HOUSING RESEARCH

Residential Mortgage Industry Report

OCTOBER 2021

Canada

CMHC SCHL

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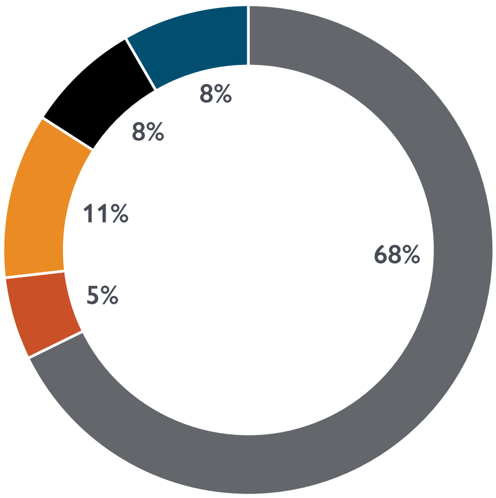
DASHBOARD



Market share of newly originated mortgages by lender type 2020

- Big Six banks
- Other chartered banks
- Credit unions
- MFCs, Insurance and Trust Companies
- MIEs

Key variables 2020

$567,699 average price | 12.9% increase

Housing Starts

housing starts reached
217,880
+4.4% increase

Home Sales

551,392
MLS® sales
+12.6% growth

	5-year Fixed Rate	Variable Rate
Interest Rate	2.38%	2.20%
Share of New Mortgages	45.8%	21.4%

Key insights on 4 different type of lenders in Q1 2021 - Mortgages Outstanding

Market Share 79%
Banks
AVERAGE MORTGAGE
$258,410
INTEREST RATE
1.6% - 5.1%
DELINQUENCY RATES
0.20%

Market Share 14%
Credit Unions and caisses populaires
AVERAGE MORTGAGE
$166,410
INTEREST RATE
NA
DELINQUENCY RATES
0.13%

Market Share 5%
Mortgage Finance Companies (MFCs), Insurance and Trust Companies
AVERAGE MORTGAGE
$307,470
INTEREST RATE
NA
DELINQUENCY RATES
0.25%

Market Share 2%
Mortgage Investment Entites (MIEs)*
AVERAGE MORTGAGE
$260,120
INTEREST RATE
6.5% - 15%
DELINQUENCY RATES
0.88%

Sources: Canadian Bankers Association, CMHC residential mortgage data reporting of NHA MBS issuers, Fundamentals Research and CMHC calculations based on the Survey of Non-Bank Mortgage Lenders.

EXECUTIVE SUMMARY

Mortgage Lending Trends

- In the first half of 2021, mortgage debt growth ticked up to levels not seen in a decade. Record-low interest rates and shifting housing needs played a large role in the acceleration of mortgage activity.
- As a share of disposable income, Canadian mortgage debt service burden continued to build up in Q1 2021, driven by growth in scheduled principal payments, reflecting in part the larger mortgages resulting from the rapidly increasing housing prices in 2020.
- Uninsured new mortgage credit witnessed a 20% growth in volume, taking over an increasing share of the residential mortgage market. The most noteworthy increase was in the issuance of uninsured mortgages for purchases of property, which more than doubled the amount originated in the same quarter in 2020.
- As the economy progressively opened up and deferral agreements expired, the vast majority of borrowers that benefitted from deferral arrangements had resumed their payments as scheduled. At the end of the first quarter of 2021, close to 30,000 mortgage loans (2%) held by non-bank lenders were still in deferral for a total value of $6.9 billion.
- Mortgages in arrears reach a 30-year low. As most borrowers who benefitted from a mortgage deferral were able to resume regular payments, enhanced consumer savings and the growth in disposable income have contributed to the ability of Canadians to make the mortgage monthly payments on time.

Mortgage Rate Trends

- Due to expectations of a strengthening economy, the downtrend in fixed mortgage rates that started early last year seemed to hit a bottom at the end of Q1 2021. Meanwhile, the Bank of Canada continued to hold the overnight rate at 0.25%.
- The large discount between fixed and variable rates drove more borrowers to opt for variable-rate mortgages. Over 40% of new mortgage balances issued in Q2 2021 have variable rates.
- New mortgage holders continued opting for longer-term mortgages to take advantage of historically low interest rates.

Mortgage Lender Type Trends

- Chartered banks conserved their strong foothold in the overall mortgage debt at 78%. They provided a significant proportion of newly originated loans (73%) in 2020 and (75%) in the first quarter of 2021.
- The Big 6 banks provided a larger share of newly extended mortgages in 2020 (68%) than in 2019 (67%).
- The remaining one fifth of new mortgages in 2020 were handed out by non-bank lenders.
- Mortgage investment corporations (MICs) and other types of mortgage investment entities (MIEs) maintained more caution in their lending activity and originated mortgages at a slower pace than in 2019, reflecting increasing uncertainty during the pandemic.
- Mortgage delinquencies of 90 days+ continued their downward trend for all lender types. Credit unions recorded the lowest rate of mortgages in arrears at 0.13%. MIEs continue to record the highest mortgage arrears rates with 0.88%. However, MIEs was the segment where the arrears rate recorded the largest drop.

Mortgage Funding Trends

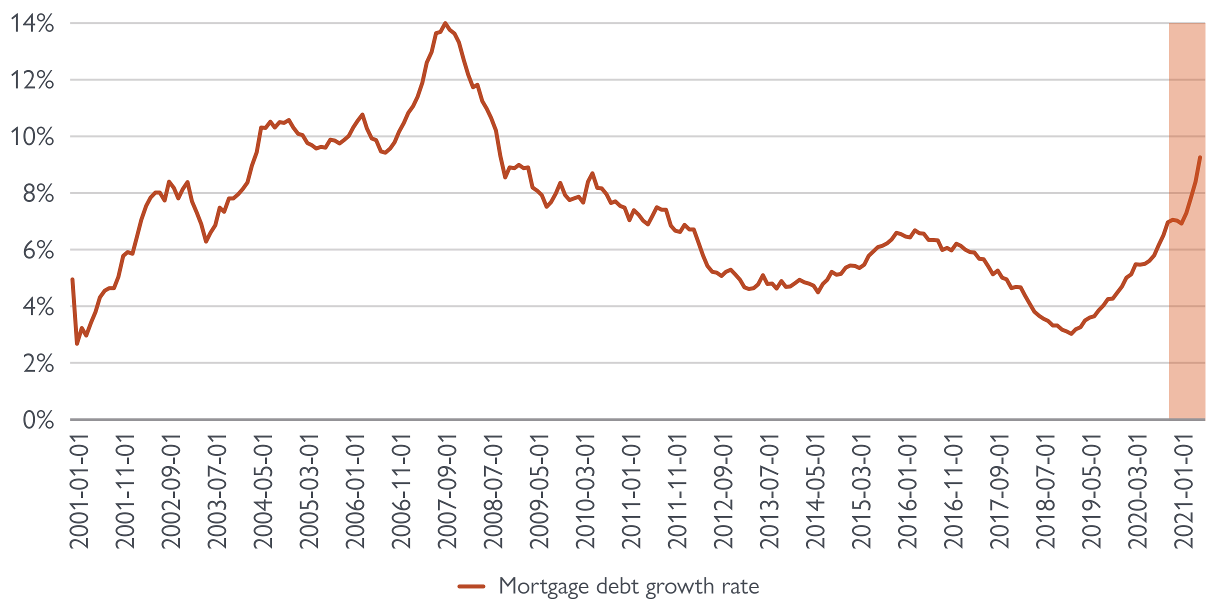
- Covered bonds are scaling back in 2021 after escalating rapidly in 2020. As Canada's financial market conditions improved, the measures were scaled back resulting in fewer new issuances through 2020 and 2021. Current outstanding covered bonds are still significantly higher than pre-pandemic levels (14%).
- Private securitization, such as RMBS and ABCP, continues to remain a very small share of the mortgage funding mix in Canada, at just 1%, the total amount outstanding in the Canadian private label securitization market was estimated to be approximately $19 billion.

2021 RESIDENTIAL MORTGAGE INDUSTRY REPORT

Overall mortgage debt growth accelerated sharply into 2021

In the first half of 2021, residential mortgage debt growth continued ticking up to levels not seen in a decade. As of June 2021, total outstanding residential mortgage debt stood at $1.73 trillion, representing a 9.3% increase from a year prior (see figure 1). The expansion of total outstanding mortgages can be attributed to the increases in both new mortgage volumes and amount. In the second quarter of 2021, the average loan amount for new mortgages jumped up 22% from last year to $358 thousand. The acceleration in mortgage activity was propelled notably by record-low interest rates and an increase in demand for more space.

