

Residential Mortgage Industry Dashboard

Fall 2019



Residential mortgage market continues to show slowing growth with activity mainly focusing on renewals with the same lender (Chart 1).



The gap between uninsured and insured mortgage markets narrowing mainly due to a reduction in the growth of uninsured volumes and a stabilization of the insured space (Chart 2).



Low levels of default rates paired with a slow growth of the residential mortgage market, likely attributed to stress test, are improving financial stability.



MIC market size estimated for 2018 at around \$13 billion growing at a stronger pace (+10% y/y) relative to the rest of the sector (+2%). Despite an increasing appetite for second mortgages, this segment is showing improvements in its loss ratios (Table 1).



Gap between fixed and variable rates dropping significantly from previous years reflecting a relevant decrease in long-term funding costs for lenders (Chart 3).



GC bond rates dropping to levels experienced in 2014; a low mortgage rate environment could re-incentivize mortgage credit growth in 2020 (Chart 4).



Growth in the uninsured space could encourage mid-size and smaller financial institutions to more actively use private mortgage backed securities as a source of long-term funding; one example is Home Capital's recent announcement to issue two RMBS deals a year which will add to the list of RMBS participants.

Key insights on 4 different types of lenders in Q2 2019



Market Share 75%
Banks

AVERAGE MORTGAGE*
\$235,300

INTEREST RATE
3.25% - 5.55%

DELINQUENCY RATE
0.23%



Market Share 14%
Credit Unions and
caisses populaires

AVERAGE MORTGAGE*
\$151,900

INTEREST RATE
NA

DELINQUENCY RATE
0.16%



Market Share 6%
Mortgage Finance
Companies (MFCs)

AVERAGE MORTGAGE*
\$247,200

INTEREST RATE
NA

DELINQUENCY RATE
0.26%



Market Share 1%
Mortgage Investment
Corporations (MICs)
and Private Lenders

AVERAGE MORTGAGE*
NA

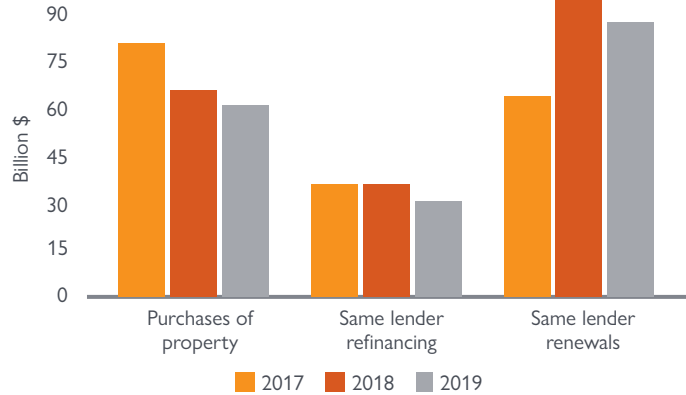
INTEREST RATE
7% - 15%

DELINQUENCY RATE
1.92%

Sources: Canadian Bankers Association, CMHC Residential Mortgage data reporting of NHA MBS issuers, Statistics Canada 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada, Fundamentals Research and CMHC calculations based on the Survey of Non-Bank Mortgage Lenders

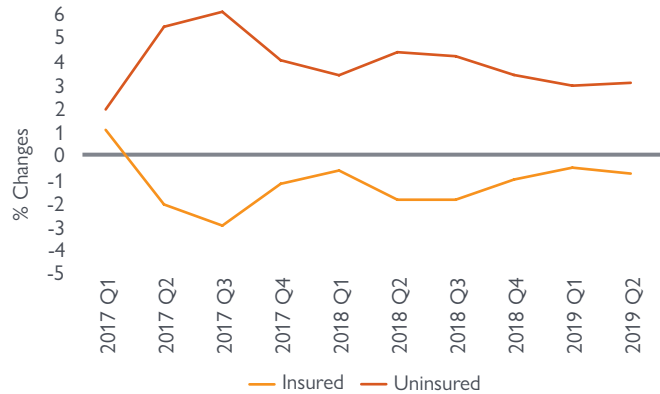
* Average mortgages outstanding

Chart 1 New Mortgage Originations of Chartered Banks – First six months



Sources: CMHC calculations based on Statistics Canada Custom request and CMHC Residential Mortgage data reporting of NHA MBS issuers

Chart 2 Insured and Uninsured Residential Mortgages Outstanding in Canada, Chartered Banks



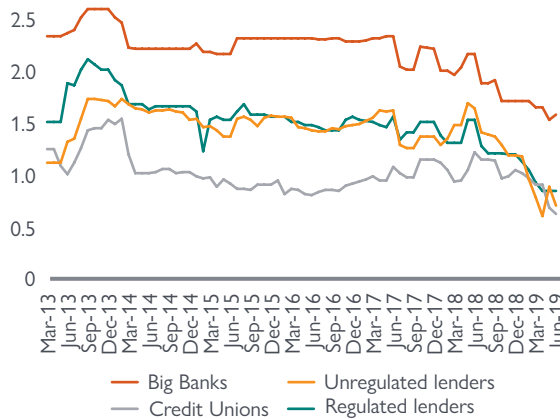
Sources: Statistics Canada. Table 10-10-0134-01 Chartered banks, mortgage loans report, end of period, Bank of Canada (x 1,000,000 \$), CMHC's calculations

