MORTGAGE AND CONSUMER CREDIT TRENDS
Prairie CMA's[1] – Q1 2018

CANADA MORTGAGE AND HOUSING CORPORATION

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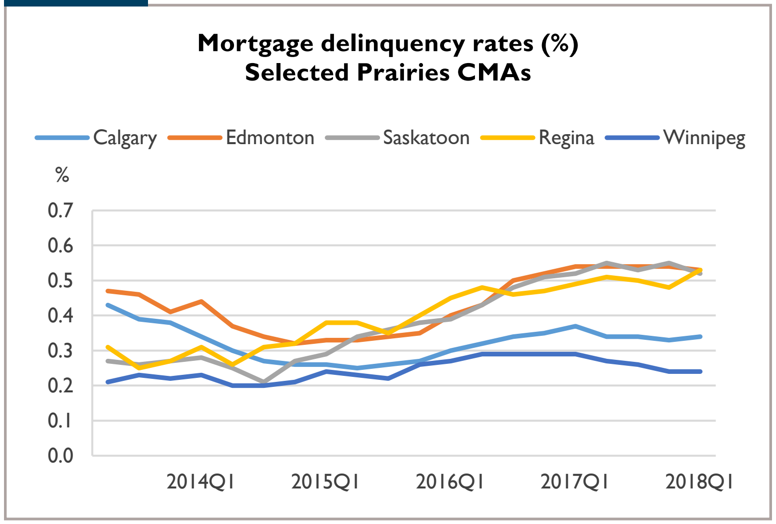
Figure 1



Source: Equifax and CMHC calculations

Mortgage delinquency rates stabilising

- The recession in Alberta and Saskatchewan caused delinquencies to rise. More recently, economic recovery and employment gains appear to be stabilising delinquencies in Calgary, Edmonton and Saskatoon.
- In Regina, a rising unemployment rate and buyers' market conditions with downward pressure on house prices are contributing to an upward trend in delinquencies.
- In Winnipeg, balanced conditions in the housing market with steady upward movement in resale prices has kept delinquencies relatively low.

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)

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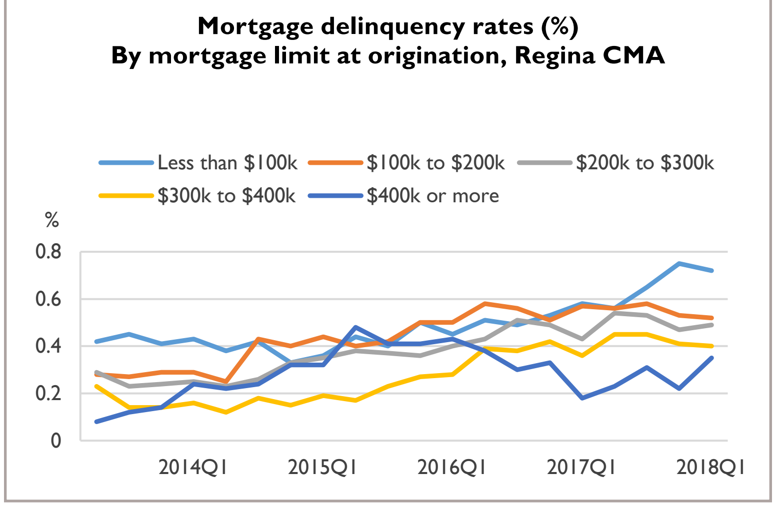
Mortgage delinquency rate tended to be higher for lower mortgages at origination during the first quarter of 2018

- In Regina, mortgage values at origination of less than $100,000 had the highest delinquency rate at 0.72%, compared to the CMAs overall average at 0.53%.
- Lower value mortgages also had the highest delinquency rate in Saskatoon (0.69%) and Calgary (0.39%), however this was not the case for Edmonton where the highest mortgage rate delinquency of 0.61% was found in loans above $400,000.
- In Winnipeg, the mortgage delinquency rates by valuation were clustered around the CMA relatively low rate of 0.24%.
- The Prairie centres showed no consistent pattern of delinquency rates by mortgage size.