Figure 1 **Growth of residential mortgage credit kept accelerating and reached levels not seen in a decade**

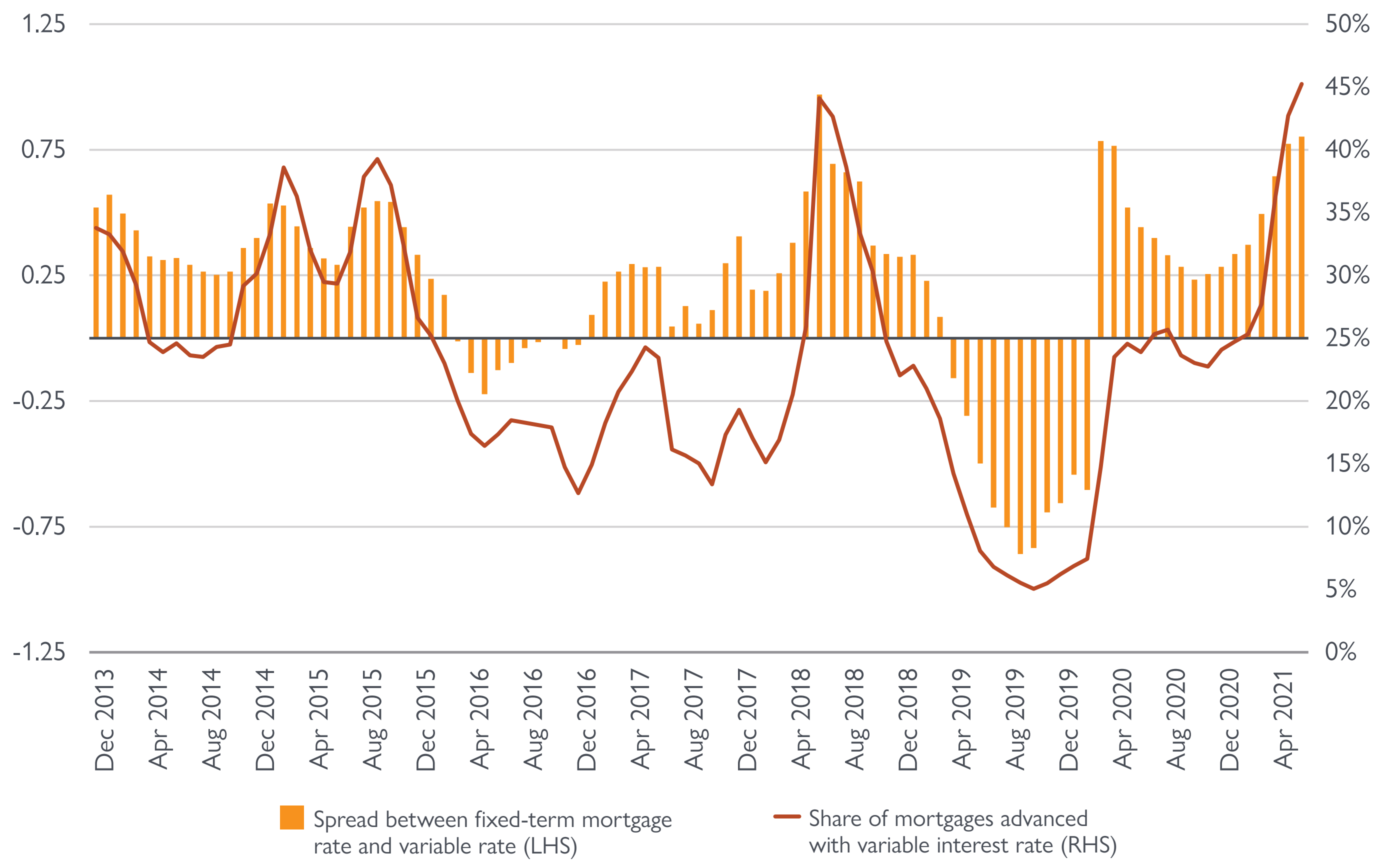


Sources: Statistics Canada, Table: 36-10-0639-01 Credit liabilities of households, Bank of Canada; CMHC calculations

Variable-rate mortgages account for a larger share of new mortgage balance

Due to expectations of a strengthening economy, the downtrend in fixed mortgage rates that started early last year seemed to hit a bottom at the end of the first quarter of 2021. This move follows a rebound in bond yields since the beginning of 2021. Meanwhile, with the Bank of Canada[1] holding the overnight rate at 0.25% and maintaining its bond-buying program at a target pace of $2 billion per week, variable mortgage rates continued to drop. In June 2021, the average variable mortgage rate was 59 basis points below the average fixed rate for uninsured mortgages with terms of five years or more. This deep discount drove more borrowers to opt for variable-rate mortgages. Over 40% of new mortgage balances issued in the second quarter of 2021 have variable rates (see figure 2), including one out of four insured mortgages, and almost half of uninsured mortgages. In both cases, these are above the average shares of the last eight years and much higher than the respective 5% and 8% recorded in February 2020, before the start of the pandemic.

Figure 2 Variable-rate mortgages continued to grow well into 2021

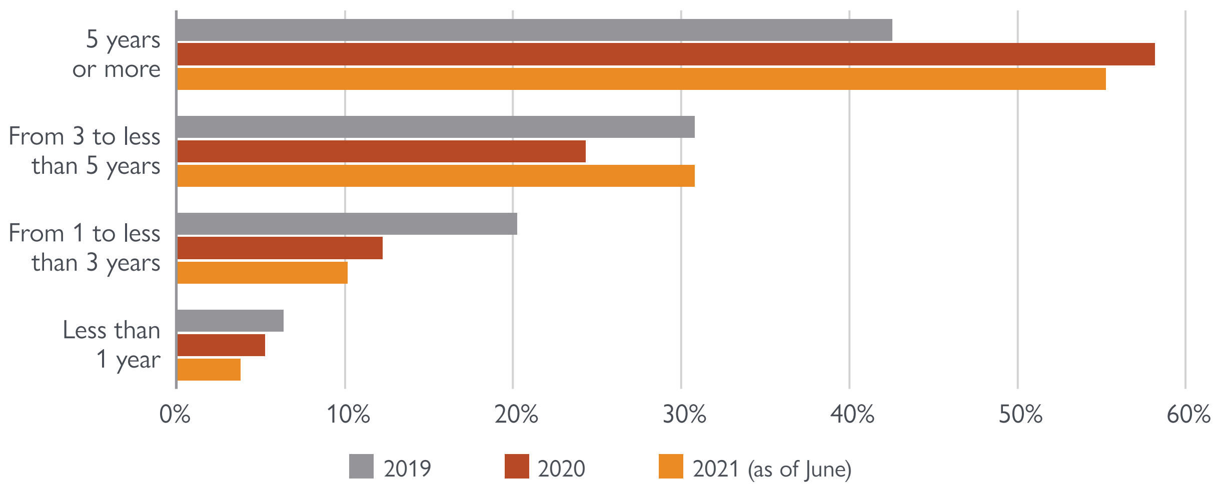


Sources: Statistics Canada Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

1 Monetary policy as the recovery progresses, Speech Summary, Tiff Macklem - Governor, Bank of Canada (https://www.bankofcanada.ca/2021/09/monetary-policy-as-the-recovery-progresses/)

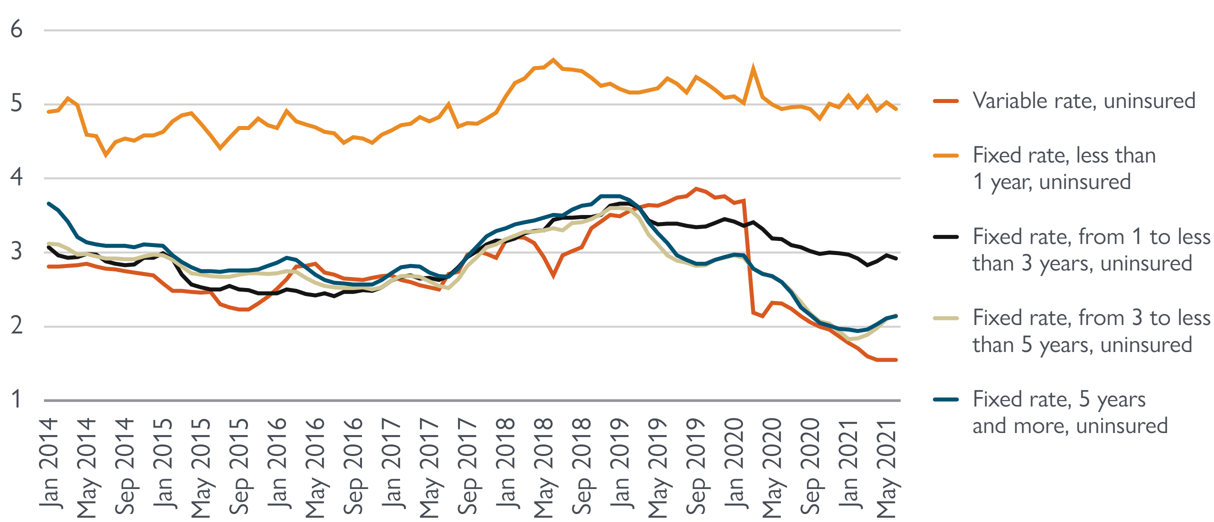
Among all fixed-rate mortgage balances originated in the first half of 2021, only 14% have terms shorter than three years, compared to 17.5% in 2020 and 26.6% in 2019 (figure 3A). The interest rates for these shorter-term mortgages are still relatively elevated (figure 3B). Meanwhile, new mortgage holders continued opting for longer-term mortgages to take advantage of historically low interest rates. 55.3% of mortgage balances originated in 2021 (as of June) and 58.2% originated in 2020 have terms of five years or more, compared to only 42.6% in 2019.

Figure 3A Fixed-rate mortgage holders opt for longer terms



Sources: Statistics Canada Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

Figure 3B Average interest rate of new mortgage lending, chartered banks



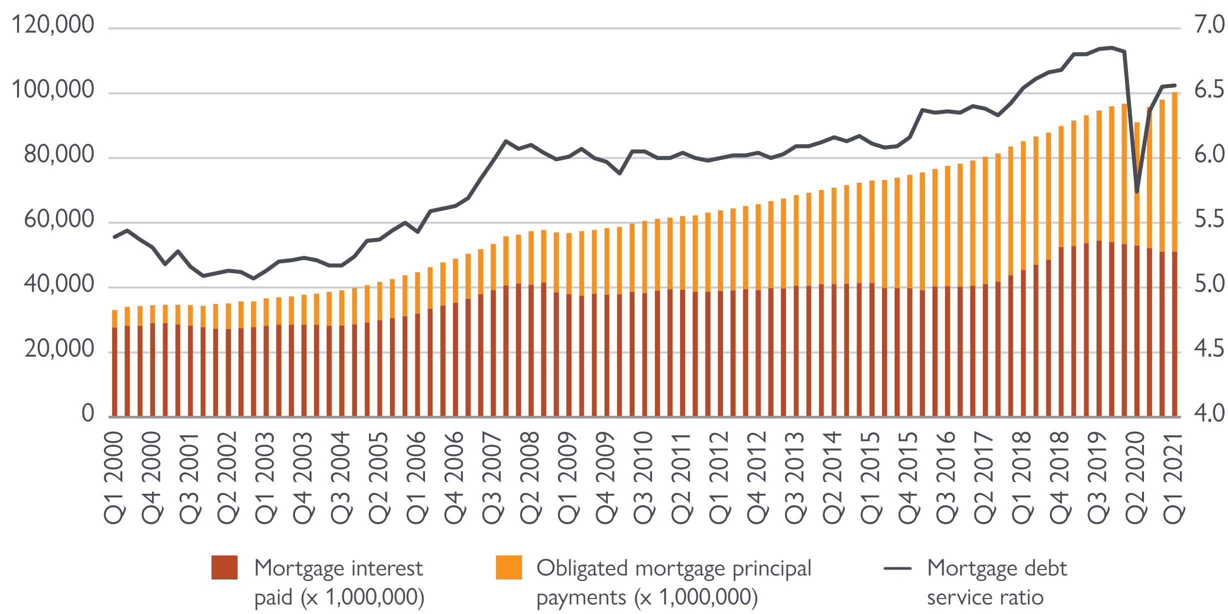
Sources: Statistics Canada Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