Table 1 Insights into Mortgage Investment Corporations (MICs) Market Growth

Insights into Mortgage Investment Corporations (MICs)	2016	2017	2018
Estimated total market size	\$8 B - \$10 B	\$11 B - \$12 B	\$12 B - \$13 B
Mortgage Credit outstanding of 100 MIC Sample	\$6.3 B	\$8.75 B	\$9.49 B
Assets Under Management (AUM) of largest 10 MICs	\$3.9 B	\$5.3 B	\$5.8 B
Assets Under Management (AUM) of largest 25 MICs	\$5.3 B	\$7.1 B	\$7.8 B
Average Lending rate	9.67%	9.63%	9.8%
Range of lending rates	4.5%-15%	4.5%-15%	6.5%-15%
Average Share of 1 st mortgages	67%	66%	65%
Range of share of 1 st mortgages	0-100%	0-100%	0-100%
Range of Loan-To-Value (LTV ratio)	38%-92%	30%-92%	30%-92%
Loan loss Provisions (\$100M+ portfolio)	N/A	0.99%	0.98%
Average loss of mortgage receivables	0.40%	0.6%	0.2%

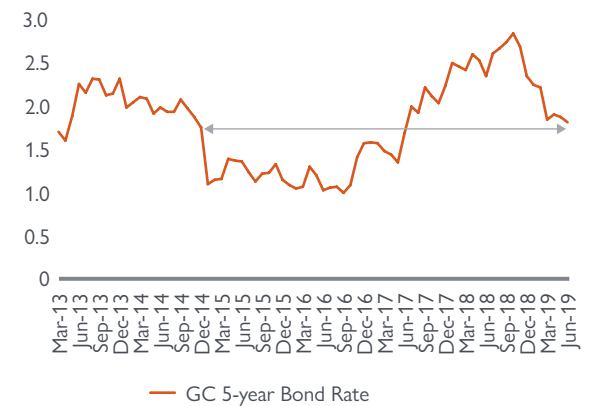
Sources: Fundamentals Research, CMHC calculations

Chart 3 Spreads between Fixed vs Variable Rates



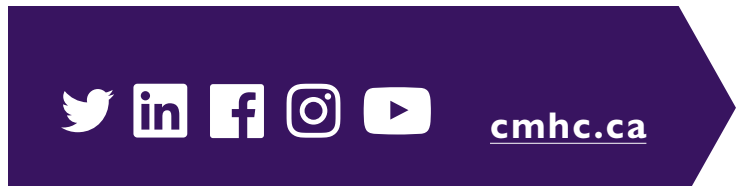
Sources: Cannex, CMHC

Chart 4 Government of Canada 5-year Bond Rate



Source: Bank of Canada

SO4017634 31-10-19



Read the annual Residential Mortgage Industry Report

cmhc.ca/residential-mortgage-industry-report

Although this information product reflects housing experts' current knowledge, it is provided for general information purposes only. Any reliance or action taken based on the information, materials and techniques described is the responsibility of the user. Readers are advised to consult appropriate professional resources to determine what is safe and suitable in their particular case. Canada Mortgage and Housing Corporation assumes no responsibility for any consequence arising from use of the information, materials and techniques described.

ALTERNATIVE TEXT AND DATA FOR FIGURES

Chart 1 New Mortgage Originations of Chartered Banks – First six months (Billion \$)

New Mortgage Originations	2017	2018	2019
Purchases of property	\$79.57	\$64.93	\$60.26
Same lender refinancing	\$35.52	\$35.26	\$30.14
Same lender renewals	\$63.17	\$94.69	\$86.17

Sources: CMHC calculations based on Statistics Canada Custom request and CMHC Residential Mortgage data reporting of NHA MBS issuers

Chart 2 Insured and Uninsured Residential Mortgages Outstanding in Canada, Chartered Banks

	Uninsured	Insured
2017 Q1	0.45%	-0.41%
2017 Q2	3.93%	-3.55%
2017 Q3	4.56%	-4.44%
2017 Q4	2.52%	-2.68%
2018 Q1	1.89%	-2.12%
2018 Q2	2.86%	-3.35%
2018 Q3	2.69%	-3.35%
2018 Q4	1.90%	-2.50%
2019 Q1	1.45%	-2.00%
2019 Q2	1.57%	-2.25%

Sources: Statistics Canada. Table 10-10-0134-01 Chartered banks, mortgage loans report, end of period, Bank of Canada (x 1,000,000 \$), CMHC's calculations

