Canada CMHC SCHL

Key mortgage and consumer credit indicators – Q1 2019*

MORTGAGE

Number of new loans (thousands)

New loans **21.0** ↓ 24.7%

Average balance (thousands of $)

New loans **356** ↓ 5.43%

All loans **287** ↑ 2.58%

Delinquency rate (%)

All loans **0.17%** STABLE

Average payment ($)

New loans **1,876** ↓ 0.76%

All loans **1,650** ↑ 4.68%

Volume of new mortgage loans declined while mortgage balance and monthly obligation increased for all mortgage holders in BC, partly due to rising interest rates.

HELOC

Average balance (thousands of $)

All loans **124** ↓ 0.1%

Utilization rate (%)

All loans **56.7** ↓ 0.5 ppt**

Deliquency rate (%)

All loans **0.12%** ↑ 0.01 ppt**

While HELOC holders utilized smaller proportion of their HELOC limit on average in Q1 2019, they became slightly more likely to be delinquent on HELOC loans.

OTHER DEBT

Average balance ($)

Consumer with a mortgage **9,045** ↑ 3.87%

Consumer without a mortgage **7,873** ↑ 4.76%

Deliquency rate (%)

Consumer with a mortgage **0.49%** ↓ 0.02 ppt**

Consumer without a mortgage **2.4%** ↑ 0.09 ppt**

British Columbians increased their other debt burden while the delinquency rates trended downward for mortgage holders.

* 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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"Fewer British Columbians applied for new mortgage loans in the first quarter of 2019 due to rising interest rates and tighter mortgage rules. As a result, mortgage balances and monthly obligations became higher on average, and fewer HELOC loans were utilized. Despite a high level of indebtedness, consumers maintained high credit scores while keeping the delinquency rates low and stable."

Pershing Sun
Senior Analyst, Economics

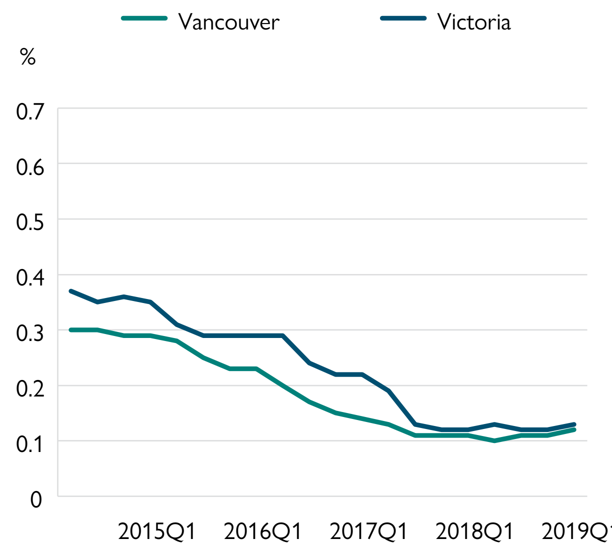
Mortgage and consumer credit trends

Delinquency rates in Vancouver and Victoria remained low and stable

- In the first quarter of 2019, 0.13% of outstanding mortgages in Victoria were delinquent, up slightly from 0.12% in the first quarter of 2018. After stabilizing at or under 0.11% for the past six quarters, Vancouver's delinquency rate also saw a slight increase from 0.11% in Q1 2018 to 0.12% in Q1 2019. The delinquency rate for both Vancouver and Victoria remained below the provincial level of 0.17%.
- The delinquency rates in Vancouver and Victoria have been experiencing steady decline since 2014 but have remained relatively stable at the level of 0.1% since Q3 2017. This is supported by economic fundamentals including strong employment and population growth, as well as low interest rates and appreciation of home values in all market segments.
- The recent slow-down in certain segments of the BC resale market, especially Vancouver, combined with rising interest rates, has contributed to a slower growth in the total number of mortgage loans in BC, contributing to the relatively steady trend of the delinquency rate in the two major regions in the province.