As a share of disposable income, the mortgage debt service burden is on the rise, but still below pre-pandemic levels

The mortgage debt service burden continued to build up in the first quarter of 2021, driven by growth in scheduled principal payments, reflecting the record level home sales and the larger mortgages resulting from rapidly increasing housing prices in 2020-21.[2] Meanwhile, decreasing mortgage interest paid on total outstanding mortgages helped bring down the debt-servicing burden in recent quarters. With the effects of fiscal support programs and deferrals gradually receding, the mortgage debt service ratio has been rising, but stays at below pre-pandemic levels.

Since the 2000s, the total amount of interest paid on mortgages has remained relatively steady as a result of the persisting low interest rates following the Great Financial Crisis. The amount of mortgage principal paid has increased significantly, from one fifth of interest paid in 2000 to roughly the equal amount of interest paid in 2021. If interest rates were to go up and stay high for an extended period of time, the multiplier effect on the debt-service ratio (DSR) would be stronger than any period in history with rising interest rates.

Figure 4 Growth in obligated principal payments drove total mortgage payments (outstanding mortgages)



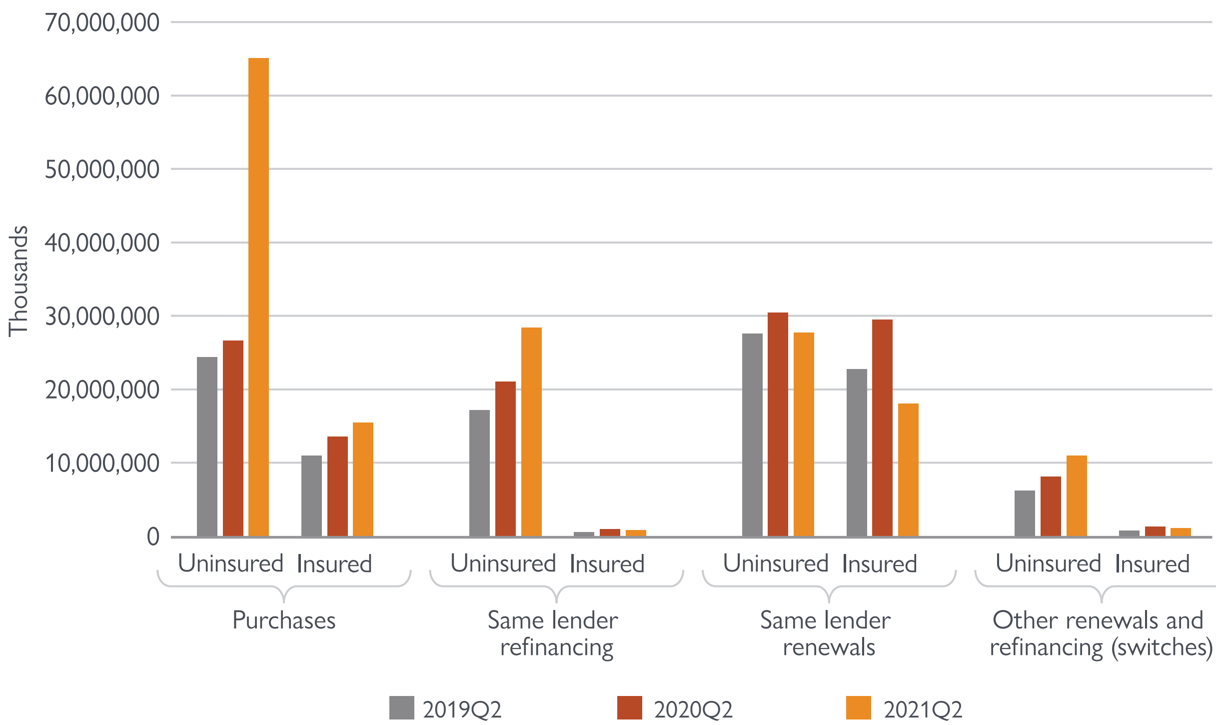
Sources: Statistics Canada Table: 11-10-0065-01, Debt service indicators of households, national balance sheet accounts, CMHC calculations

[2] COVID-19: A growing divide in mortgage borrowing (https://www.cmhc-schl.gc.ca/en/blog/2021/covid19-growing-divide-mortgage-borrowing), Canada Mortgage and Housing Corporation (June 2021).

Elevated new mortgage origination driven by uninsured purchases of property

In second quarter of 2021, chartered banks issued 493,000 mortgages (with a total value of $167.7 billion), of which three out of four were uninsured. Compared to a year prior, uninsured new mortgage credit saw a 20% growth in volume and a 53% growth in value, taking over an increasing share of the residential mortgage market. The most noteworthy increase was in the issuance of uninsured mortgages for purchases of property, which more than doubled the amount originated in the same quarter in 2020.

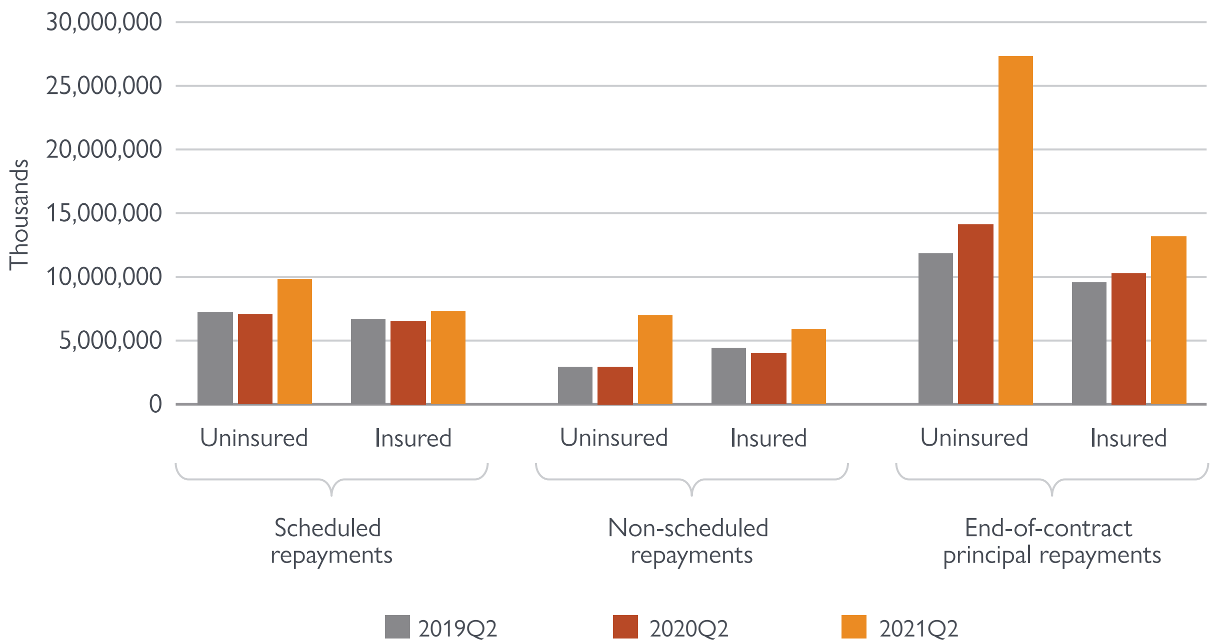
Figure 5 **Gross mortgage origination escalated due to surging issuance of uninsured mortgages for property purchases**



Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

This surge in uninsured purchases is mirrored by a sharp increase in end-of-contract principal repayments of uninsured mortgages a direct result of the record level property sales in the previous quarters. This suggests that more repeat buyers are taking advantage of the rising property prices and low interest rate environment to cash out and potentially upgrade to larger space. The strong demand for single-family homes drove the price up 28% year-over-year for this segment of the market, almost triple the price growth of apartments, further contributed to the rapid growth of mortgage debt.

