



Archived Content

Information identified as archived is provided for reference, research or recordkeeping purposes. It is not subject to the Government of Canada Web Standards and has not been altered or updated since it was archived. Some of this archived content is available only in one official language. Translation by CMHC can be requested and will be provided if demand is sufficient.

Contenu archivé

Le contenu identifié comme archivé est fourni à des fins de référence, de recherche ou de tenue des dossiers; il n'est pas assujéti aux normes Web du gouvernement du Canada. Aucune modification ou mise à jour n'y a été apportée depuis son archivage. Une partie du contenu archivé n'existe que dans une seule des langues officielles. La SCHL en fera la traduction dans l'autre langue officielle si la demande est suffisante.

Ca1
MH
M51
2006 c.
1



2006 Mortgage Consumer Survey

Everything you need to open new doors.

Canada





You, your client, and CMHC

When your goal is to comprehensively serve existing clients and find new ones, it's re-assuring to know that you're backed by the wealth of Canada Mortgage and Housing Corporation (CMHC) information, insight, and industry-leading tools. Only CMHC delivers this complete support – support you need to confidently grow your business. After all, your clients aren't the only people who are looking towards the future.

The 2006 Mortgage Consumer Survey is a tool to help you identify opportunities to grow your business and build stronger relationships with your client.

Disclaimer

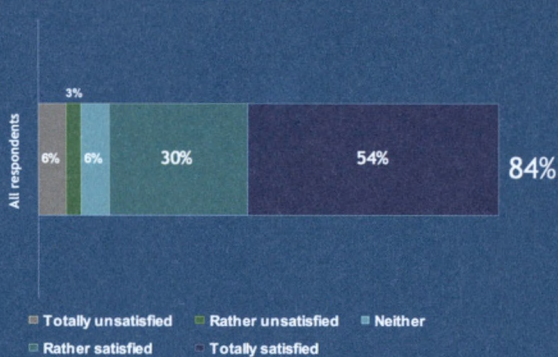
- ©2007 Canada Mortgage and Housing Corporation. All rights reserved. This presentation material is the property of Canada Mortgage and Housing Corporation. This presentation material may not be reproduced, copied or distributed, in whole or in part, in any form, without the prior written permission of Canada Mortgage and Housing Corporation.
- The information, analyses and opinions contained in this presentation material are based on various sources believed reliable, but their accuracy, completeness and currency cannot be guaranteed. This presentation material is not intended to provide specific advice or recommendations for any individual or entity, and should not be relied upon in that regard. Neither CMHC nor its employees, agents and advisors shall have any liability for actions or decisions taken based in whole or part on any information or analysis in this presentation material.
- Results for entire sample are accurate to + or – 2.1%, 19 times out of 20.

Canadians are well served by the mortgage industry

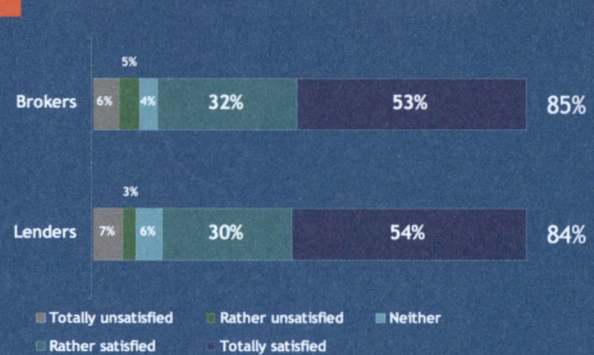
cal
MH
MSI
2006
c.1



Majority of Canadians satisfied with the service of their mortgage originator.



Brokers and lender meeting the needs of Canadian borrowers.