Figure 2

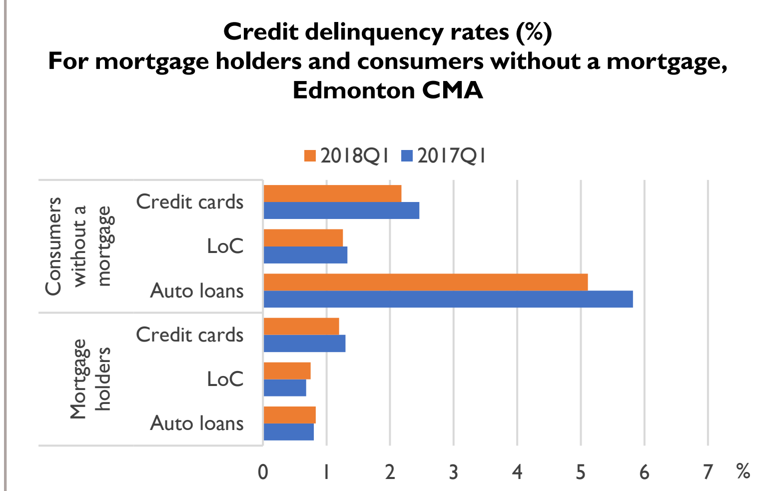


Source: Equifax and CMHC calculations

Mortgage holders more likely to make payments than consumers without a mortgage

- Mortgage holders tend to have a higher risk score and their payments are less likely to become delinquent than consumers that do not have a mortgage.
- Borrowers with a mortgage had lower delinquency rates for auto loans, lines of credit, and credit cards compared to consumers without a mortgage, this was the case in Edmonton, Calgary, Saskatoon, Regina and Winnipeg.
- For consumers without a mortgage, the delinquency rate was highest for auto loans, and this was the case across the five largest CMA in the prairie region.
- For mortgage holders, delinquent payments were highest for credit cards.

Figure 3



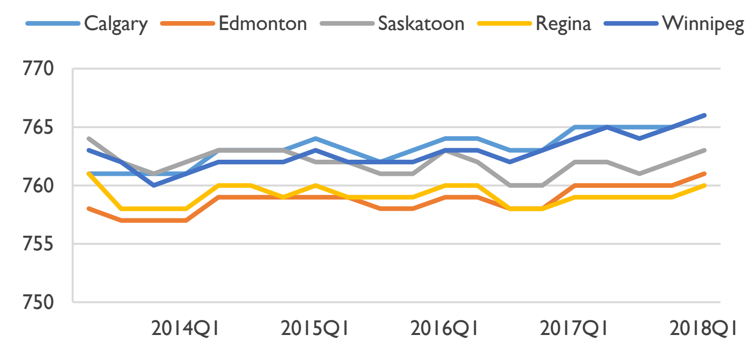
Source: Equifax and CMHC calculations

Average risk scores are high across the five largest prairie CMA

- Credit scores at 750 and above are considered excellent while less than 600 are considered poor.
- The average credit score was considered excellent in Calgary, Edmonton, Regina, Saskatoon, and Winnipeg.
- Average risk scores alone cannot explain the variability in delinquency rates.

Figure 4

Average Equifax Risk Score among mortgage holders
Selected Prairies CMAs



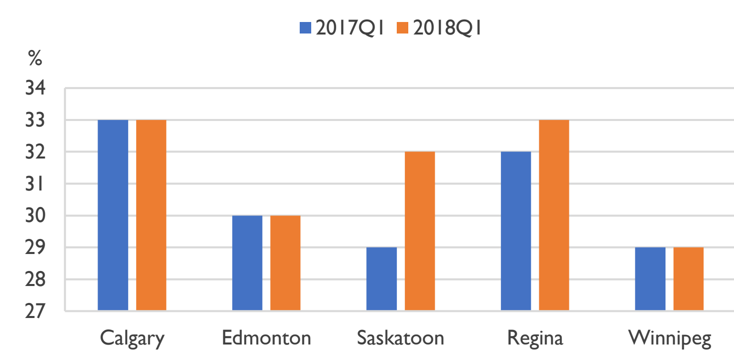
Source: Equifax and CMHC calculations

Share of consumers with a mortgage increased in Saskatoon and Regina

- The percent of consumers with a mortgage increased the most in Saskatoon, from 29% in Q1 2007 to 32% in Q1 2018.
- The share of consumers with a mortgage ranged from 33% in Calgary and Regina to 29% in Winnipeg.
- Calgary has the highest homeownership rate for households at 72.9% while Winnipeg's homeownership rate is 67.3%.

