

# Residential Mortgage Industry Dashboard

Fall 2020

*This report provides insights into the residential mortgage industry through analysis of the most recently available data for 2020. Even though significant changes can be expected in the coming quarters on account of the economic disturbance resulting from the COVID-19 pandemic, monitoring market indicators before and during this period is crucial to understanding and measuring the impacts.*

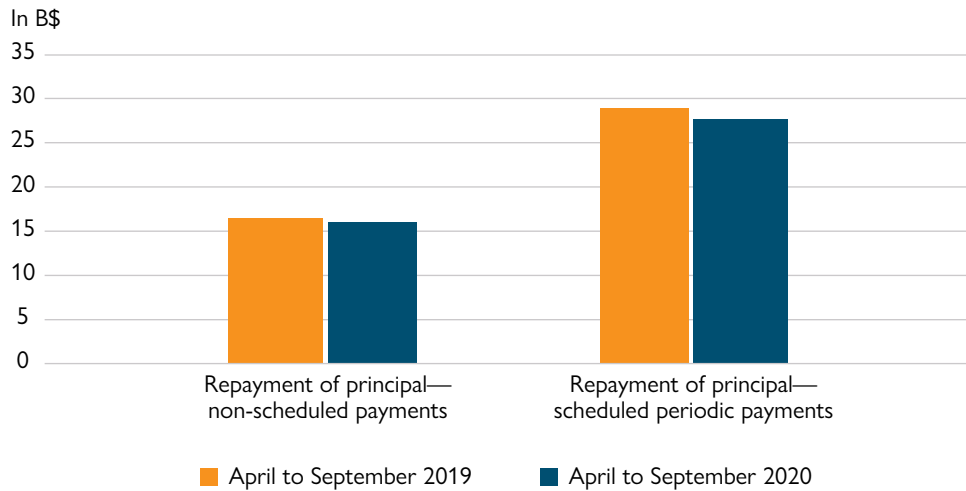
- At the end of the second quarter,<sup>1</sup> credit unions, mortgage finance companies (MFCs) and mortgage investment entities (MIEs) have allowed mortgage deferral agreements for about 6%, 7% and 7% of their respective residential mortgage portfolios.
- Chartered banks have allowed 16% of mortgages to go into deferral since the beginning of the pandemic. Of these, close to 2 out of 3 borrowers had resumed payments on their mortgages at the end of the third quarter of 2020.<sup>2</sup> In the coming months, we could see higher delinquency rates if some borrowers are unable to resume their payments and that these mortgages have to be booked as arrears.
- These deferral agreements have affected financial institutions' cash flows, with reductions of 4% in scheduled mortgage payments and 3% in non-scheduled payments (accelerated monthly payments and lump-sum payments) (see figure 1).
- While remaining at low levels, mortgages in arrears (90 or more days delinquent) have increased slightly between the first and second quarters of 2020, from 0.24% to 0.26%, on average, for chartered banks, and from 0.23% to 0.26%, on average, for non-bank mortgage lenders.<sup>3</sup> We also observe an increase in early-stage delinquencies (31 to 59 days and 60 to 89 days), which suggests that arrears could continue on an upward trend (see figure 2).
- From January to October 2020, chartered banks reported a more than 20% increase in the total value of mortgage originations attributed to Canadian residents compared to the same period in 2019, mainly due to a surge in newly extended mortgages, both for property purchases and refinances. Lower interest rates, coupled with significant increases in housing prices in some Canadian markets, partially explain the increase in mortgage originations, in both numbers and value (see figure 3).
- By contrast, limited mortgage issuances by the largest mortgage investment corporations (MICs) in Canada during the second quarter of 2020 have resulted in slower growth from this segment (0.9%) compared to overall residential mortgage growth in Canada (1.3%). The risk profile of loans issued by MICs remains relatively stable, with an average loan-to-value (LTV) ratio under 70% and around 75% being first mortgages. Interviews with a sample of MIC managers suggest MICs have adopted more restrictive lending, indicating a focus on capital preservation (see table 1).