Figure 1

Mortgage delinquency rates (%)
Selected British Columbia CMAs



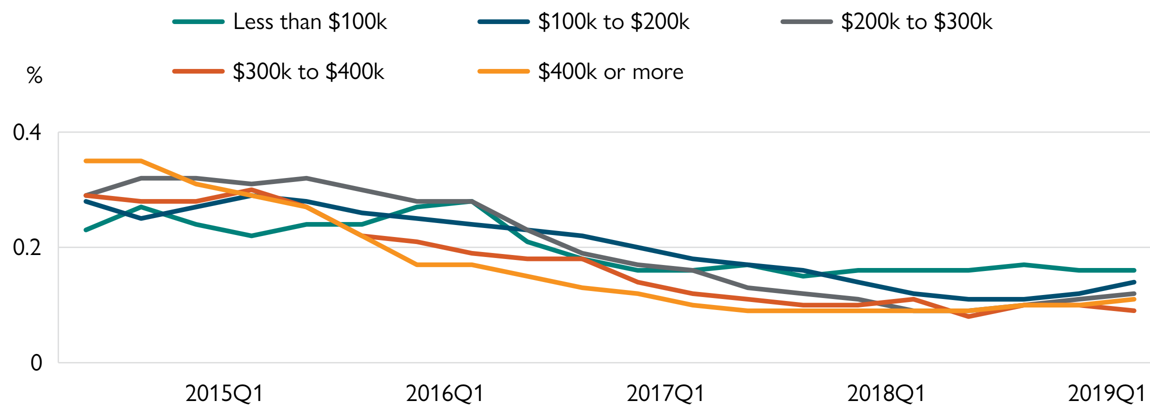
Sources: Equifax and CMHC calculations

Mortgage delinquency rates of all loan ranges continued to be low while the share of delinquent mortgages with smaller loan amounts remained elevated in Vancouver

- The trend in mortgage delinquency rates across all mortgage limits at origination has been flat over the past four quarters in both Vancouver and Victoria after consistent decline since 2014, especially for mortgages with limits higher than $300k, where the rates remained at approximately 0.1%. However, in Vancouver, the delinquency rates of mortgages with limits between $100k and $200k increased from 0.12% in Q1 2018 to 0.14% in Q1 2019, and those with limits between $200k and $300k increased from 0.09% to 0.12%. Comparatively, delinquency rates of mortgage with limits at $100k-$200 in Victoria remained relatively higher at 0.19%, coming down from over 0.2% in the past three quarters.
- Both regions' small mortgage loans continued to have the largest share of delinquency in Q1 2019. The delinquency rates of mortgage with limit lower than $100k in Vancouver is 0.19%, whereas Victoria's largest share of delinquent mortgage occurred in those with limit between $100k and $200k.

