centres (figure 4). In the first quarter of 2019, these credit scores were 769 in Montréal and 773 in Québec. It should be recalled that a score of 750 or more is considered excellent.
- These higher credit scores mean that, on average, the likelihood that consumers will become seriously delinquent (90+ days past due) within 24 months has decreased slightly.
- The strong economy and job market over the last two years across Québec probably contributed to improving the creditworthiness of households. As well, the tighter mortgage conditions and rising interest rates in recent years have also helped improve the quality of mortgage holders.

## Shares of mortgage holders remain stable in Montréal and Québec

- Data from Equifax revealed that the proportions of consumers with a mortgage in the first quarter of 2019 in Montréal (29%) and Québec (31%) remained stable relative to the same period last year (figure 5). These figures should be interpreted with caution, however, as not all financial institutions report to Equifax.
- In the first quarter of 2019, nearly 90% of mortgage holders in both Montréal and Québec were aged 25 to 64.

**Figure 4**

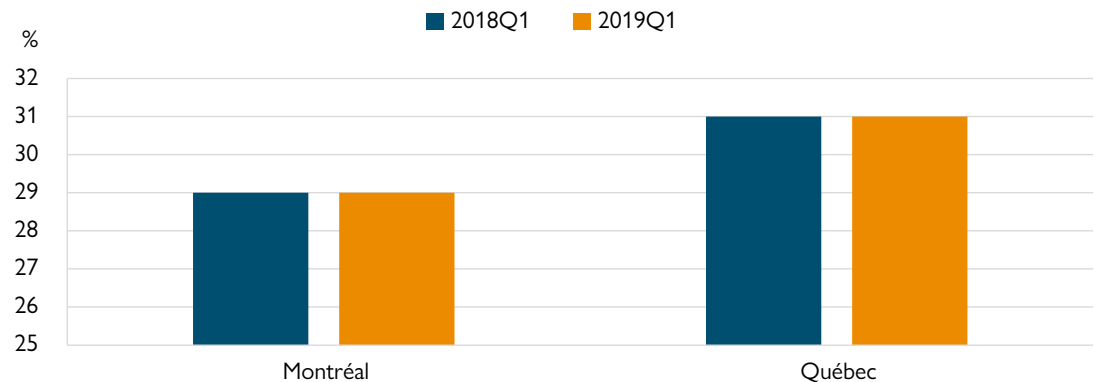
Average Equifax Risk Score among mortgage holders, Montréal CMA and Québec CMA



Sources: Equifax and CMHC calculations

**Figure 5**

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



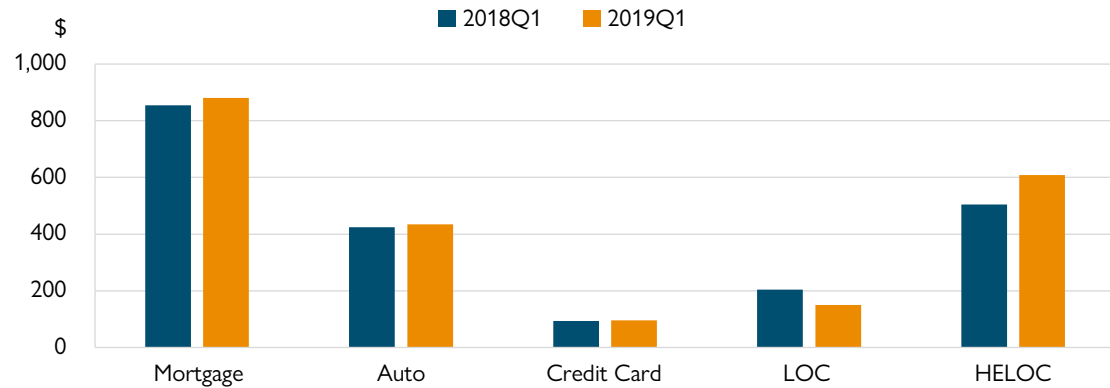
Sources: Equifax and CMHC calculations

## Monthly obligations related to debt backed by real estate are slightly on the rise

- Consumers in Québec and Montréal faced small increases in their monthly obligations on debt backed by a real estate asset. In the first quarter of 2019, the average monthly payments of Québec CMA consumers rose by 20% for HELOCs and by 3% for mortgages over a year earlier (figure 6).
- In the first quarter of 2019, mortgages still accounted for the greatest obligation among the various credit products for Québec CMA households, with an average monthly payment of \$881.<sup>4</sup>
- The other average monthly obligations of Québec CMA consumers were, in descending order, HELOCs (\$608), auto loans (\$434), LOCs (\$150) and credit cards (\$96).

**Figure 6**

Average monthly obligations (\$) per consumer, by type of credit, Québec CMA



Sources: Equifax and CMHC calculations

<sup>4</sup> In the first quarter of 2019, the average monthly mortgage payment of Montréal CMA households was \$1,098.