Satisfaction with Lenders and Brokers remains high

In 2006, the vast majority of mortgage consumers were satisfied with the services provided by either their mortgage lender or mortgage broker. The 2006 results show that **84%** of respondents who used a lender for their most recent transaction indicated that they were satisfied with service provided; and a similar level of client satisfaction was observed among those who used a mortgage broker for their most recent transaction. When asked about their preference for a mortgage provider, **86%** of respondents indicated that it is somewhat or very important that their lender be a Canadian institution.

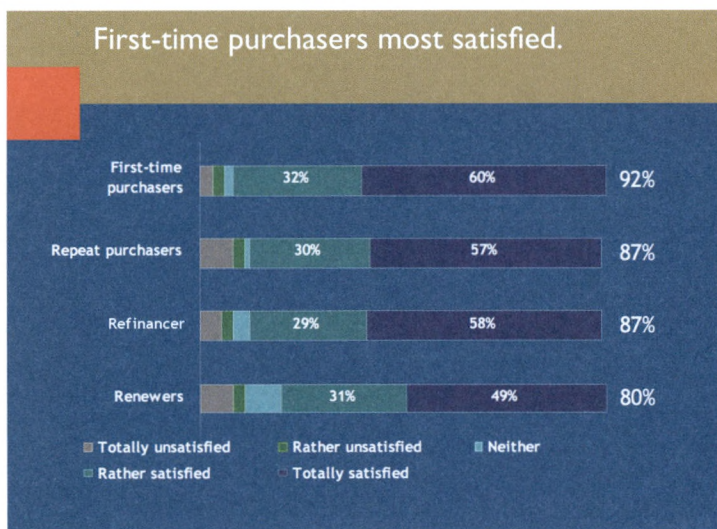
Looking at opportunities to improve

Given the high level of satisfaction, it is understandable that more than half of respondents suggested no improvements in service were necessary. A small minority indicated that there was a need for more information and education for clientele, or that better customer service could have improved their mortgage experience.

It should be noted that nearly half are less than totally satisfied with the services provided by lenders and brokers. As a result an opportunity exists to increase the proportion of consumers who are totally satisfied when conducting a mortgage transaction.



Who's satisfied – and why



First-time purchasers were most satisfied with their mortgage experience: **92%** were either rather or totally satisfied.

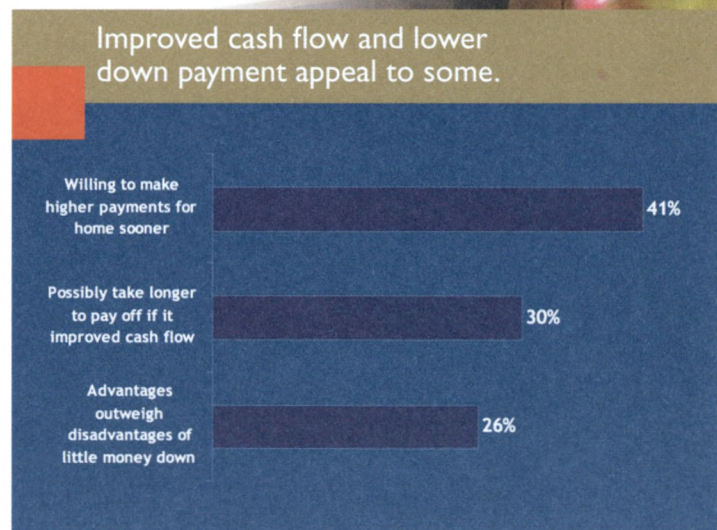
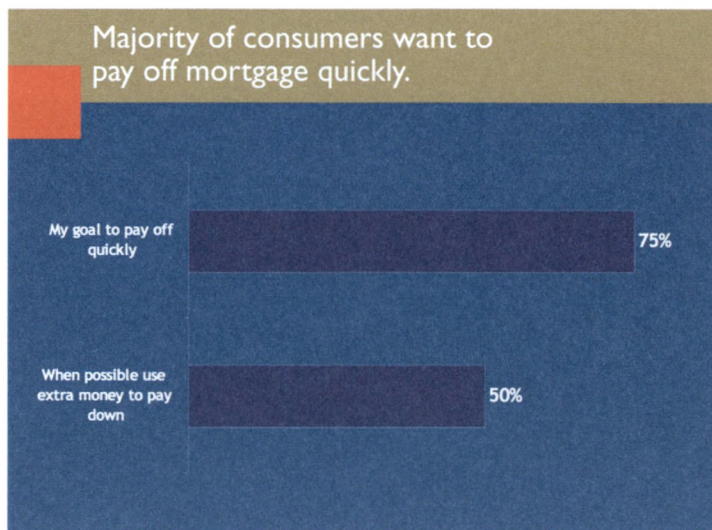
Satisfaction levels in all other segments are also positive. These results in 2006 are attributable to strong personal relationships between borrowers and mortgage originators. Knowing that a knowledgeable mortgage service provider is there to listen, explain options, and help arrive at the best deal possible gives borrowers peace of mind and contributes to high satisfaction levels.