Figure 2

Mortgage delinquency rates (%) By mortgage limit at origination - Vancouver CMA



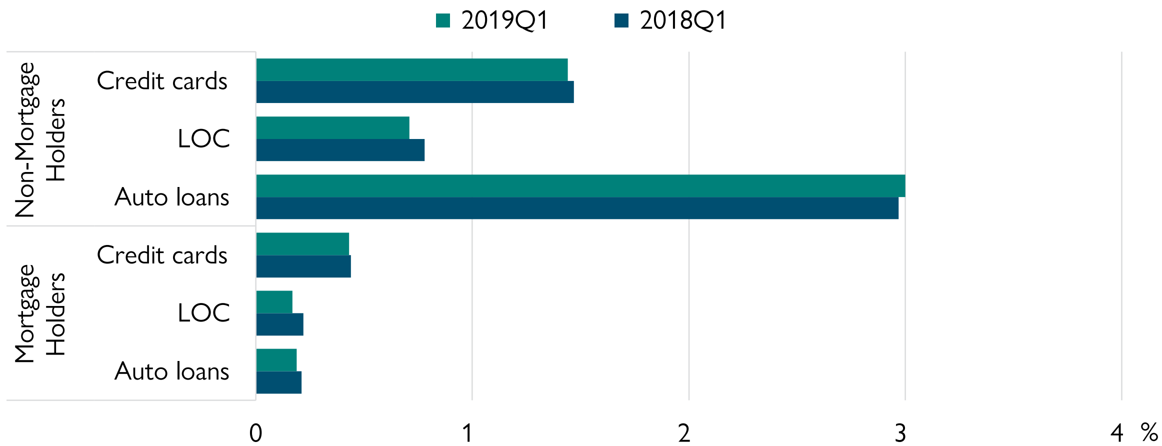
Sources: Equifax and CMHC calculations

Credit delinquency rates lower for mortgage holders in Victoria

- Mortgage holders in both Victoria and Vancouver continued to have lower delinquency rates across all credit products compared to non-mortgage holders. In particular, delinquency rates of all credit products held by non-mortgage holders in Victoria declined in Q1 2019 compared to last year. Similar trends are seen amongst mortgage holders in Vancouver, except for those who incurred higher delinquency rates with credit cards loans.
- In Q1 2019, the delinquency rates of Line of Credit loans were the lowest compared to other credit products held by either mortgage holders or non-mortgage holders in both Vancouver and Victoria.
- The auto loans held by non-mortgage holders remained as the credit products with the highest delinquency rates in both Victoria and Vancouver.

Figure 3

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



Sources: Equifax and CMHC calculations

Mortgage holders continue to have excellent credit scores in both Vancouver and Victoria

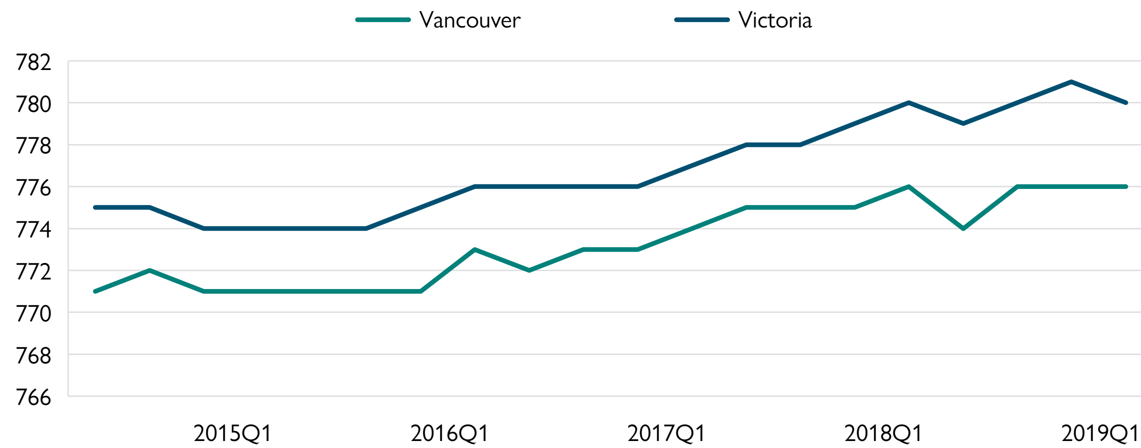
- Vancouver and Victoria's average Equifax Risk Score among mortgage holders remained relatively steady after a slight dip in early 2018, ending at 776 and 780 respectively, in Q1 2019, which are higher than the national level of 767 and provincial level of 773.
- A score of 750 is considered excellent. The relatively higher scores in Vancouver and Victoria partially account for the relatively low mortgage delinquency rates. Continued strengthening of the economy in both regions, as well as strong labor market growth have helped keeping the scores at an excellent level since 2015.

Share of consumers with a mortgage loan remain unchanged

- In Q1 2019, the share of consumers carrying a mortgage remained the same as in Q1 2018 at 27%, in both Vancouver and Victoria, which is lower than the share on the national (29%) and provincial levels (28%).
- The relatively stable share of consumers with mortgage loans could be attributed to the recently tightened mortgage rules that reduce the possibility for applicants with lower credit scores to obtain a mortgage, as well as the greater role of wealth in home purchases in Vancouver rather credit.

