Canada

CMHC SCHL

Key mortgage and consumer credit indicators – Q1 2019*

MORTGAGE

Number of new loans (thousands)

New loans **63** ↓ 12.3%

Average balance (thousands of $)

New loans **318** ↓ 0.3%

All loans **239** ↑ 4.2%

Delinquency rate (%)

All loans **0.14%** ↓ 0.01 ppt**

Average payment ($)

New loans **1,701** ↑ 2.7%

All loans **1,459** ↑ 5.2%

Overall, the volume of mortgage activity continued to grow at a slower pace relative to recent years, partly reflecting lower housing market activity.

HELOC

Average balance (thousands of $)

All loans **96** ↑ 2.2%

Utilization rate (%)

All loans **54.9** ↓ 0.09 ppt**

Deliquency rate (%)

All loans **0.11%** ↑ 0.01 ppt**

HELOC average balance grew while the utilization rate stayed the same. The delinquency rate remained low.

OTHER DEBT

Average balance ($)

Consumer with a mortgage **9,174** ↑ 4.1%

Consumer without a mortgage **8,088** ↑ 5.5%

Deliquency rate (%)

Consumer with a mortgage **0.53%** STABLE

Consumer without a mortgage **1.89%** ↑ 0.08 ppt**

Consumers kept increasing their other debt burden and therefore their vulnerability to a shock in the longer run.

[1] Census Metropolitan Area (CMA).

* 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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"Higher monthly debt obligations for Ontarians were primarily driven by mortgage and HELOC growth coupled with higher interest rates. Nevertheless, delinquency rates remain low, supported by strong labour market conditions."

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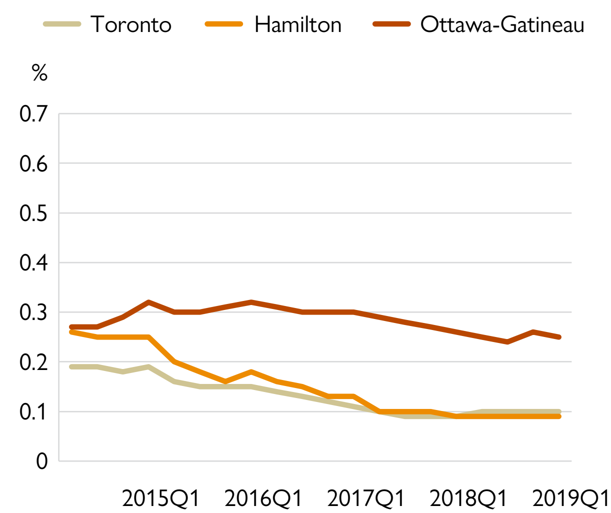
Mortgage and consumer credit trends

The share of delinquent mortgages has remained low

- The share of delinquent mortgages in Toronto (0.10%) and Hamilton (0.09%) remained stable and below the provincial average (0.14%) in Q1 2019. Ottawa (0.25%), which has one of the highest delinquency rates amongst Ontario CMAs, saw continued year-over-year improvement, albeit small (a decline of 0.01 percentage points).
- Strong labour market conditions in Ontario continue to contribute towards lower delinquency rates. The provincial unemployment rate is near the lowest it has been in decades and average weekly earnings continue to exhibit strong growth. As a result, borrowers are more able to make timely mortgage payments.
- Disposable income has been growing faster than total outstanding debt in Ottawa over the last two years, whereas Toronto and Hamilton saw the two grow at a relatively similar rate. A downward trending debt-to-income ratio in Ottawa contributed towards a narrowing of the gap in delinquency rates between Ottawa and Toronto/Hamilton.