Reaching out to the minority

Yet there is always room to improve. A portion of consumers still find the experience stressful. As well some consumers feel they must double-check the advice they receive and also had to fight to get the best deal for their needs.



Mortgage consumers are cautious about debt



Canadian mortgage consumers clearly indicated they are cautious when managing their mortgages. Three-quarters of all respondents (**75%**) said they wanted to pay their mortgages off as quickly as possible. Young, first-time homebuyers felt this way particularly.

In line with this finding, **50%** of respondents said that they intended to use any extra money to pay down the principal on their mortgage whenever possible. Again, this is higher among first-time purchasers.

Inclined to avoid uncertainty

The risk aversion of Canadian mortgage consumers is confirmed by their lesser agreement with statements about risk and uncertainty. For instance: about four in ten agreed they would be willing to make higher mortgage payments if it helped them buy a home sooner with a smaller down payment. Just **26%** felt that the potential advantages of putting as little money down as possible outweighed the disadvantages, and only **30%** would take longer to pay off their mortgage if it improved their monthly cash flow.

On the other hand, the **25%** to **30%** or so of active mortgage consumers desiring more flexible options can be well served by many of the new products on the market, such as the CMHC Flex 100 product and CMHC longer amortization periods.

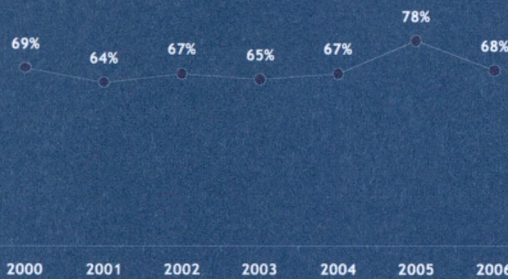
Leveraging home equity

When refinancing their mortgage, almost half of consumers were interested in taking advantage of lower interest rates while also obtaining new funds. Another **13%**, cited their main reason for refinancing was to solely lower their mortgage rate. In addition, a minority of **25%** stated that their only reason for refinancing was to use their home's equity to obtain new funds. Furthermore, mortgage-free homeowners seem increasingly willing to leverage their home equity to access low-cost funds (**12%** in 2006 compared to **4%** in 2004).

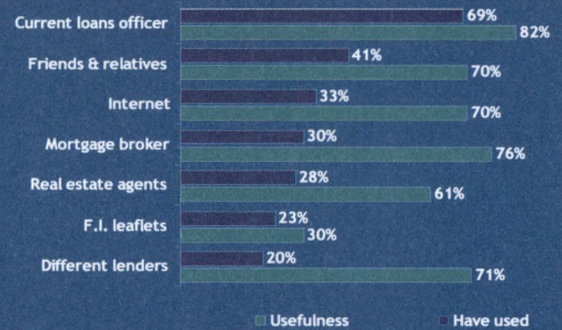
Personal connections are important

Personal relationships are essential.