Figure 6 End-of-contract uninsured principal repayments also shot up



Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

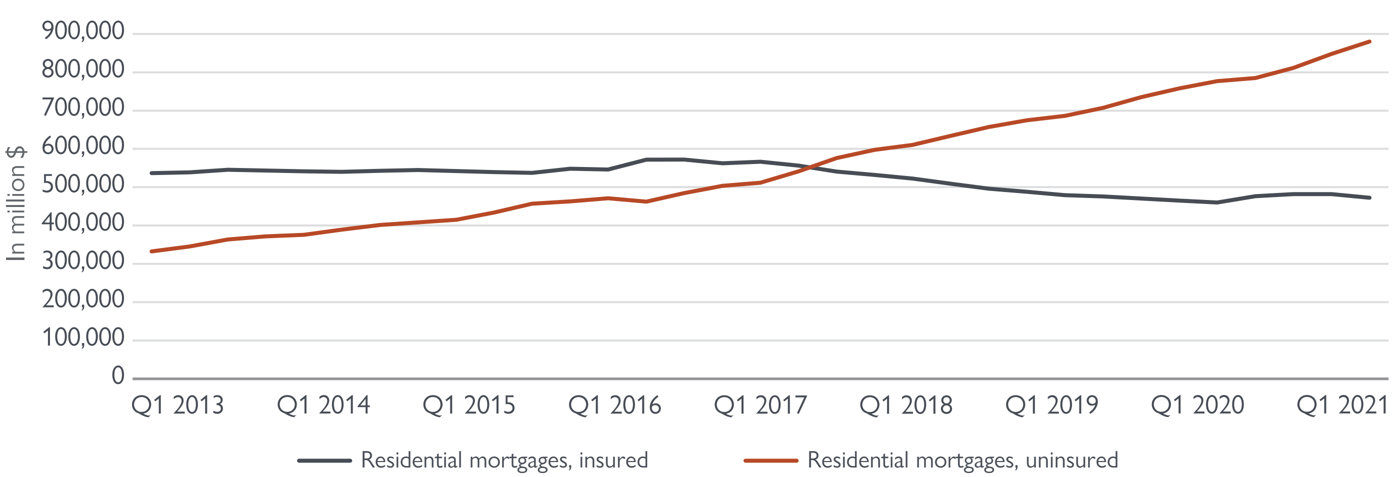
Fast facts on mortgage default insurance

- For federally regulated lenders, default insurance is mandatory for mortgages where the borrower's down payment is less than 20% of the purchase price. These insured mortgages are also referred to as **high-ratio mortgages**.
- Lenders can also request mortgage default insurance for homebuyers with a down payment of 20% or more, generally when the borrower has a poor or relatively short credit history or is self-employed. These insured mortgages are referred to as **low-ratio mortgages** or **conventional mortgages**.
- With lenders insured against borrower default, borrowers with smaller down payments are able to obtain mortgage loans at competitive interest rates, since insurance reduces the overall risk taken on by lenders. Reduced risk ensures the availability of mortgage funding to homebuyers with lower levels of equity during an economic downturn, a time when the availability of mortgage credit is often reduced. This provides added stability to housing and financial markets.
- **Portfolio insurance** allows lenders to bulk-insure pools of previously uninsured mortgage loans and is typically paid for by the lender. Bulk-insuring mortgages helps lenders manage their capital, reduces lender risk and increases competition in the mortgage market by lowering barriers to entry.
- Additionally, portfolio insurance primarily supports lender access to mortgage funding through government-sponsored securitization programs, which require mortgages to be insured. This enables smaller players, who do not have as many funding options as large banks, to better compete with large deposit-taking institutions.

Uninsured mortgages continue to gain market share

With the vast majority of new mortgages being uninsured, the share of insured mortgages in the overall outstanding mortgage debt has continued to decline. As of the first quarter of 2021, only 35% of outstanding residential mortgages extended by chartered banks were insured. This share was over 60% in 2012. The share of insured mortgage debt held by non-bank lenders also decreased, from 41% in the first quarter of 2020 to 39% in the same period of 2021.

Figure 7 Share of uninsured mortgages extended by chartered banks grew rapidly

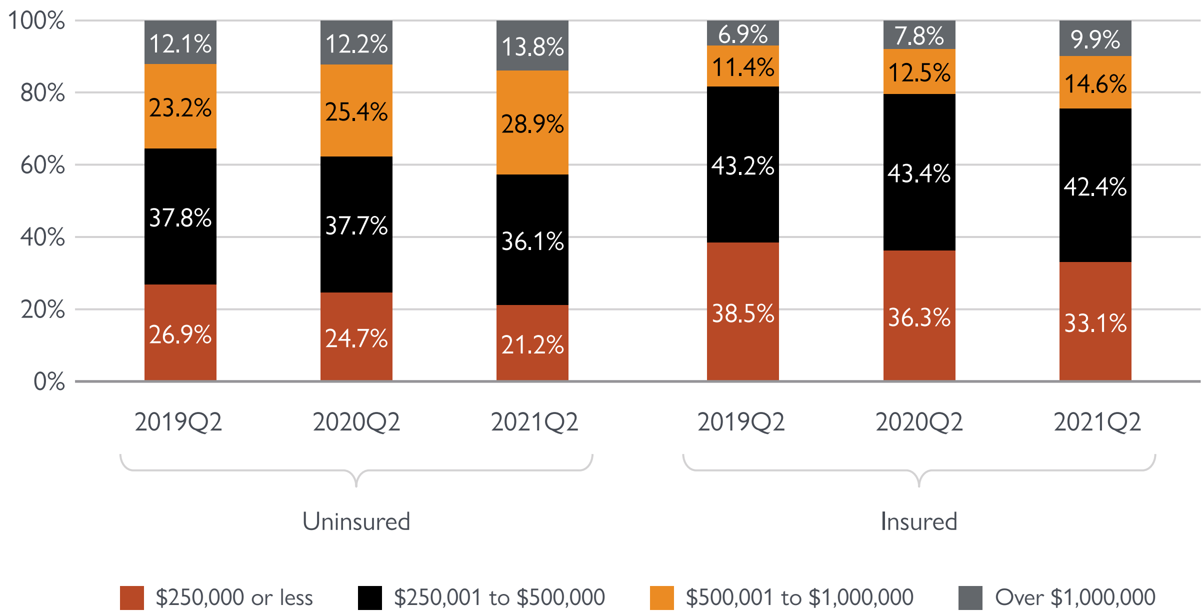


Source: Statistics Canada Table 10-10-0134-01, Chartered banks, mortgage loans report, end of period, Bank of Canada, (x 1,000,000)

Uninsured residential mortgages tend to be larger than insured mortgages

On average, the loan amount is generally higher for uninsured mortgages than for insured mortgages. As of the second quarter of 2021, three out of four insured mortgages were under $500,000 (see figure 8), and this share is a little over half for uninsured mortgages (57%). More uninsured mortgages (28.9%) were between $500,001 and $1,000,000, compared to insured mortgages (14.6%). Uninsured mortgages also have a larger and increasing share of high-value residential mortgages of over $1 million. Since July 2012, the Government of Canada has imposed mortgage insurers to not insure mortgage for homes that cost $1 million or more. The small fraction of high-value insured mortgages mostly consists of multi-unit mortgages and mortgages funded by other public programs.

Figure 8 **Uninsured mortgages by loan amount skew toward the higher end of the distribution**

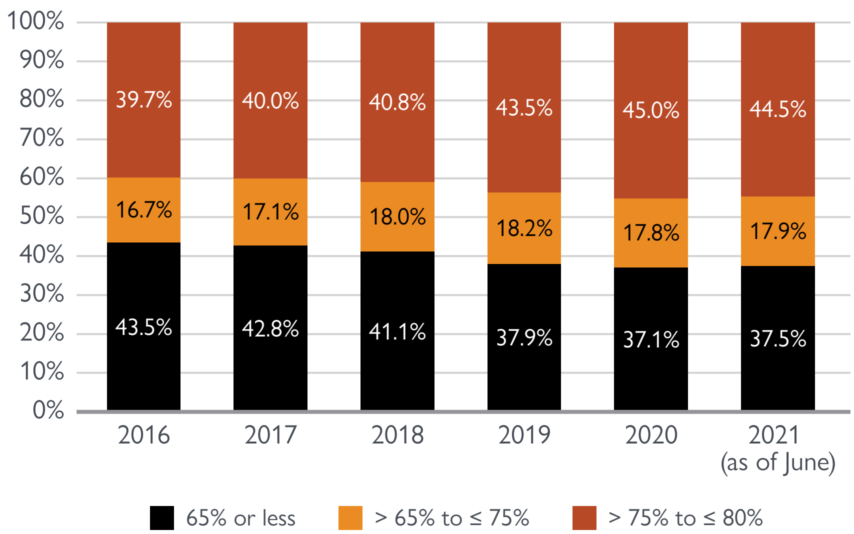


Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

Loan-to-value (LTV) ratio distribution for newly originated uninsured mortgages reveals some risks

In the first half of 2021, the share of newly originated uninsured mortgages with an LTV ratio between 75% and 80% stood at 44.5%, almost unchanged from 2020, and slightly higher than the levels observed in 2018 and 2019. At the other end of the distribution, the share of uninsured new mortgages with an LTV ratio of 65% or less has been shrinking gradually since 2016. These changes are coherent with soaring property prices, which push the LTV ratio distribution upwards (figure 9). This implies that uninsured mortgages originated in 2020 and the first half of 2021 have less equity stake than mortgages originated in previous years.

Figure 9 **Distribution of LTV ratios of newly originated uninsured mortgages shifting upwards, chartered banks**