Figure 1

Mortgage delinquency rates (%) Selected Ontario CMAs



Sources: Equifax and CMHC calculations

Mortgage delinquency rates trend down for lower mortgage limits

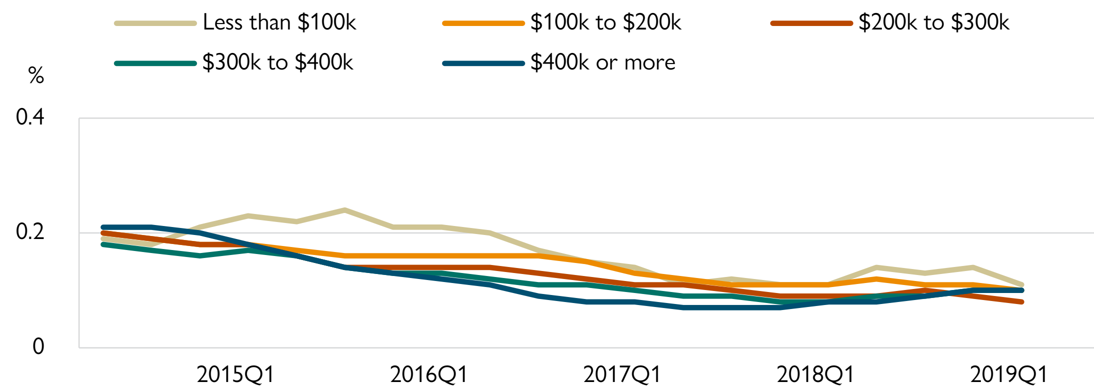
- Mortgage delinquency rates remained stable across most mortgage limits compared to Q1 2018.
- Delinquency rates for mortgages with relatively smaller limits at origination tend to be higher as they are typically held by first time homebuyers with lower incomes and/or less stable employment. However, delinquency rates for these relatively smaller mortgages at origination continue to trend lower, significantly narrowing the gap between larger mortgages. This narrowing could be the result of a strong labour market having a larger marginal impact on the ability for relatively smaller mortgage holders to make timely mortgage payments.

Credit delinquency rates amongst mortgage holders were significantly lower than for non-mortgage holders

- Delinquency rates for other types of credit (credit cards, LOC, auto loans) in Ontario rose for both non-mortgage and mortgage holders, although by significantly less for the latter.
- For both non-mortgage and mortgage holders, credit cards and auto loans saw the largest rise in their delinquency rates.
- Mortgage holders continued to have significantly lower delinquency rates than non-mortgage holders as consumers with a mortgage generally have higher credit scores and are more likely to make timely payments.

Figure 2

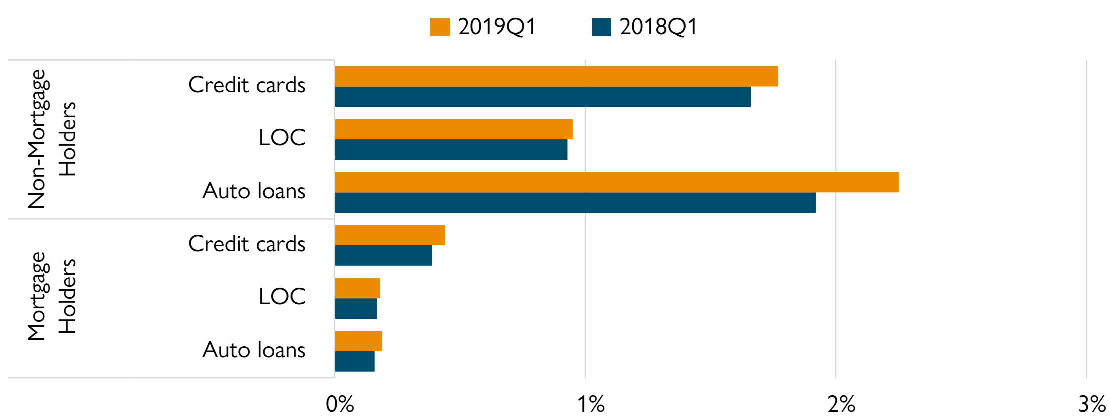
Toronto CMA - Mortgage delinquency rates (%) by mortgage limit at origination