<sup>1</sup> Source: Statistics Canada, *Survey of Non-Bank Mortgage Lenders, second quarter 2020*

<sup>2</sup> Source: Canadian Bankers Association (<https://cba.ca/fast-facts-on-bank-measures-in-response-to-the-covid-19-pandemic>)

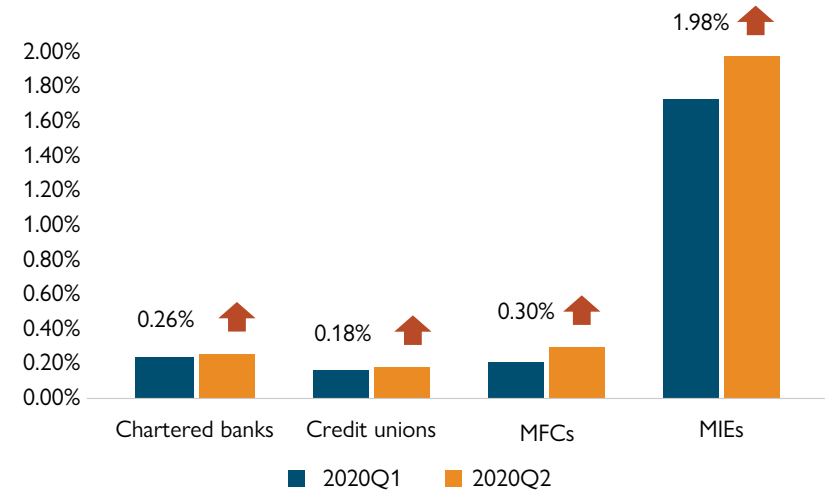
<sup>3</sup> Source: Canadian Bankers Association, *Number of Residential Mortgages in Arrears, May 2020*

**Chart 1 Cash Flows From Both Scheduled and Non-Scheduled Capital Repayment Decrease Due to Mortgage Deferral Agreements**



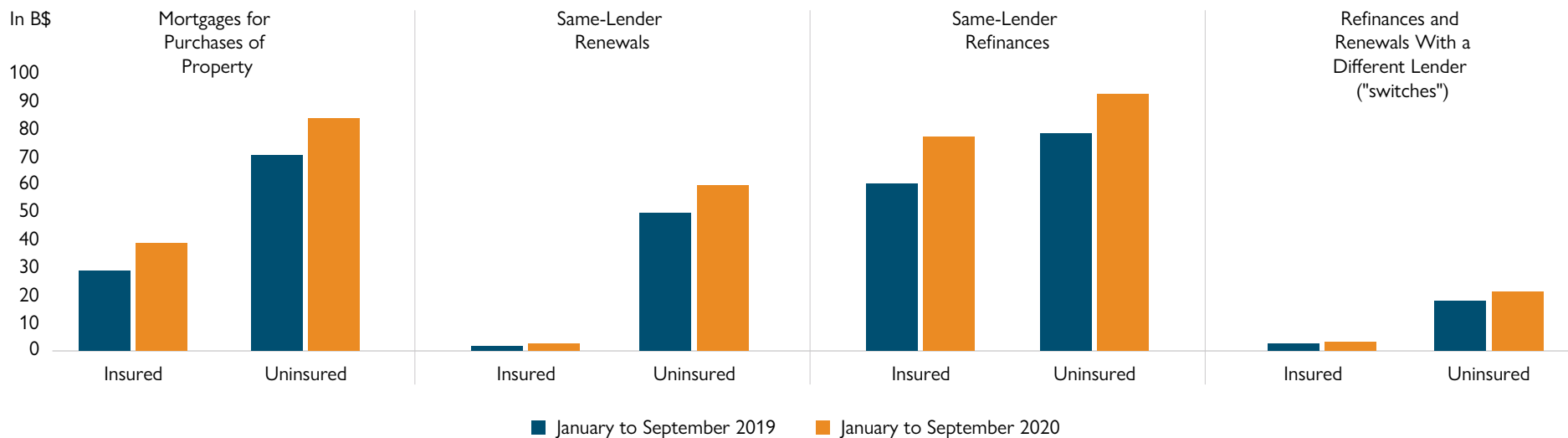
Statistics Canada. CMHC, residential mortgage data reporting of NHA MBS issuers, CMHC calculations