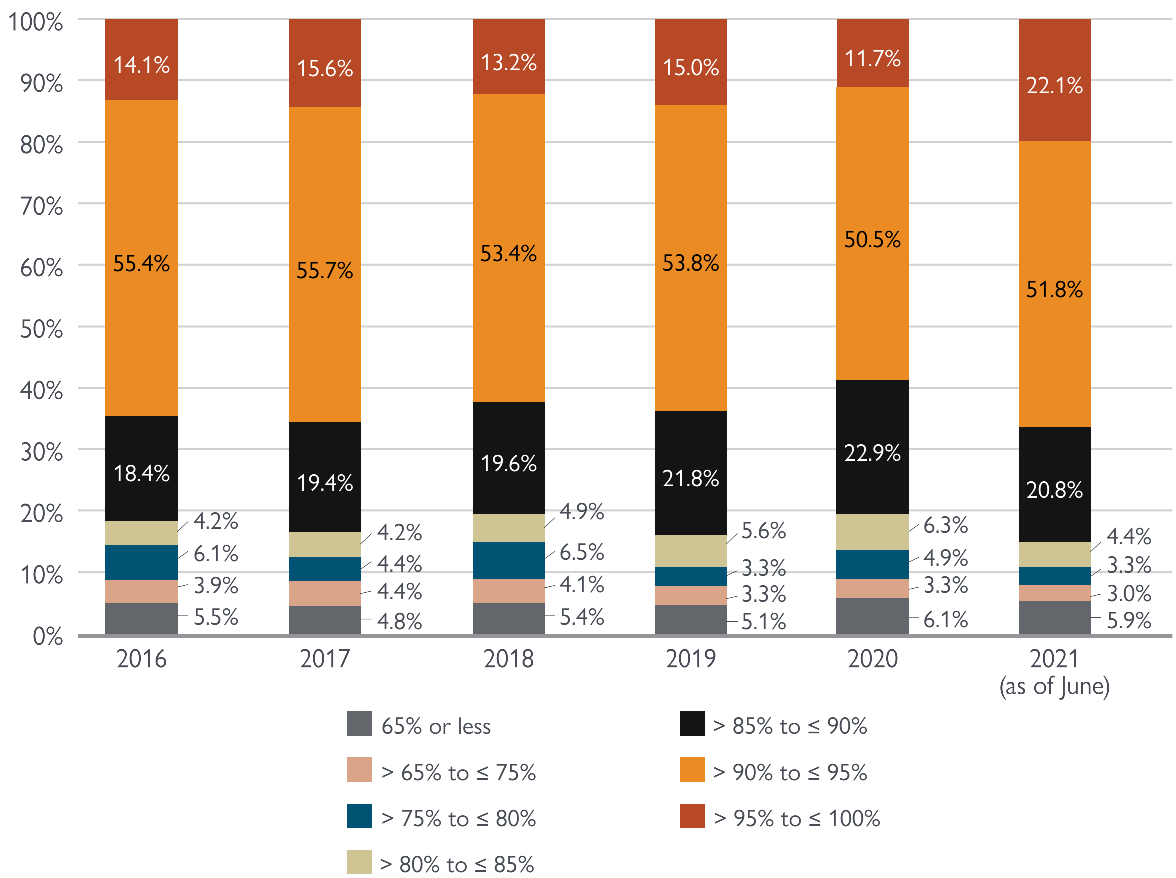


Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

Chartered banks issued insured mortgages with higher equity stakes in 2020-21

In the first half of 2021, the share of insured new mortgages with an LTV ratio over 95% up to and including 100% grew by over 10 percentage points and became the second largest bracket of LTV ratios. Given that both public and private insurers require an LTV ratio under 95% at origination, this segment should mainly consist of multi-unit loans and mortgages funded by other public programs. Excluding these mortgages reported with an LTV ratio of over 95%, 51.8% of newly originated insured mortgages have an LTV ratio from 90% up to and including 95%. This share is flat from 50.5% in 2020, and down from 55.4% in 2016, implying higher equity stakes in newly originated insured mortgages.

Figure 10 Newly originated insured mortgages saw growth in loans with an LTV ratio from 96% up to and including 100%, chartered banks



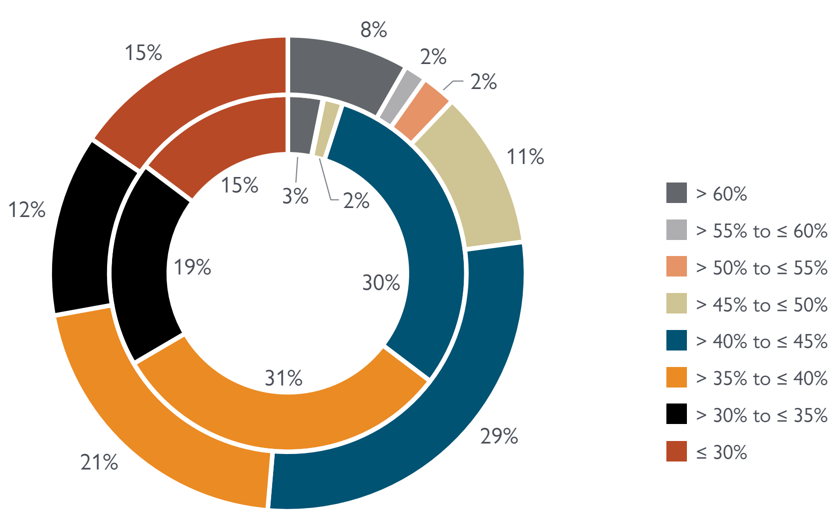
Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

More mortgage holders support higher overall debt burdens

The total debt service (TDS) ratio is a key indicator of how leveraged borrowers are, since it captures the debt servicing burden and includes all debt obligations borrowers have as a ratio of disposable income. Insured mortgages are restricted by underwriting rules imposed by private and public insurers on the gross debt service (GDS) ratio and the total debt service (TDS) ratio.[3] For uninsured mortgages, the Office of the Superintendent of Financial Institutions (OSFI) provides guidance on debt service levels through the stress test as a part of their Guideline B-20.[4]

Uninsured mortgages have a larger share of mortgages with higher TDS ratios (figure 11). Among mortgages originated in the first half of 2021, 23% of uninsured mortgages had a TDS ratio over 45%, compared to 5% of insured mortgages. This could be due to the flexibility lenders have in determining if borrowers can support a mortgage, taking into consideration their liquid financial assets and credit history.[5] Moreover, the share of uninsured new mortgages with a TDS ratio of 40% or less was on a downtrend since the second half of 2020, and decreased further in 2021 (figure 12). The rapid growth in uninsured mortgages, coupled with a slight increase in the share of high-TDS loans, has intensified household debt servicing burdens compared to previous years.

Figure 11 TDS ratio for uninsured (outbound) and insured (inbound) mortgages, 2021 (as of Q2), chartered banks



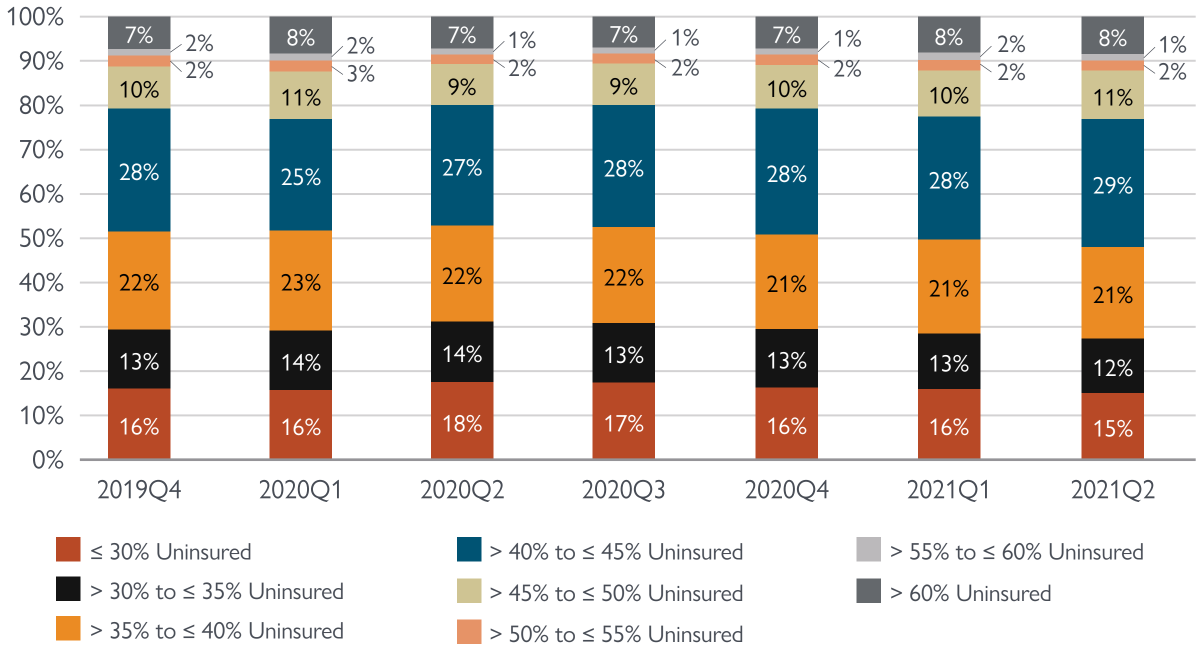
Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

3 CMHC restricts debt service ratios to 39% (GDS) and 44% (TDS).

4 OSFI expects the average GDS and TDS scores for all mortgages underwritten and/or acquired to be less than the federally regulated financial institution's (FRFI) stated maximums, and reflect a reasonable distribution across the portfolio. Consult Residential Mortgage Underwriting Practices and Procedures for details (https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b20_dft.aspx#2.4.0).

5 For example, lenders could grant high-TDS mortgages to applicants who are short on qualifying income, such as business owners, but are flush with liquid assets and have strong credit scores.

Figure 12 Shrinking share of uninsured new mortgages with a TDS ratio of 40% or less, chartered banks



Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations

The competitive landscape continues to be heavily dominated by chartered banks and even more so during the last year

As nationwide mortgage originations picked up rapidly in the midst of the pandemic and continued surging well into the first quarter of 2021, chartered banks conserved their strong foothold in overall mortgage debt, at 78% (see figure 13). They provided a significant proportion of newly originated loans (76%) in 2020 and a slightly smaller share in the first quarter of 2021 (75%).

Fast facts on different lender types

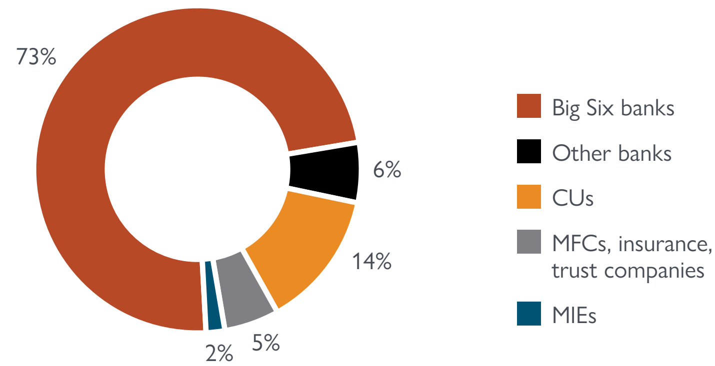
- Federally regulated financial institutions (FRFIs) include chartered banks, trust and loan companies, and some life insurance companies.
- Provincially regulated financial institutions (PRFIs) are mainly credit unions and caisses populaires.
- Quasi-regulated lenders, such as mortgage finance companies (MFCs). While not explicitly subject to regulation, they still comply with regulation as they fund their mortgages with public securitization programs and wholesale funding.
- Unregulated lenders are mostly mortgage investment entities (MIEs), such as mortgage investment corporations (MICs) and other incorporated mortgage financing businesses that pool money from investors. Unregulated lenders could also include purely private lenders, where individuals lend directly to other individuals.

