



# CMHC's 2015 Annual Report

Media Briefing – May 9, 2016

# Introduction

- In accordance with the *Financial Administration Act*, CMHC has tabled its 2015 Annual Report in Parliament. The Annual Report, entitled “Why Housing Matters”, highlights CMHC’s many accomplishments in 2015.
- 2015 was another successful year for CMHC, as well as a year full of changes as we continue to build an organization that Canadians can count on in good times and in bad.
- Housing is about much more than providing shelter. When we help low-income households access the housing they need, we are helping to build a foundation for broader social and economic success for Canadian families and communities.
- With a strong leadership team and dedicated employees across the country, CMHC continued to achieve its dual mandate of facilitating access to housing and contributing to the stability of Canada’s financial system.
- The report also focuses on how the Corporation contributes to market efficiency, a sound and stable housing finance system, increased housing quality and sustainability, and how we deliver federal investments for assisted housing.
- It also presents the financial results for the year ended December 31, 2015.

# Introduction

- CMHC set out three strategic directions that will focus our efforts and activities over the next five years to help Canadians meet their housing needs. They are:
  - Align Risk with Mandate
  - Lead through Information and Insight
  - Be a High-Performing Organization
- These strategic directions reflect the work we have already begun to achieve our vision of being the heart of a world leading housing system.

# Federal investments for Canadians in need

- In 2015, CMHC provided just over \$2 billion in federal funding for housing, and continued to deliver funding to meet its long-term commitments to social housing.
- CMHC worked with provinces and territories to extend bilateral Investment in Affordable Housing agreements to 2019, which included additional funding for Nunavut. Federal commitments under these agreements will total close to \$2 billion since the inception of the IAH in 2011.
- At December 31, 2015, 266,886 households were no longer in housing need as a result of this funding.
- A total of 546,400 households were assisted through long-term commitments.

# Consolidated Net Income

- CMHC's net income (after taxes) for 2015 was \$1,488 million, compared to \$2,625 million in 2014.
- The 43.3% (\$1,137 million) decrease from the previous year is primarily due to lower Net Realized Gains. Net income in 2014 was higher because of the sale of longer duration bonds as well as equities from the implementation of the new investment asset mix in the mortgage loan insurance investment portfolio.
- Over the past decade, CMHC has contributed \$21 billion toward improving the Government of Canada's fiscal position through both its income taxes and pre-tax income.

# Mortgage loan insurance

- For the majority of Canadians whose housing needs are met in the private marketplace, CMHC's mortgage loan insurance programs ensure they continue to have access to housing of their choice, be that homeownership or rental.
- In 2015, CMHC insured \$55.3 billion in loans and provided mortgage loan insurance for 304,518 units throughout Canada.
- Claims paid in 2015 were \$353 million, a \$37 million (9.5%) decrease from 2014.
- Arrears rate was relatively unchanged at 0.34% as at December 31, 2015.
- Mortgage loan insurance-in-force decreased to \$526 billion, from \$543 billion at year-end 2014.

# The quality of CMHC's loan portfolio is strong

- Homeowners with CMHC-insured mortgages had, on average, equity of 46% of the value of the home, relatively unchanged from last year.
- The average gross debt service ratio (GDS) for CMHC's transactional homeowner business was 25.9% (as per the Q4 MLI Business Supplement). GDS measures the percentage of a homebuyer's income that is required to meet their housing costs, including mortgage payments, property taxes and heating expenses. It is a figure used to measure a borrowers' ability to meet their current housing-related financial obligations.
- The average credit score at origination for new insured business for transactional homeowner loans in 2014 was 747 (up slightly from 745 in 2014).

# CMHC follows prudent risk management practices

- CMHC operates its insurance and securitization activities in a commercially viable manner at no cost to taxpayers, with due regard for loss.
- CMHC conducts regular stress-testing of its mortgage loan insurance operation.
- CMHC's capital holdings create a buffer against potential losses, reducing Canadian taxpayers' exposure to housing markets, and helping to ensure long term stability of the financial system.
- CMHC's capital holdings as at 31 December 2015 are more than three times (354%) the minimum capital required by OSFI for mortgage insurers.

# CMHC and Canada's housing finance system

- CMHC's helps to support the Government's efforts to build a strong and stable financial and housing system for Canada. CMHC's securitization programs helped both small and large lenders access funds for residential mortgage lending.
- In 2015, CMHC provided guarantees on \$115.7 billion of NHA MBS (\$78.5 billion) and CMB (\$37.2 billion).
- Our Securitization Activity continues to provide a reliable source of long-term mortgage funding to the Canadian financial system and program participants, small lenders in particular, benefit from the stable and reliable access to funding through our programs.
- In 2006, small lenders received 19% of the \$25B CMB issued; in 2015, they received 70% of the \$37.2B issued.
- The reliability of CMHC's securitization programs ensures that smaller lenders continue to play an important role in maintaining the competitiveness of the Canadian residential mortgage market.

# CMHC is the leading voice in Canadian market analysis and housing research

- In 2015, CMHC continued to lead through information and insight and improved the availability of information about Canada's housing markets through:
  - Insurance business supplement in CMHC's quarterly financial reports
  - Housing Market Assessment (HMA) framework broadened from 8 to 15 markets from coast to coast
  - Published the Housing Market Insight on foreign ownership looking at 16 of the largest condominium markets in Canada
- Our 2015 research activities advanced our understanding of the housing needs of Canadians through:
  - Published updated estimates of urban core housing need, based for the first time, on data from the Canadian Income Survey
  - Launched the Canadian Housing Observer on-line
  - Continued collaboration with territorial housing agencies in promotion of energy-efficient and culturally-appropriate housing in the North.
  - Research Highlights on topics such as: the design, construction and performance of the Northern Sustainable Houses; housing conditions and characteristics of Inuit households; understanding seniors' housing intentions; and the adequacy, suitability and affordability of Canadian housing.