Figure 4

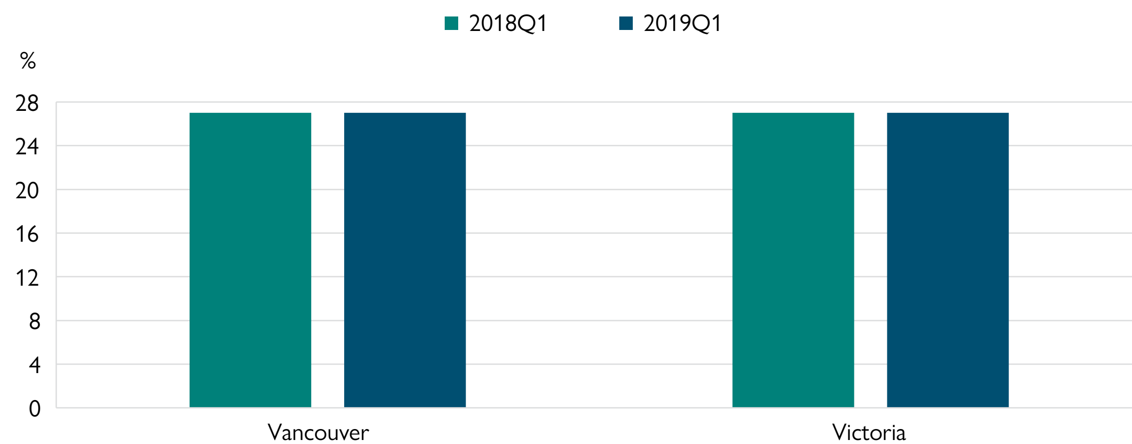
Average Equifax Risk Score among mortgage holders
Selected British Columbia CMAs



Sources: Equifax and CMHC calculations

Figure 5

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



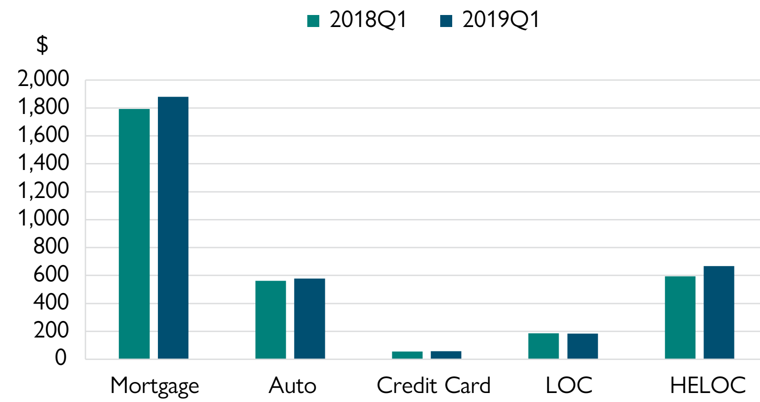
Sources: Equifax and CMHC calculations

Mortgage payments remained the greatest monthly obligation on average in both Vancouver and Victoria

- The average monthly mortgage payment grew by 4.8% year-over-year in Q1 2019, reaching a level of $1,881 in Vancouver. Similar growth was seen in Victoria, where average mortgage payment grew by 4.9% year-over-year, reaching a level of $1,628 in Q1 2019. The greatest growth were in the HELOC's average payment at 12% in both Vancouver and Victoria in Q1 2019.
- In general, average monthly payments of the majority of credit products in both Vancouver and Victoria have increased by at least 3%, except for that of the LOC loans which declined by 0.5% year over year.
- While HELOC balances decreased year-over-year, rising interest rates contributed to the growth in the average monthly payment, as well as the payment of other credit products. Although it appears that the average payment of credit card loans is the lowest, it is important to note that this amount is calculated based on the minimum required payment rather than the actual credit card balance.