For more information on the different lender types, see Appendix 1 – Residential Mortgage Lender Types, including the Housing Finance Glossary.

The remaining one fourth of new mortgages in 2020 were handed out by non-bank lenders. In this space, credit unions continued to dominate the market share by providing two thirds of non-bank mortgages; mortgage finance companies (MFCs), trusts and insurance companies followed by delivering one quarter of these loans. In the insured space, MFCs provided a larger share of mortgages (40%), given that the bulk of their mortgage funding comes from public securitization programs and wholesale funding (see figure 14).

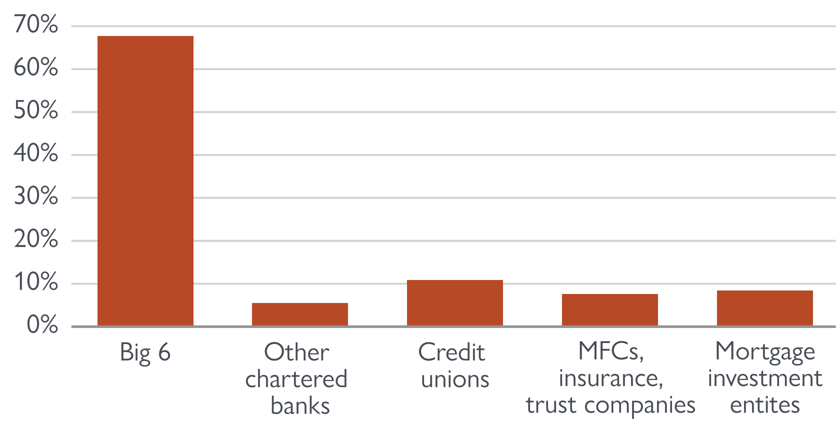
The remaining 2% of mortgages, equivalent to 8% with the non-bank segment, were originated by alternative lenders, including mortgage investment corporations (MICs) and other types of mortgage investment entities (MIEs). This segment is generally supported by private investors and tends to follow economic cycles. Indeed, as there was increased uncertainty during the pandemic, the growth of the MIC segment slowed; MICs showed more caution in their lending activity and originated mortgages at a slower pace (see section on MICs on page 20.)

Figure 13 Residential mortgage debt largely held by chartered banks



Sources: Bank of Canada, Statistics Canada's Survey of Non-Bank Mortgage Lenders, and CMHC estimates

Figure 14 In 2020, chartered banks extended mortgages at a higher pace than the non-bank segment



Sources: Bank of Canada, Statistics Canada's Survey of Non-Bank Mortgage Lenders, and CMHC estimates

Most mortgage deferrals return to regular payments for all lender types

Since the beginning of the COVID-19 pandemic, chartered banks have provided mortgage payment relief to close to 800,000 borrowers, which represents more than $5.5 billion in mortgage payments, by allowing them to delay their scheduled payments or make reduced payments for a predetermined period, without repercussions. Non-bank mortgage lenders provided similar options to over 100,000 mortgage borrowers. As the economy progressively opened up and deferral agreements expired, the vast majority of borrowers who benefitted from deferral arrangements had resumed their payments as scheduled. At the end of the first quarter of 2021, close to 30,000 mortgage loans (2%) held by non-bank lenders were still in deferral, for a total value of $6.9 billion. The figure for mortgages still in deferral with chartered banks was not yet available at the time.

Mortgages in arrears reach thirty-year low; decrease is observable across all lender types

The downward trend in mortgages in arrears in 2020 (non-payment for 90 days or more) continued into the first quarter of 2021, reaching lows that were last observed in 1990 (see figure 15).[6] This can be supported by the fact that most borrowers who had financial difficulties were able to benefit from a mortgage deferral and were able to resume regular payments. In addition, overall consumer savings increased and the growth in disposable income remained positive which helped Canadians to make their monthly mortgage payments on time.

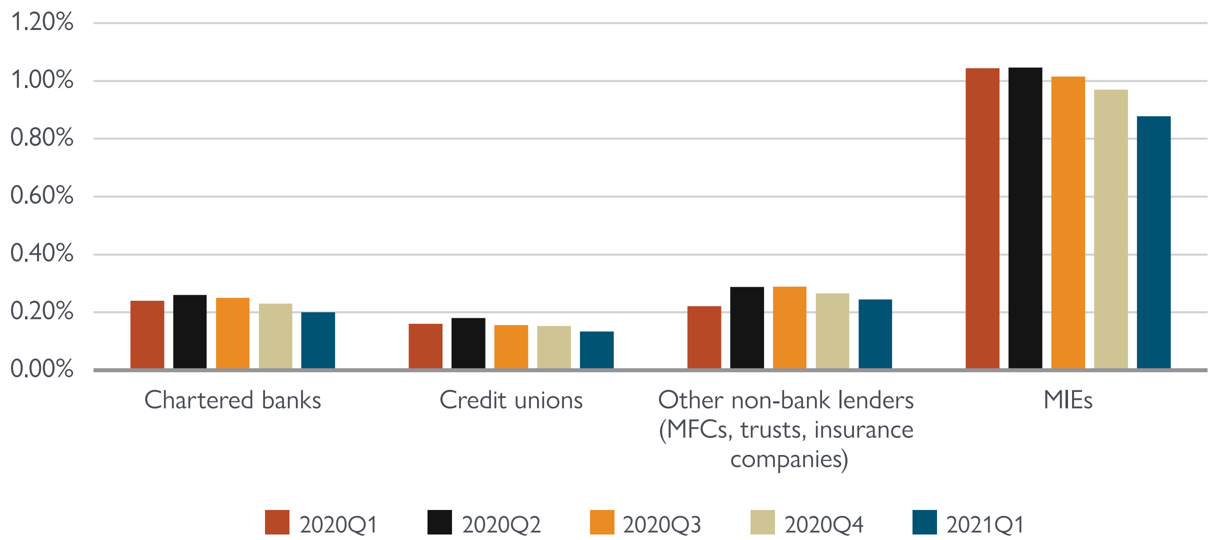
Figure 15 The share of mortgages in arrears continue their downward trend, reaching thirty-year low

Source: Canadian Bankers Association (May 2021)

6 *Idem* 1.

The downward trend in mortgage arrears was observed amongst all mortgage lender types despite significant variations. Credit unions recorded the lowest rate of mortgages in arrears, at 0.13% (down from 0.15% in the fourth quarter of 2020), followed by chartered banks, with 0.20%[7] (down from 0.23%) and MFCs, trusts and insurance companies down to 0.25%. MIEs continue to record the highest mortgage arrears rate, at 0.88%. While arrears rates are generally higher in this segment due to the riskier borrower profiles and the distinct characteristics of their loans (short-term mortgages, interest only, etc.), this was also the segment in which the arrears rate recorded the largest drop (92 basis points) (see figure 16).

Figure 16 Mortgages in arrears (delinquent for 90 or more days) continued downward trend across all lender types



Sources: Statistics Canada's Survey of Non-Bank Mortgage Lenders, third quarter 2020, and Canadian Bankers Association (May 2021)

The low arrears rates, with the surge in mortgage payments and increase in accelerated repayments, coupled with high consumer confidence indicate that the deferral cliff anticipated last year has not materialized in the first half of 2021. However, early-stage delinquency rates (payments overdue by 30 days) having continued to increase and the still high expected credit losses (ECL), could suggest the overall arrears rate may increase in the coming quarters.

While the level of mortgages in arrears for more than 90 days is very low, the increase in early-stage delinquency rates are increasing mortgage lenders' ECL (the value of mortgages that financial institutions expect will go into default). ECL are calculated based on the value of delinquencies lenders have on their books as well as on current and future economic conditions impacting their portfolio. In 2020, 0.1% of mortgages held by banks were reported as expected losses, significantly higher than what has been reported since 2017.

[7] Canadian Bankers Association, May 2021.

Fast facts on mortgage investment corporations (MICs)

- In 1973, the federal government passed laws enabling the creation of MICs to increase the "flow of mortgage funds" and provide a channel for small investors to participate more directly in housing finance markets through private lending.
- MICs are governed by the *Income Tax Act*, which requires compliance with certain directives:
  - All interests in real property held by MICs must be in Canada.
  - MICs must have oversight via provincial securities legislation, and they may accept foreign investment.
  - MICs must invest at least 50% of their assets in residential mortgage loans, cash and insured deposits. Their remaining assets can be invested in commercial or industrial properties, developments or other assets.
  - MICs must have a minimum of 20 shareholders, and no shareholder can own over 25% of the total shares.
- MICs do not pay corporate tax and act as a flow-through entity. In order to avoid entity-level taxation, a MIC has to pay 100% of all of its income as dividends to investors.
- These alternative lenders typically provide shorter-term mortgages at higher fees and interest rates to borrowers who have difficulty qualifying for loans from more stringently regulated lenders.
- These borrowers often include self-employed individuals, business entrepreneurs, real estate investors (with more than one property) and borrowers with short-term cash needs (due to bruised credit, divorce, health issues, a need to bridge presales or home purchases, etc.). MICs also issue loans for development projects and commercial properties.
- The distinct characteristics of MIC loans reflect the riskier profiles of their clientele. MICs, unlike traditional lenders, do not conform to prescriptive underwriting criteria. However, they generally define exit strategies to determine borrower eligibility for a loan.