"Establishing a personal relationship with a service representative is an essential part of mortgage negotiations"



Current lender contacts top the list of useful sources.



A strong majority of respondents agreed that it is essential to have a personal relationship with a lender when negotiating a mortgage – and this has been consistent over time.

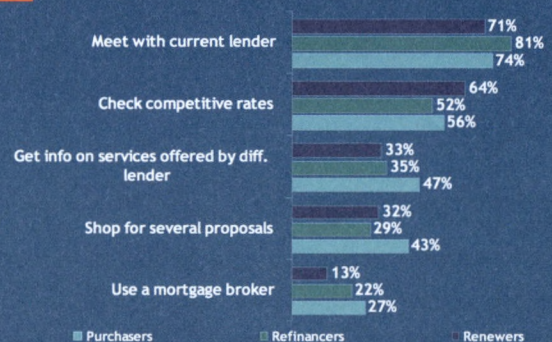
A familiar lender loans officer is felt to be a reliable source of information (**69%** use this source) and the majority who look to their present loans officer for guidance and information find the information provided to be useful (**82%**).

While the current loans officer predominates, other personal sources such as friends and relatives, mortgage brokers, and other lenders are also important. Consumers also find these to be useful resources.

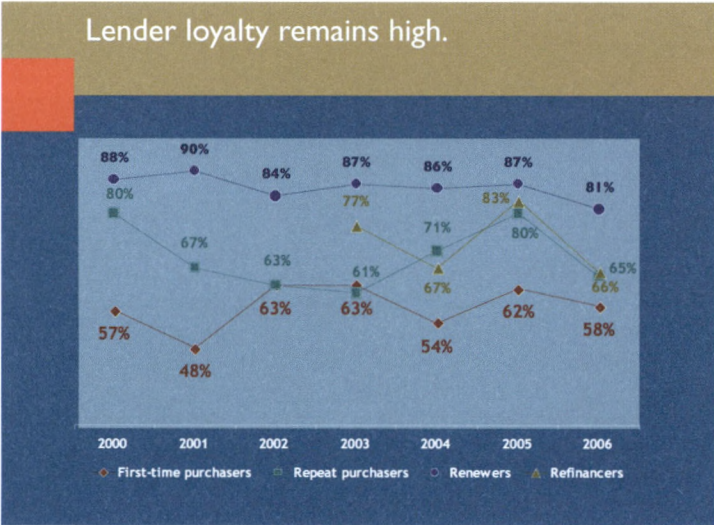
The Internet is used by one-third of mortgage consumers and also ranks as a highly useful source.

Among various mortgage “shopping behaviours,” meeting with their current lender continues to be the most common thing consumers do when looking for a mortgage. For this reason, lenders should regard such meetings as a prime opportunity to acquire or retain the business of purchasers, renewers and refiners.

Current lender relationship is essential.



Looking at loyalty



Service is key to retaining customers.

Segment	Reasons for <i>Staying</i> with Current Lender		
	Service	Relationship	Rate
Renewers	50%	21%	42%
Refinancers	49%	24%	33%
First-time purchasers	10%	31%	25%
Repeat purchasers	42%	41%	25%

The majority of respondents continue to remain loyal to their existing lender as seen in the generally high levels of lender loyalty, which are in the range of **60% to 80%**.

At the same time, however, consumers showed a greater propensity to switch lenders in 2006 than in 2005. This was especially pronounced in the refinance and repeat purchase segments.

Why consumers choose to stay

Service and relationship were the most important reasons why mortgage consumers chose to stay with their current lender in 2006.

Among those who stayed, the combination of service and relationship were far weightier reasons than interest rate. The exception to this was among first-time purchasers in 2006, where service was not viewed as strongly as a reason for staying with an existing financial institution. First-time buyers also have the highest incidence of switching when obtaining their first mortgage.