Sources: Equifax and CMHC calculations

Figure 3

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



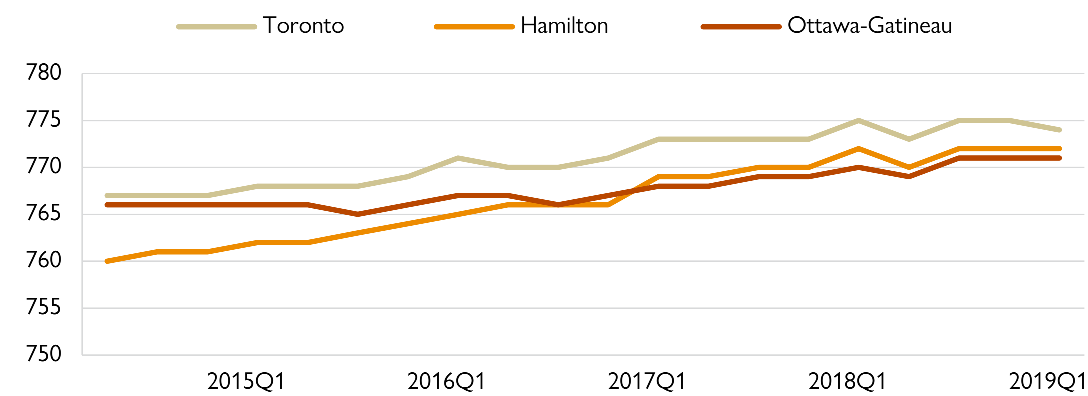
Sources: Equifax and CMHC calculations

Average credit scores among mortgage holders remain strong

- Average credit scores among mortgage holders saw a slight increase in Ontario (771) while remaining stable in Toronto (774), Hamilton (772), and Ottawa (771). Average credit scores amongst mortgage holders in the province and the aforementioned CMAs are all above the national average (767).
- Stronger Ontario labour market conditions and tighter mortgage regulations are amongst the factors improving the overall credit quality of mortgage holders, which has in-turn led to rising credit scores in recent years.

Figure 4

Average Equifax Risk Score among mortgage holders
Selected Ontario CMAs



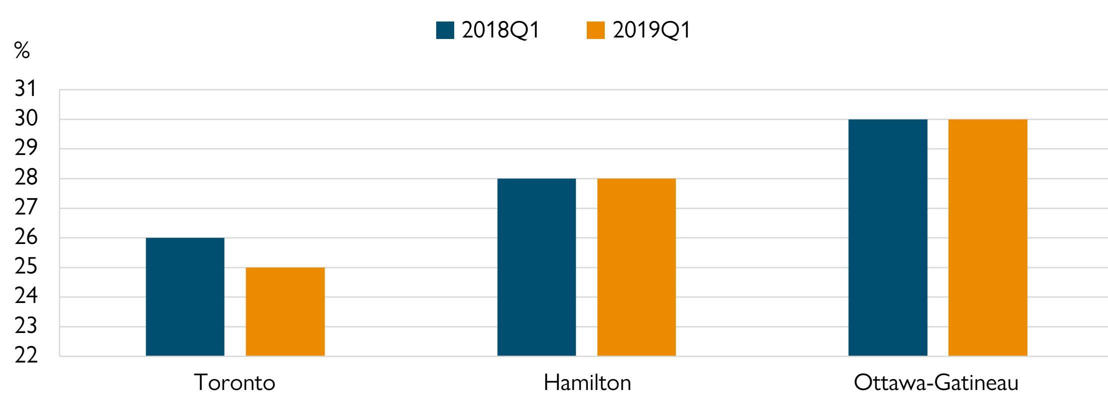
Sources: Equifax and CMHC calculations

Share of consumers with a mortgage declined slightly across Ontario CMAs

- The share of consumers carrying a mortgage loan in major metropolitan areas in Ontario saw a slight decline compared to 2018 Q1.
- The declining share of consumers with a mortgage is consistent with declining homeownership rates, in-part driven by strong house price growth that exceeded rental growth in recent years. In addition, tighter mortgage regulations coupled with higher interest rates have also dampened mortgage credit growth.