**Chart 2 Mortgages in Arrears (delinquent for 90 or more days) Have Increased for all Lender Types**



Source: Statistics Canada (Survey of Non-Bank Mortgage Lenders, second quarter 2020) and Canadian Bankers Association (Number of Residential Mortgages in Arrears, May 2020)

**Chart 3 Banks Have Reported Increasing Mortgage Activity, Due Mainly to New Mortgages for Property Purchases and Refinances**



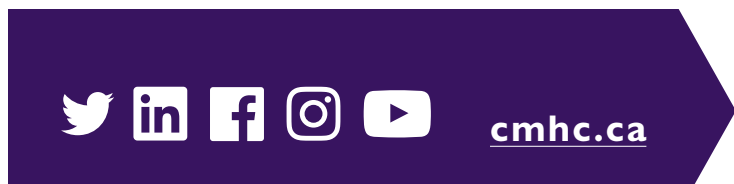
Sources: CMHC, residential mortgage data reporting of NHA MBS issuers, CMHC calculations

Table 1: Key metrics of top 25 MICs in Canada have remained relatively stable

	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020
<b>Average Lending rate</b> - Individuals	9.2%	9.25%	9.28%	9.14%	9.31%
<b>Average share of MIC mortgages that are first mortgages</b> - Individuals	74.53%	74.57%	73.43%	75.15%	75.48%
<b>Average Loan-To-Value (LTV) ratio</b> - Individuals	57.93%	56.43%	56.47%	56.65%	56.68%
<b>Debt-to-capital ratio</b>	17.23%	15.90%	15.70%	14.80%	14.39%
<b>Geographical distribution</b>	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020
British Columbia	37.4%	33.15%	34.74%	36.23%	36.24%
Alberta	9.45%	11.17%	9.75%	7.66%	8.18%
Ontario	46.46%	49.40%	49.18%	49.54%	48.47%
Quebec	-	-	1.97%	2.10%	2.14%
Others	6.76%	6.3%	4.34%	4.48%	4.57%

Source: Fundamentals Research Corp.

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# ALTERNATIVE TEXT AND DATA FOR FIGURES

**Chart 1 Cash Flows From Both Scheduled and Non-Scheduled Capital Repayment Decrease Due to Mortgage Deferral Agreements**

Year	Repayment of principal— scheduled periodic payments	Repayment of principal— non-scheduled payments
April to September 2020	27,818,876	16,015,103
April to September 2019	29,053,795	16,479,281

CMHC, residential mortgage data reporting of NHA MBS issuers, CMHC calculations

**Chart 2 Mortgages in Arrears (delinquent for 90 or more days) Have Increased for all Lender Types**

Lender Types	2020Q1	2020Q2
Chartered Banks	0.24%	0.26%
Credit Unions	0.17%	0.18%
MFCs	0.24%	0.30%
MIEs	1.73%	1.98%

Sources: Statistics Canada (*Survey of Non-Bank Mortgage Lenders, second quarter 2020*) and Canadian Bankers Association (*Number of Residential Mortgages in Arrears, May 2020*)

**Chart 3 Banks Have Reported Increasing Mortgage Activity, Due Mainly to New Mortgages for Property Purchases and Refinances**

Year	Mortgage originations for the purchases of property		Same lender refinancing		Same lender renewals		Refinances and Renewals With a Different Lender ("switches")	
	Insured	Uninsured	Insured	Uninsured	Insured	Uninsured	Insured	Uninsured
January to September 2019	28.70	70.86	2.10	49.67	60.64	78.53	2.40	17.83
January to September 2020	38.88	84.16	2.18	59.64	77.61	92.60	3.20	21.52

Sources: CMHC, residential mortgage data reporting of NHA MBS issuers, CMHC calculations