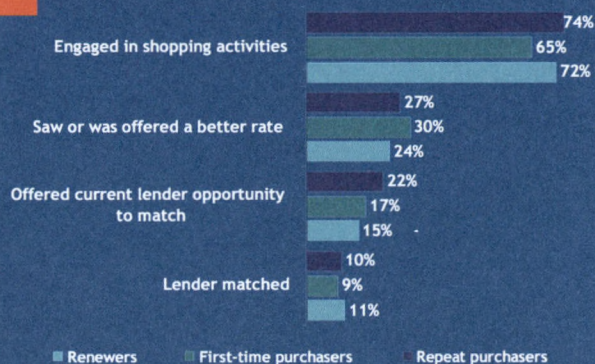
Renewers are becoming more proactive

Borrowers are becoming more proactive when renewing.

- 50% renewed with lender's original offer
- 25% renegotiated at least one item
- 19% switched to another lender
- 6% undertook another transaction



Rate matters, since consumers do shop around.



Renewers are highly inclined to rely on and continue to do business with their current lender, as seen with the high level of lender loyalty among renewers (**81%**).

However, there is an increasing tendency for renewers to negotiate changes to the lender's written offer and not just accept the first offer in the mail. In 2006 only **50%** of renewers said they renewed based essentially on their lender's original offer. While this is the same proportion as in 2005, it is a significant drop compared to the **69%** observed in 2003, and significantly lower than the levels observed since the beginning of the study.

Renewers wishing to negotiate may be motivated by the very competitive mortgage environment, higher uncertainty about future rates, and the higher number of options available, including refinancing. Among the group that renegotiated, just over half renegotiated the interest rate and about one-sixth reduced their mortgage balance.

Doing the research

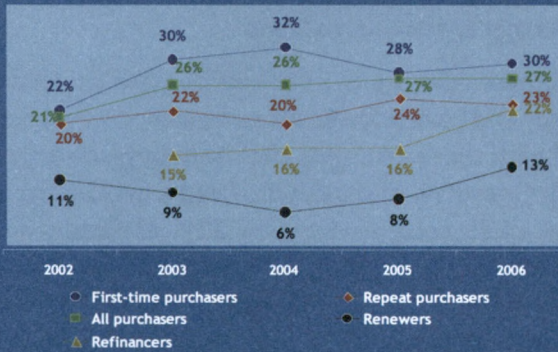
A majority of consumers actively explore alternatives – basically, “checking out the competition.” The survey showed that collectively **70%** of all recent purchasers and renewers did at *least* one of three things: checked competitive interest rates; got information from other lenders; or shopped actively for options.



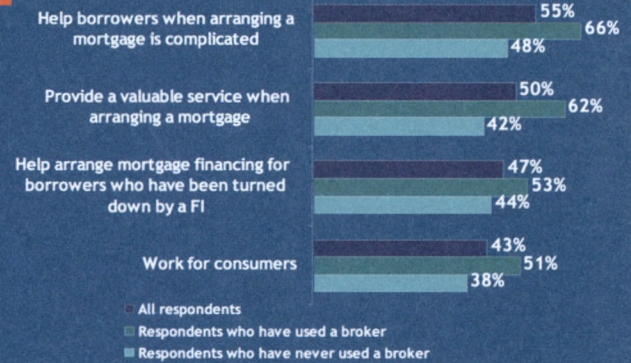
Canadians appreciate a vibrant mortgage marketplace



Mortgage brokers remain popular.



Mortgage brokers well regarded by consumers.



In 2006, broker market share among all purchasers was stable at **27%**, the same as in 2005. First-time buyers continued to be a key market segment for brokers, with **30%** of those buyers relying on a mortgage broker.

Brokers: usage breakdown

The use of brokers among first-time buyers has increased from **22%** in 2002 to its current level of **30%**. Among repeat buyers and those refinancing their mortgage, almost one-quarter used the services of a broker.