Figure 6

Average monthly obligations ($)
Per consumer, by type of credit - Vancouver CMA



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 British Columbia CMAs

Date	Vancouver	Victoria	Abbotsford-Mission	Kelowna
2014Q2	0.30	0.37	0.66	0.55
2014Q3	0.30	0.35	0.61	0.56
2014Q4	0.29	0.36	0.64	0.47
2015Q1	0.29	0.35	0.57	0.54
2015Q2	0.28	0.31	0.55	0.51
2015Q3	0.25	0.29	0.44	0.43
2015Q4	0.23	0.29	0.38	0.38
2016Q1	0.23	0.29	0.35	0.38
2016Q2	0.20	0.29	0.30	0.34
2016Q3	0.17	0.24	0.27	0.35
2016Q4	0.15	0.22	0.23	0.37
2017Q1	0.14	0.22	0.23	0.33
2017Q2	0.13	0.19	0.18	0.28
2017Q3	0.11	0.13	0.17	0.26
2017Q4	0.11	0.12	0.16	0.21
2018Q1	0.11	0.12	0.14	0.19
2018Q2	0.10	0.13	0.15	0.21
2018Q3	0.11	0.12	0.14	0.20
2018Q4	0.11	0.12	0.11	0.21
2019Q1	0.12	0.13	0.10	0.22

Sources: Equifax and CMHC calculations

Figure 2: Mortgage delinquency rates (%)
By mortgage limit at origination - Vancouver CMA

Date	Less than $100k	$100k to $200k	$200k to $300k	$300k to $400k	$400k or more
2014Q2	0.23	0.28	0.29	0.29	0.35
2014Q3	0.27	0.25	0.32	0.28	0.35
2014Q4	0.24	0.27	0.32	0.28	0.31
2015Q1	0.22	0.29	0.31	0.30	0.29
2015Q2	0.24	0.28	0.32	0.27	0.27
2015Q3	0.24	0.26	0.30	0.22	0.22
2015Q4	0.27	0.25	0.28	0.21	0.17
2016Q1	0.28	0.24	0.28	0.19	0.17
2016Q2	0.21	0.23	0.23	0.18	0.15
2016Q3	0.18	0.22	0.19	0.18	0.13
2016Q4	0.16	0.20	0.17	0.14	0.12
2017Q1	0.16	0.18	0.16	0.12	0.10
2017Q2	0.17	0.17	0.13	0.11	0.09
2017Q3	0.15	0.16	0.12	0.10	0.09
2017Q4	0.16	0.14	0.11	0.10	0.09
2018Q1	0.16	0.12	0.09	0.11	0.09
2018Q2	0.16	0.11	0.09	0.08	0.09
2018Q3	0.17	0.11	0.10	0.10	0.10
2018Q4	0.16	0.12	0.11	0.10	0.10
2019Q1	0.16	0.14	0.12	0.09	0.11

Sources: Equifax and CMHC calculations

Figure 3: Credit delinquency rates (%) for mortgage holders and consumers without a mortgage - Victoria CMA

	Mortgage Holders			Non-Mortgage Holders		
Date	Auto loans	LOC	Credit cards	Auto loans	LOC	Credit cards
2018Q1	0.21	0.22	0.44	2.97	0.78	1.47
2019Q1	0.19	0.17	0.43	3.00	0.71	1.44

Sources: Equifax and CMHC calculations

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

Date	Vancouver	Victoria	Abbotsford-Mission	Kelowna
2014Q2	771	775	763	763
2014Q3	772	775	763	764
2014Q4	771	774	762	763
2015Q1	771	774	763	763
2015Q2	771	774	763	763
2015Q3	771	774	762	763
2015Q4	771	775	763	763
2016Q1	773	776	764	765
2016Q2	772	776	765	765
2016Q3	773	776	766	765
2016Q4	773	776	767	767
2017Q1	774	777	769	768
2017Q2	775	778	769	769
2017Q3	775	778	770	769
2017Q4	775	779	771	770
2018Q1	776	780	771	772
2018Q2	774	779	770	770
2018Q3	776	780	772	772
2018Q4	776	781	772	771
2019Q1	776	780	773	771

Sources: Equifax and CMHC calculations

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

Date	Vancouver	Victoria	Abbotsford-Mission	Kelowna
2018Q1	27	27	34	29
2019Q1	27	27	33	29

Sources: Equifax and CMHC calculations

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

Date	Mortgage	Auto	Credit Card	LOC	HELOC
2018Q1	1,794	562	55	186	594
2019Q1	1,881	577	57	185	667

Sources: Equifax and CMHC calculations