## Resources

You can find this data – and data for all Census Metropolitan Areas (CMAs) in Canada – at [cmhc.ca/mortgage-consumer-credit-trends-data](https://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 value 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:**  $\text{Account delinquency rate}^3 = (\text{number of accounts in delinquency} / \text{all accounts})$

- 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:**  $\text{Share} = (\text{number of consumers with a mortgage} / \text{total number of consumers})$

- 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:**  $\text{Average monthly obligation by credit instrument} = (\text{sum of monthly scheduled payments} / \text{Total number of consumers with a scheduled payment})$

<sup>3</sup> 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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[cmhc.ca](http://cmhc.ca)

# Alternative text and data for figures

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

| Date   | Montréal | Québec |
|--------|----------|--------|
| 2014Q2 | 0.34     | 0.20   |
| 2014Q3 | 0.35     | 0.19   |
| 2014Q4 | 0.37     | 0.23   |
| 2015Q1 | 0.39     | 0.24   |
| 2015Q2 | 0.38     | 0.24   |
| 2015Q3 | 0.38     | 0.23   |
| 2015Q4 | 0.39     | 0.23   |
| 2016Q1 | 0.40     | 0.25   |
| 2016Q2 | 0.38     | 0.25   |
| 2016Q3 | 0.37     | 0.25   |
| 2016Q4 | 0.34     | 0.24   |
| 2017Q1 | 0.35     | 0.24   |
| 2017Q2 | 0.34     | 0.25   |
| 2017Q3 | 0.31     | 0.25   |
| 2017Q4 | 0.28     | 0.25   |
| 2018Q1 | 0.29     | 0.22   |
| 2018Q2 | 0.29     | 0.25   |
| 2018Q3 | 0.29     | 0.24   |
| 2018Q4 | 0.31     | 0.30   |
| 2019Q1 | 0.30     | 0.29   |

Sources: 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 |
|--------|------------------|------------------|------------------|------------------|----------------|
| 2014Q2 | 0.17             | 0.35             | 0.43             | 0.51             | 0.53           |
| 2014Q3 | 0.18             | 0.36             | 0.46             | 0.48             | 0.55           |
| 2014Q4 | 0.19             | 0.38             | 0.50             | 0.48             | 0.55           |
| 2015Q1 | 0.20             | 0.40             | 0.51             | 0.45             | 0.54           |
| 2015Q2 | 0.21             | 0.38             | 0.50             | 0.47             | 0.48           |
| 2015Q3 | 0.22             | 0.38             | 0.51             | 0.46             | 0.47           |
| 2015Q4 | 0.22             | 0.39             | 0.51             | 0.47             | 0.49           |
| 2016Q1 | 0.22             | 0.39             | 0.49             | 0.50             | 0.48           |
| 2016Q2 | 0.22             | 0.39             | 0.46             | 0.46             | 0.47           |
| 2016Q3 | 0.23             | 0.38             | 0.43             | 0.44             | 0.46           |
| 2016Q4 | 0.23             | 0.37             | 0.40             | 0.37             | 0.41           |
| 2017Q1 | 0.22             | 0.36             | 0.39             | 0.41             | 0.37           |
| 2017Q2 | 0.22             | 0.36             | 0.39             | 0.36             | 0.36           |
| 2017Q3 | 0.20             | 0.33             | 0.36             | 0.34             | 0.33           |
| 2017Q4 | 0.20             | 0.29             | 0.33             | 0.30             | 0.31           |
| 2018Q1 | 0.21             | 0.30             | 0.32             | 0.28             | 0.29           |
| 2018Q2 | 0.21             | 0.30             | 0.31             | 0.28             | 0.32           |
| 2018Q3 | 0.23             | 0.32             | 0.32             | 0.29             | 0.30           |
| 2018Q4 | 0.26             | 0.33             | 0.35             | 0.30             | 0.29           |
| 2019Q1 | 0.22             | 0.32             | 0.32             | 0.29             | 0.30           |

Sources: Equifax and CMHC calculations, seasonally adjusted

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

| Date   | Mortgage Holders |      |              | Non-Mortgage Holders |      |              |
|--------|------------------|------|--------------|----------------------|------|--------------|
|        | Auto loans       | LOC  | Credit cards | Auto loans           | LOC  | Credit cards |
| 2018Q1 | 0.31             | 0.36 | 0.91         | 1.45                 | 0.77 | 2.14         |
| 2019Q1 | 0.30             | 0.37 | 0.86         | 1.62                 | 0.82 | 2.10         |

Sources: Equifax and CMHC calculations

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

| Date   | Montréal | Québec |
|--------|----------|--------|
| 2014Q2 | 764      | 769    |
| 2014Q3 | 764      | 769    |
| 2014Q4 | 763      | 768    |
| 2015Q1 | 764      | 769    |
| 2015Q2 | 764      | 768    |
| 2015Q3 | 763      | 768    |
| 2015Q4 | 764      | 769    |
| 2016Q1 | 765      | 769    |
| 2016Q2 | 765      | 769    |
| 2016Q3 | 765      | 769    |
| 2016Q4 | 765      | 770    |
| 2017Q1 | 766      | 771    |
| 2017Q2 | 767      | 771    |
| 2017Q3 | 767      | 771    |
| 2017Q4 | 768      | 772    |
| 2018Q1 | 768      | 772    |
| 2018Q2 | 768      | 772    |
| 2018Q3 | 769      | 773    |
| 2018Q4 | 769      | 773    |
| 2019Q1 | 769      | 773    |

Sources: Equifax and CMHC calculations

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

| Date   | Montréal | Québec |
|--------|----------|--------|
| 2018Q1 | 29       | 31     |
| 2019Q1 | 29       | 31     |

Sources: Equifax and CMHC calculations

**Figure 6: Average monthly obligations (\$) per consumer by type of credit, Québec CMA**

| Date   | Mortgage | Auto | Credit Card | LOC | HELOC |
|--------|----------|------|-------------|-----|-------|
| 2018Q1 | 855      | 424  | 93          | 204 | 505   |
| 2019Q1 | 881      | 434  | 96          | 150 | 608   |

Sources: Equifax and CMHC calculations