Figure 5

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



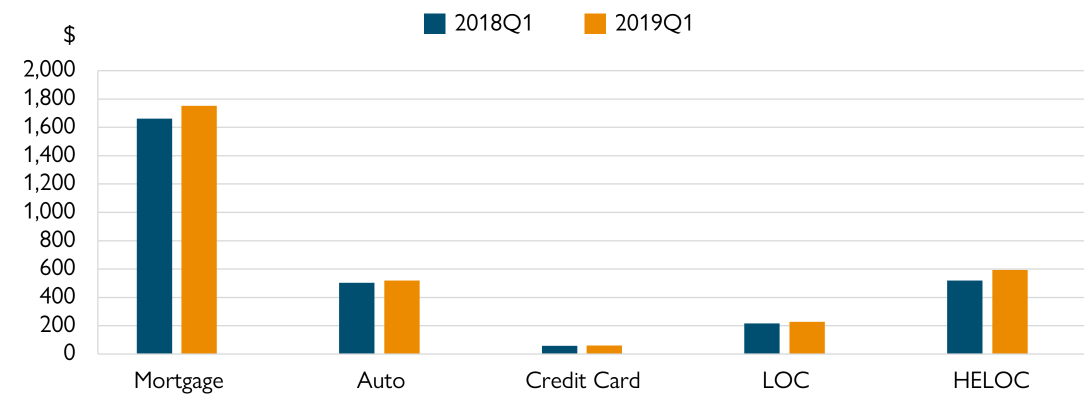
Sources: Equifax and CMHC calculations

Rising monthly credit obligations led by mortgages and HELOCs

- Average monthly credit obligations in Q1 2019 saw year-over-year growth in Toronto (6.5%), Hamilton (5.7%), and Ottawa (4.0%). For each of the aforementioned CMAs, this increase was primarily driven by larger mortgage and HELOC obligations.
- Elevated housing prices led to larger mortgages and made HELOCs more attractive to individuals looking to tap into their home equity gains. In addition, rising interest rates have also impacted mortgage carrying costs and monthly HELOC commitments.
- Monthly HELOC obligations saw the highest growth amongst credit types in Toronto (14.5%), Hamilton (13.3%), and Ottawa (11.3%). While elevated home prices can contribute towards both higher average mortgage and HELOC obligations, their impact on the former is tied to the number of new mortgages which has been dampened by recent policies restricting housing demand.

Figure 6

Toronto 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 Ontario CMAs

Date	Toronto	Hamilton	Ottawa-Gatineau
2014Q2	0.19	0.26	0.27
2014Q3	0.19	0.25	0.27
2014Q4	0.18	0.25	0.29
2015Q1	0.19	0.25	0.32
2015Q2	0.16	0.20	0.30
2015Q3	0.15	0.18	0.30
2015Q4	0.15	0.16	0.31
2016Q1	0.15	0.18	0.32
2016Q2	0.14	0.16	0.31
2016Q3	0.13	0.15	0.30
2016Q4	0.12	0.13	0.30
2017Q1	0.11	0.13	0.30
2017Q2	0.10	0.10	0.29
2017Q3	0.09	0.10	0.28
2017Q4	0.09	0.10	0.27
2018Q1	0.09	0.09	0.26
2018Q2	0.10	0.09	0.25
2018Q3	0.10	0.09	0.24
2018Q4	0.10	0.09	0.26
2019Q1	0.10	0.09	0.25

Sources: Equifax and CMHC calculations

Figure 2: Toronto 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	0.19	0.20	0.20	0.18	0.21
2014Q3	0.18	0.19	0.19	0.17	0.21
2014Q4	0.21	0.18	0.18	0.16	0.20
2015Q1	0.23	0.18	0.18	0.17	0.18
2015Q2	0.22	0.17	0.16	0.16	0.16
2015Q3	0.24	0.16	0.14	0.14	0.14
2015Q4	0.21	0.16	0.14	0.13	0.13
2016Q1	0.21	0.16	0.14	0.13	0.12
2016Q2	0.20	0.16	0.14	0.12	0.11
2016Q3	0.17	0.16	0.13	0.11	0.09
2016Q4	0.15	0.15	0.12	0.11	0.08
2017Q1	0.14	0.13	0.11	0.10	0.08
2017Q2	0.11	0.12	0.11	0.09	0.07
2017Q3	0.12	0.11	0.10	0.09	0.07
2017Q4	0.11	0.11	0.09	0.08	0.07
2018Q1	0.11	0.11	0.09	0.08	0.08
2018Q2	0.14	0.12	0.09	0.09	0.08
2018Q3	0.13	0.11	0.10	0.09	0.09
2018Q4	0.14	0.11	0.09	0.10	0.10
2019Q1	0.11	0.10	0.08	0.10	0.10

Sources: Equifax and CMHC calculations

Figure 3: Toronto 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
2018Q1	0.16	0.17	0.39	1.92	0.93	1.66
2019Q1	0.19	0.18	0.44	2.25	0.95	1.77

Sources: Equifax and CMHC calculations

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

Date	Toronto	Hamilton	Ottawa-Gatineau
2014Q2	767	760	766
2014Q3	767	761	766
2014Q4	767	761	766
2015Q1	768	762	766
2015Q2	768	762	766
2015Q3	768	763	765
2015Q4	769	764	766
2016Q1	771	765	767
2016Q2	770	766	767
2016Q3	770	766	766
2016Q4	771	766	767
2017Q1	773	769	768
2017Q2	773	769	768
2017Q3	773	770	769
2017Q4	773	770	769
2018Q1	775	772	770
2018Q2	773	770	769
2018Q3	775	772	771
2018Q4	775	772	771
2019Q1	774	772	771

Sources: Equifax and CMHC calculations

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

Date	Toronto	Hamilton	Ottawa-Gatineau
2018Q1	26	28	30
2019Q1	25	28	30

Sources: Equifax and CMHC calculations

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

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2018Q1	1,662	504	59	217	518
2019Q1	1,752	518	61	228	593

Sources: Equifax and CMHC calculations