Figure 5

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

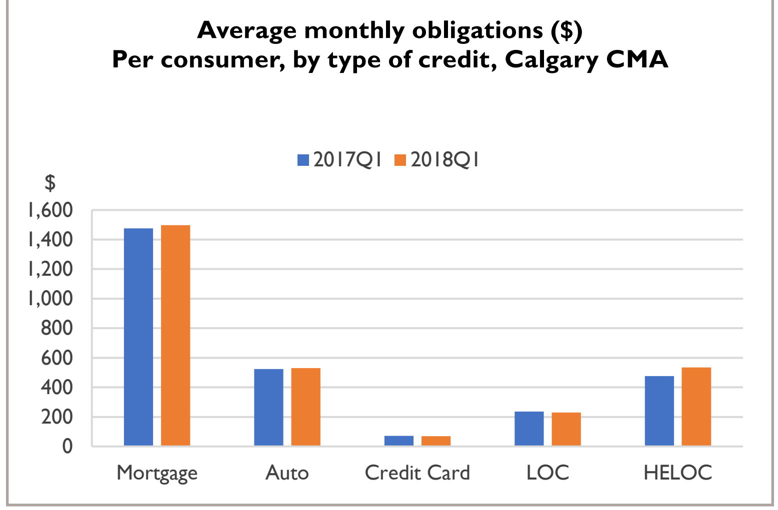


Source: Equifax and CMHC calculations

Mortgage payments are largest monthly obligation for consumers

- Rising interest rates contributed to higher monthly carrying cost for most types of credit across all of the five largest CMA in the prairies.
- Monthly mortgage payments, auto payments and HELOC all increased over the past year in Calgary, Edmonton, Regina, Saskatoon, and Winnipeg.
- However, some obligations decreased, monthly credit card obligations decreased slightly in Calgary and Edmonton, and average monthly LOC obligations decreased slightly in Calgary, Regina and Winnipeg.

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.

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1
Mortgage delinquency rates (%)
Selected Prairies CMAs

Date	Calgary	Edmonton	Saskatoon	Regina	Winnipeg
2013Q1	0.43	0.47	0.27	0.31	0.21
	0.39	0.46	0.26	0.25	0.23
	0.38	0.41	0.27	0.27	0.22
2014Q1	0.34	0.44	0.28	0.31	0.23
	0.30	0.37	0.25	0.26	0.20
	0.27	0.34	0.21	0.31	0.20
	0.26	0.32	0.27	0.32	0.21
2015Q1	0.26	0.33	0.29	0.38	0.24
	0.25	0.33	0.34	0.38	0.23
	0.26	0.34	0.36	0.35	0.22
	0.27	0.35	0.38	0.40	0.26
2016Q1	0.30	0.40	0.39	0.45	0.27
	0.32	0.43	0.43	0.48	0.29
	0.34	0.50	0.48	0.46	0.29
	0.35	0.52	0.51	0.47	0.29
2017Q1	0.37	0.54	0.52	0.49	0.29
	0.34	0.54	0.55	0.51	0.27
	0.34	0.54	0.53	0.50	0.26
	0.33	0.54	0.55	0.48	0.24
2018Q1	0.34	0.53	0.52	0.53	0.24

Source: Equifax and CMHC calculations

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

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2013Q1	0.42	0.28	0.29	0.23	0.08
	0.45	0.27	0.23	0.14	0.12
	0.41	0.29	0.24	0.14	0.14
2014Q1	0.43	0.29	0.25	0.16	0.24
	0.38	0.25	0.23	0.12	0.22
	0.42	0.43	0.26	0.18	0.24
	0.33	0.40	0.33	0.15	0.32
2015Q1	0.36	0.44	0.35	0.19	0.32
	0.44	0.40	0.38	0.17	0.48
	0.40	0.42	0.37	0.23	0.41
	0.50	0.50	0.36	0.27	0.41
2016Q1	0.45	0.50	0.40	0.28	0.43
	0.51	0.58	0.43	0.39	0.38
	0.49	0.56	0.51	0.38	0.30
	0.53	0.51	0.49	0.42	0.33
2017Q1	0.58	0.57	0.43	0.36	0.18
	0.56	0.56	0.54	0.45	0.23
	0.65	0.58	0.53	0.45	0.31
	0.75	0.53	0.47	0.41	0.22
2018Q1	0.72	0.52	0.49	0.4	0.35

Source: Equifax and CMHC calculations

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

	Mortgage holders			Consumers without a mortgage		
Date	Auto loans	LoC	Credit cards	Auto loans	LoC	Credit cards
2017Q1	0.80	0.68	1.30	5.82	1.33	2.46
2018Q1	0.83	0.75	1.20	5.11	1.26	2.18

Source: Equifax and CMHC calculations

Figure 4
Average Equifax Risk Score among mortgage holders
Selected Prairies CMAs

Date	Calgary	Edmonton	Saskatoon	Regina	Winnipeg
2013Q1	761	758	764	761	763
	761	757	762	758	762
	761	757	761	758	760
2014Q1	761	757	762	758	761
	763	759	763	760	762
	763	759	763	760	762
	763	759	763	759	762
2015Q1	764	759	762	760	763
	763	759	762	759	762
	762	758	761	759	762
	763	758	761	759	762
2016Q1	764	759	763	760	763
	764	759	762	760	763
	763	758	760	758	762
	763	758	760	758	763
2017Q1	765	760	762	759	764
	765	760	762	759	765
	765	760	761	759	764
	765	760	762	759	765
2018Q1	766	761	763	760	766

Source: Equifax and CMHC calculations

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

Date	Calgary	Edmonton	Saskatoon	Regina	Winnipeg
2017Q1	33	30	29	32	29
2018Q1	33	30	32	33	29

Source: Equifax and CMHC calculations

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

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2017Q1	1475	523	71	237	476
2018Q1	1497	531	70	230	535

Source: Equifax and CMHC calculations