Mortgage lending by MICs slowed down in 2020; overall portfolio less risky

In 2020, the total market of mortgage debt held by MICs was approximately between $13 billion and $14 billion nationwide. While their lending increased by 3.1% during this period, it was at a slower pace compared to the rest of the residential mortgage industry (7%). MICs' share of all outstanding mortgages remains approximately 1% to 2% of the whole mortgage market.

Data collected through the *Mortgage Investment Corporation survey* conducted by Fundamental Research Corp, which surveyed close to 100 MICs, show that the overall risk profile of the alternative lending sector remained relatively in line in 2020 with what was observed in 2019. However, the data suggests that larger entities had a slight increase in the overall risk of their mortgage portfolio, while smaller MIC lenders showed lower overall risk. That said, the overall portfolio of MICs (including small and large entities) indicated an overall decrease in risk in the first quarter of 2021:

- The share of first mortgages, loans for which the MIC lenders have first creditor priority, as they hold the primary lien on the property, increased from 75% to 78% between 2019 and 2020 for large MICs (over $100 million in assets under management (AUM)), suggesting that MIC lenders have creditor priority on a larger share of their loans. For smaller MICs (under $100 million in AUM), this share remained stable, at 63%, during the same period. Mortgage seniority is an indication of risk level and potential losses in the case of default. In the first quarter of 2021, the share of first mortgages increased to 81% for mortgages granted to individuals, the highest share observed since the beginning of the survey in 2014.
- The average loan-to-value (LTV) ratio remained stable in 2019 and 2020 for both larger and smaller MICs (59% for larger MICs and 64% for smaller MICs), before dropping to 58% for all MIC sizes in the first quarter of 2021. These average LTV ratios have been decreasing since 2016.

The lower LTV ratio suggests that a larger share of the debt can be recovered by the lender in case of a foreclosure, and that lenders are less exposed to house price depreciations.

- Mortgage lending rates followed market interest rates and decreased slightly in the first quarter of 2021 to 8.9%, down from a stable average of 9.5% in 2019 and 2020. MIC lending rates have a high variability between lenders, with rates ranging from 4.5% to 12.5%, reflecting the large range of business models.
- Investors' annual yields also decreased from 7.8% to 7.1% for larger MICs, and from 7.1% to 6.9% for smaller MICs. These lower yields were in part reflected by the lower lending rates charged to borrowers. Moreover, the slower pace of lending activity coupled with the reduced risk of MICs' mortgage portfolios also contributed to lower investor yields. Investors' yields have started to pick up in 2021, since more investors were attracted to the sector by the lower risk profile of MICs, the relatively high yields offered, and the low interest rate environment.
- Defaults and foreclosures have decreased through 2020 and into the first quarter of 2021, reaching 2.53% and 3.18% respectively, down from 4.2% and 3.2% in the first quarter of 2020.
- Geographical diversification did not shift during this period. Ontario and British Columbia continue to take up the bulk of the portfolio. Larger MICs, however, had a slight market share increase in Ontario and Quebec in 2020 compared to 2019. In general, smaller MICs tend to be more local and less diversified geographically.

Table 1 Insights into mortgage investment corporations indicate a decrease in their risk profile

	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021
Average lending rate to individuals	9.1%	9.3%	9.2%	8.9%	8.9%
Average lending rate for development	8.3%	8.3%	8.3%	8.2%	8.2%
Average share of first mortgages	75.2%	75.7%	76.8%	78.4%	81.3%
Range of share of first mortgages	22.2% - 100%	22.4% - 100 %	22%-100%	22% - 100%	27%-100%
Average loan-to-value (LTV) ratio	56.7%	56.7%	55.9%	58.0%	58.6%
Range of loan-to-value (LTV) ratio	39%-73%	38.5%-81%	39%-81%	42%-81%	41.8%-81%
Debt to capital	14.8%	14.4%	15.6%	17.9%	17.4%
Delinquencies of 30 days or more	4.2%	4.0%	4.11%	3.55%	2.53%
Foreclosures	3.2%	3.8%	3.83%	3.88%	3.18%

Geographical distribution	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021
British Columbia	36.2%	36.2%	37.6%	36.5%	36.4%
Alberta	7.8%	8.3%	7.1%	7.6%	8.1%
Ontario	49.4%	48.3%	47.8%	47.7%	48.7%
Quebec	2.1%	2.1%	2.9%	3.7%	3.8%
Others	4.5%	4.6%	4.2%	4.2%	3.0%

Fast facts on mortgage funding

Mortgage lenders in Canada have a variety of sources for funding their lending activities, including retail and corporate deposits, unsecured debt funding, covered bonds, CMHC's public securitization programs, whole loan sales and private-label securitization. Different lender types use different funding mixes, with deposit-taking institutions relying heavily on deposits, and others relying heavily on the secondary mortgage market. Deposits are the primary source of mortgage funding for financial institutions that have access to them, such as the Big Six banks and credit unions, since they tend to be the least expensive funding source. In addition to deposits, the three most common secondary mortgage market sources of funding in Canada are public securitization, covered bonds and private-label securitization.

Public securitization

Public securitization includes the *National Housing Act* Mortgage-Backed Securities (NHA MBS) program and the Canada Mortgage Bonds (CMB) program. Both programs are administered by CMHC. Created in 1987, the NHA MBS program allows financial institutions, more specifically, Approved MBS Issuers, to offer securities backed by mortgages that are insured by a mortgage insurer and then pooled into the security. The timely payments are guaranteed by the Government of Canada through CMHC. To complement the NHA MBS program, the CMB program was created in 2001, enhancing the supply of mortgage funding and enhancing the competitiveness of the mortgage market by providing a relatively less costly funding option than the NHA MBS program. The CMB program consists of the issuance of bonds that convert amortizing cash flows into more steady income payments. Lenders that do not offer deposits, such as MFCs, rely greatly on public securitization programs as a funding source.

Covered bonds

Covered bonds are dual recourse instruments with uninsured mortgages as eligible cover pool assets. The dual recourse feature—meaning that the investor has recourse against both the issuer and the covered pool—and specific covered bond legislation reduce the risks of covered bonds for investors. The first covered bond issued by a Canadian financial institution was issued in 2007, and there are currently eight registered covered bond issuers in Canada.

Private-label securitization

Private-label securitization includes both asset-backed commercial paper (ABCP) and residential mortgage-backed securities (RMBS) for uninsured mortgages, which transfer the underlying mortgage risk to investors.

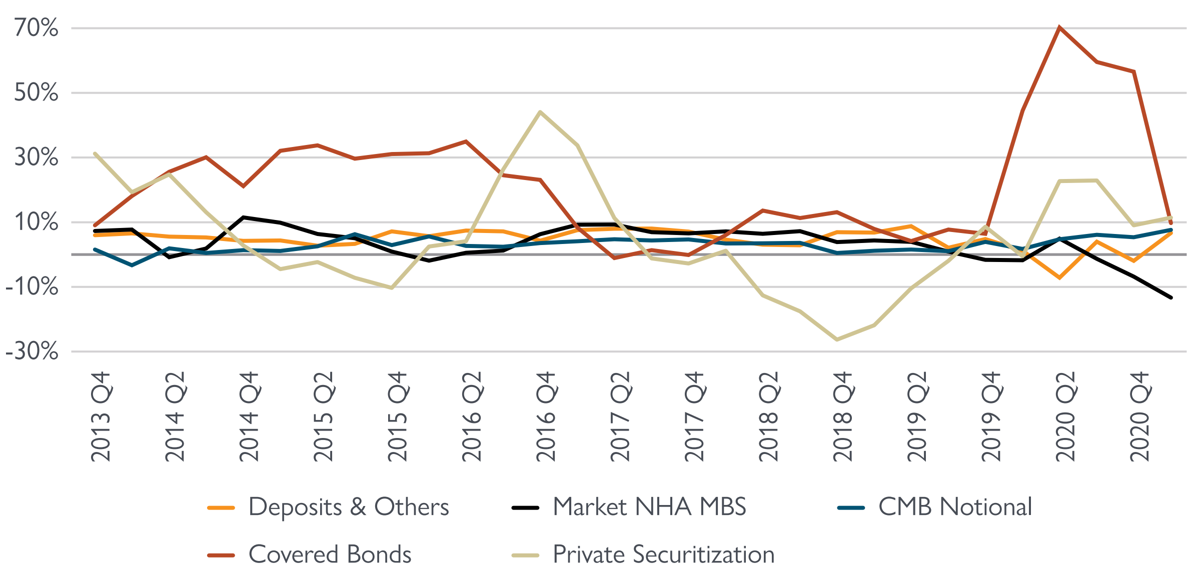
Covered bonds scale back in 2021 after rapid escalation in 2020

The Bank of Canada announced in March 2020 that own-name covered bonds would be included as eligible collateral for its temporary expansion of term repo operations. The intent was to provide liquidity to financial institutions and allow them to continue extending credit to households and businesses in the midst of the pandemic.[8] In order to enable greater access to the Bank of Canada's expansion operations, the Office of the Superintendent of Financial Institutions (OSFI) rose the collateral available for the issuance of covered bonds from 5.5% to 10% in support to the Bank of Canada's changes to the temporary expansion of term repo operations.

As a result of these regulatory changes, covered bond issuances increased in 2020, from a total of $165 billion at the end of 2019 to $259 billion one year later (see figure 17). With this increase, covered bonds contributed to 15% of total mortgage funding in Canada, compared to approximately 10% in 2019.

As Canada's financial market conditions improved, the measures were scaled back, resulting in fewer new issuances through 2020 and 2021. The Bank of Canada's temporary expansion of term repo operations was reduced in frequency from weekly to biweekly on October 21, 2020, and own-name covered bonds were no longer eligible starting on November 3, 2020. As a result, the OSFI covered bond limit increase also came to an end in April 2021. The current level of outstanding covered bonds is still significantly higher than pre-pandemic levels.