Comparatively, broker penetration among renewers continues to be lower. However, in the past year, it has increased and now stands at **13%**. In 2006 broker penetration among those refinancing a mortgage also increased to **22%**

It is worth noting that, in 2006, **80%** of respondents said they knew what a mortgage broker was – this is up from the traditional **70%** noted in recent years.

Attitudes toward brokers

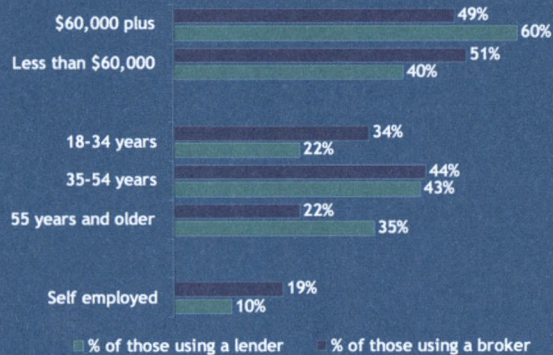
Consumer attitudes towards mortgage brokers have continued to improve in recent years. About half of all consumers who know what a mortgage broker is felt brokers provide a valuable service when arranging a mortgage. (This is up 13 points from 2001), and **27%** agree that brokers are among the best to advise on a mortgage. (This is up 9 points from 2001). Those who have actually used a broker hold more positive attitudes towards brokers than do mortgage consumers who have not.

While knowledge about brokers is steadily growing, it is not translating into a significantly greater use of brokers among purchasers. It may, however, be having a positive impact in the renewer and refinance markets.



The importance of knowing your customer

Know your customer.



There are some interesting differences in the demographic profile of those who use mortgage brokers and those who use lenders.

Demographic analysis

Consumers who use the services of a broker tend to be younger and have a lower household income when compared with those arranging their mortgage directly with a lender. One-third of those who used a broker are under the age of 35, compared to only **22%** of those who used a lender directly. About half (**51%**) of all broker clients had household incomes of less than \$60,000 per year, while **60%** of those dealing directly with a lender had household incomes in excess of \$60,000 per year.

Mortgage brokers are having higher success among mortgage consumers who are self-employed. Almost **20%** of all broker business is generated from self-employed clients. In comparison, self-employed clients comprise only **10%** of lender business.

Since 1999 the CMHC Mortgage Consumer Survey has been conducted annually to provide insights into the changing attitudes and behaviours of Canadian mortgage consumers. The survey explores the dynamics of consumer choice, mortgage shopping behaviour, refinancing and lender loyalty. Consumer usage and attitudes towards mortgage brokers are also captured and analyzed.


The survey is based on a national probability sample of 2,383 active mortgage consumers who have recently undertaken a mortgage transaction or are planning to do so. For the purpose of this study active mortgage consumers are defined as:

First-time purchasers: Have purchased their first home in the last 12 months or are planning to buy in the next 12 months.

Repeat purchasers: Previously owned a home and have purchased a home in the last 12 months or will buy in the next 12 months.

Mortgage renewers: Will renew their mortgage in the next 9 months or have renewed in the last 9 months.

Mortgage refinancers: Have refinanced their home in the last 12 months.

A photograph of two young women sitting on a subway bench. They are both smiling and looking at each other. The woman on the left has dark hair and is wearing a dark jacket over a white top and blue jeans. The woman on the right has blonde hair and is wearing a light-colored top, a dark jacket, and blue jeans. They are sitting next to a large pillar with yellow and black horizontal stripes. The background shows a subway station with a tiled ceiling and other pillars.

The big picture

Key point review

- Canadians are **well served** by the mortgage industry
- Mortgage consumers are **cautious about debt**
- Personal **connection highly important** to consumers
- Mortgage consumers have **high expectations**
- Canadians **appreciate a vibrant mortgage marketplace** of brokers and lenders



65363

Canada 

www.cmhc.ca