Chart 3 Spreads between Fixed vs Variable Rates

	Big Banks	Regulated lenders	Credit Unions	Unreg. lenders*
Mar-13	1.99	0.78	0.91	1.17
	1.99	0.78	0.91	1.17
	1.99	0.78	0.75	1.17
Jun-13	2.02	0.98	0.67	1.54
	2.05	1.01	0.78	1.52
	2.17	1.20	0.92	1.67
Sep-13	2.25	1.39	1.09	1.77
	2.25	1.39	1.11	1.72
	2.25	1.38	1.11	1.67
Dec-13	2.25	1.37	1.19	1.67
	2.17	1.32	1.15	1.57
	2.12	1.39	1.20	1.52
Mar-14	1.88	1.34	0.86	1.34
	1.87	1.30	0.68	1.34
	1.87	1.29	0.68	1.34
Jun-14	1.87	1.26	0.68	1.29
	1.87	1.28	0.69	1.32
	1.87	1.28	0.72	1.32
Sep-14	1.87	1.29	0.72	1.32
	1.87	1.27	0.68	1.32
	1.87	1.26	0.69	1.32
Dec-14	1.87	1.19	0.69	1.32
	1.92	1.20	0.65	1.27
	1.84	1.12	0.63	0.89
Mar-15	1.84	1.13	0.64	1.19
	1.82	1.09	0.55	1.22
	1.82	1.03	0.62	1.19
Jun-15	1.82	1.03	0.58	1.19
	1.97	1.20	0.53	1.27
	1.97	1.22	0.53	1.34
Sep-15	1.97	1.19	0.52	1.24
	1.97	1.13	0.57	1.24
	1.97	1.21	0.57	1.24
Dec-15	1.97	1.23	0.57	1.22
	1.97	1.22	0.61	1.22
	1.97	1.22	0.48	1.22
Mar-16	1.97	1.21	0.53	1.17
	1.97	1.12	0.52	1.17
	1.97	1.11	0.48	1.14

Sources: Cannex, CMHC

* Unregulated lenders

	Big Banks	Regulated lenders	Credit Unions	Unreg. lenders*
Jun-16	1.97	1.09	0.47	1.14
	1.96	1.08	0.50	1.12
	1.96	1.08	0.52	1.09
Sep-16	1.97	1.11	0.52	1.09
	1.97	1.10	0.51	1.09
	1.94	1.13	0.56	1.19
Dec-16	1.94	1.14	0.58	1.22
	1.94	1.15	0.60	1.19
	1.95	1.18	0.62	1.18
Mar-17	1.97	1.21	0.65	1.17
	1.97	1.28	0.61	1.14
	1.99	1.27	0.61	1.12
Jun-17	1.99	1.28	0.74	1.22
	1.70	0.95	0.68	1.00
	1.67	0.92	0.64	1.07
Sep-17	1.67	0.92	0.64	1.07
	1.89	1.03	0.81	1.17
	1.88	1.03	0.81	1.17
Dec-17	1.87	1.03	0.81	1.17
	1.66	0.95	0.78	1.04
	1.66	1.01	0.71	0.97
Mar-18	1.62	1.14	0.60	0.97
	1.69	1.14	0.61	0.97
	1.82	1.35	0.71	1.19
Jun-18	1.82	1.30	0.88	1.19
	1.54	1.07	0.81	0.94
	1.54	1.05	0.81	0.87
Sep-18	1.57	1.03	0.80	0.87
	1.37	0.95	0.63	0.87
	1.37	0.85	0.65	0.86
Dec-18	1.37	0.85	0.71	0.86
	1.37	0.84	0.68	0.79
	1.37	0.62	0.63	0.71
Mar-19	1.31	0.45	0.57	0.59
	1.31	0.27	0.57	0.51
	1.19	0.55	0.35	0.51
Jun-19	1.24	0.37	0.29	0.51

Chart 4 Government of Canada 5-year Bond Rate

	GC 5-year Bond Rate		GC 5-year Bond Rate		GC 5-year Bond Rate
Mar-13	1.29	Jun-15	0.95	Sep-17	1.80
	1.19		0.83		1.70
	1.47		0.72		1.62
Jun-13	1.84	Sep-15	0.81	Dec-17	1.82
	1.74		0.82		2.08
	1.90		0.92		2.04
Sep-13	1.89	Dec-15	0.74	Mar-18	2.00
	1.71		0.68		2.18
	1.73		0.64		2.11
Dec-13	1.90	Mar-16	0.66	Jun-18	1.93
	1.57		0.89		2.19
	1.63		0.79		2.25
Mar-14	1.69	Jun-16	0.62	Sep-18	2.32
	1.67		0.65		2.42
	1.50		0.66		2.27
Jun-14	1.57	Sep-16	0.59	Dec-18	1.93
	1.52		0.68		1.83
	1.52		1.00		1.8
Sep-14	1.66	Dec-16	1.16	Mar-19	1.43
	1.56		1.17		1.49
	1.46		1.16		1.46
Dec-14	1.34	Mar-17	1.07	Jun-19	1.40
	0.69		1.03		
	0.74		0.94		
Mar-15	0.75	Jun-17	1.28		
	0.98		1.58		
	0.96		1.51		

Source: Bank of Canada