Figure 17 Covered bonds gradually decrease as the temporary expansion of term repo operations program comes to an end



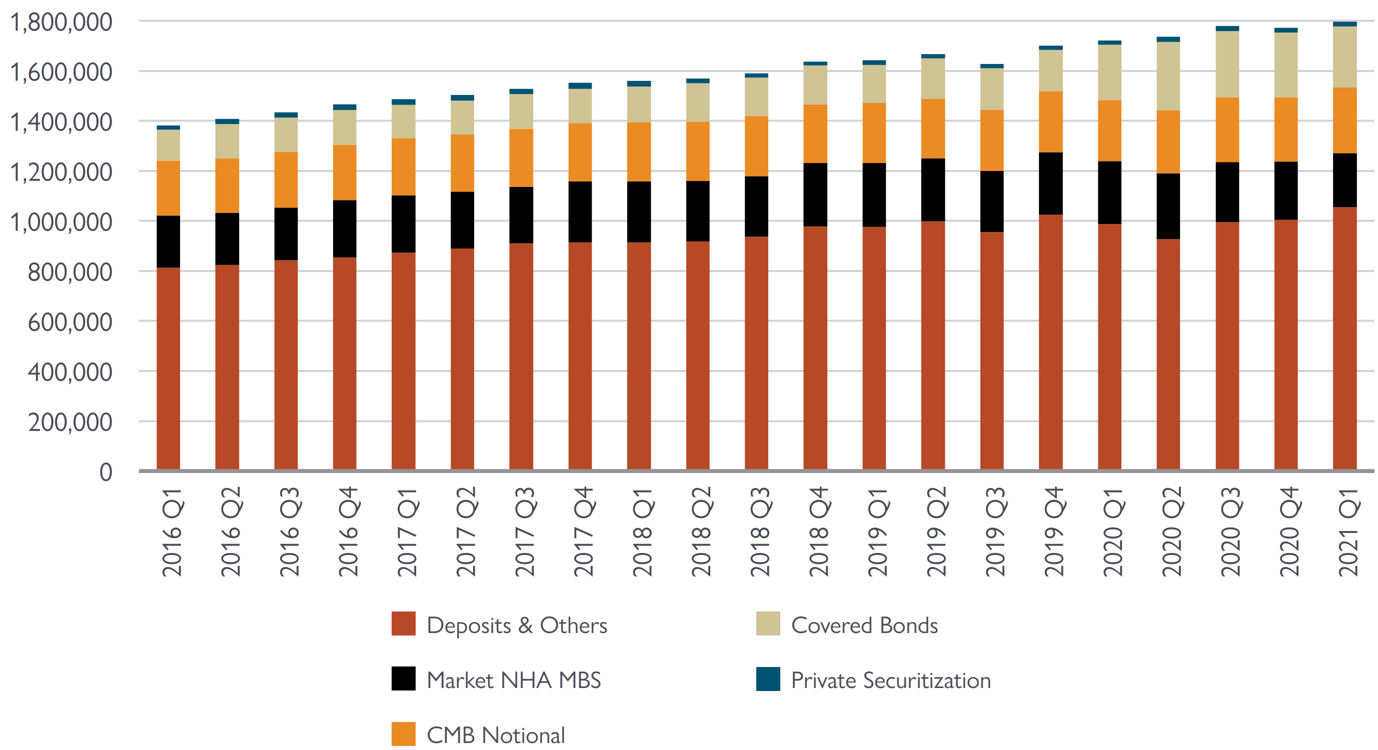
Sources: OSFI; CMHC securitization annual/quarterly reports; DBRS

[8] See Bank of Canada announcement: https://www.bankofcanada.ca/2020/03/bank-of-canada-announces-temporary-expansion-to-the-list-of-eligible-securities-for-its-term-repo-operations-and-changes-to-upcoming-operations/

The RMBS market continues to be relatively small in Canada

Despite an 11% growth in the first quarter of 2021 compared to the same period in 2020, private securitization continues to represent approximately 1% of total mortgage funding in Canada (see figure 18). As at March 31, 2021, the total amount outstanding in the Canadian private-label securitisation market was estimated to be approximately $19 billion. As a source of mortgage funding, the relative share accounted for by RMBS is relatively small in Canada compared to the United States and Europe. One challenge that could be a source of uncertainty for investors is the lack of granular data on the performance of mortgages in Canada available for risking and pricing mortgage pools, especially for smaller lenders. However, as new mortgages are increasingly in the uninsured segment, there may be an increased need for mortgage lenders to use private securitization as a funding channel.

Figure 18 Private securitization remains limited in Canada



Source: OSFI; CMHC securitization annual/quarterly reports; DBRS

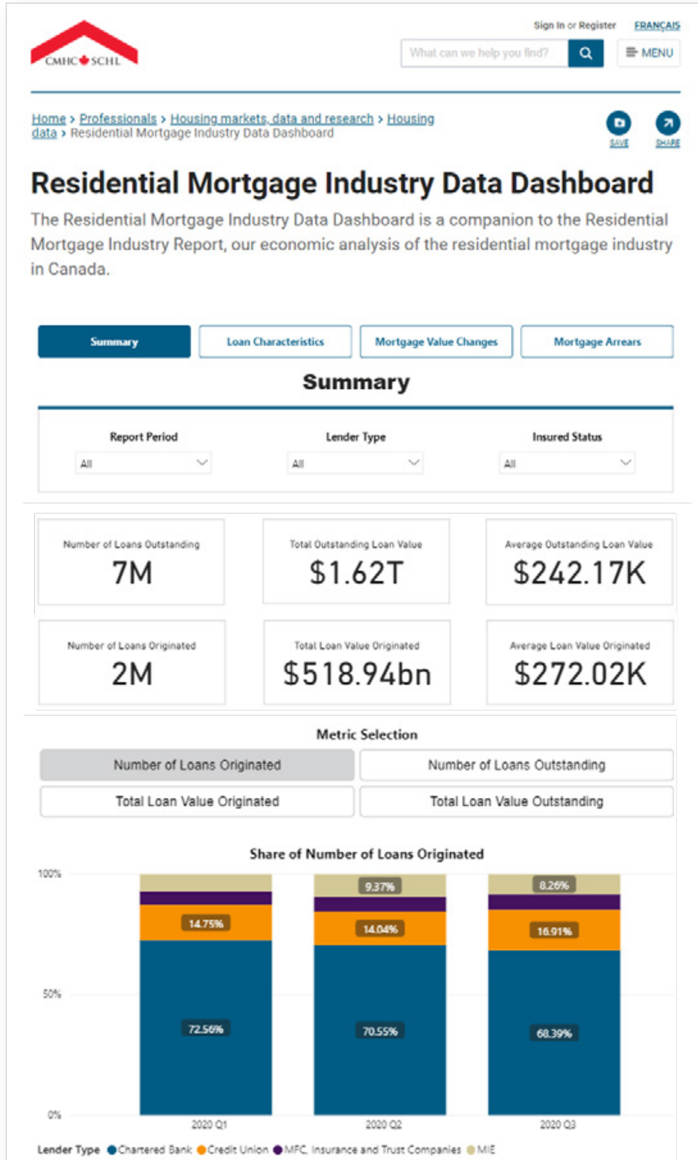
EXPLORE THE DATA

Residential Mortgage Industry Data Dashboard is a digital interactive companion to the Residential Mortgage Industry Report, with quarterly housing market trends that you can access any time.

Filter the report by Lender Type and Insured Status to find insights relevant to you on loan characteristics, mortgage value changes quarter-over-quarter, and mortgage arrears rates.

CLICK HERE TO GET STARTED

https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/residential-mortgage-industry-data-dashboard



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APPENDIX 1
RESIDENTIAL MORTGAGE LENDER TYPES

Chartered banks

Description	Banks are the dominant players in the mortgage lending landscape in Canada. These depository institutions offer a complete variety of banking and financial services in person through their branch network and online. Bank customers can combine all finances under one institution.
Regulation	Federally regulated by the Office of the Superintendent of Financial Institutions (OSFI)
Funding	All types of funding but mostly deposits.
Regional concentration	While they are widespread across the country, they tend to have greater shares in urban and metropolitan areas.

Credit unions

Description	Credit unions (or caisses populaires in Quebec) are the second largest players in the mortgage lending landscape. They are depository institutions that have a "co-operative" business model, meaning they are owned by their members (every member has an equal vote). They offer an entire range of financial services in terms of banking, lending and investment products. They are generally known for more personalized customer service.
Regulation	Most are provincially regulated, with some moving to federal jurisdiction.
Funding	All types of funding but mostly deposits.
Concentration	Tend to have a higher presence in non-metropolitan areas than other financial institutions.

Mortgage finance companies (MFCs)

Description	MFCs only offer mortgage loan products and are usually only accessible via the brokerage lending channel. They are non-depository lenders. MFCs generally have more competitive rates than larger lenders.
Regulation	Quasi-regulated—While not explicitly subject to regulation, they still comply with regulation as they fund their mortgages with public securitization programs and wholesale funding.
Funding	NHA securitization programs and wholesale funding
Regional concentration	As they make use of the broker channel, they are generally widespread across the regions.

Mortgage investment entities (MIEs)

Description	MIEs are mortgage lenders that provide products characterized by short-term loans (between 6 to 24 months) and higher interest rates. MIEs include mortgage investment corporations (MICs) and other private lenders. They generally lend to borrowers that don't qualify with traditional lenders, for either debt consolidation, sickness, bruised/absence of credit, income interruption, financial difficulties and real estate investments. When approving a loan, the main objective is to facilitate exit strategies for customers allowing them to eventually return to the traditional lending space. In many cases, they play an important liquidity role by providing funds to individuals in need of immediate cash to avoid defaulting on their mortgage payments, acting as a buffer in the mortgage landscape.
Regulation	Unregulated in the lending spectrum. However, some MIEs, including MICs, are regulated on the funding portion of the business.
Funding	MICs generally fund their mortgages by pooling money from a group of investors. Private lenders either lend their own money or professionally managed funds.
Regional concentration	While MIEs are present in all provinces, MIC loans are more concentrated in B.C. and Ontario, which represent 78% of their lending with the majority concentrated in Vancouver and Toronto.

APPENDIX 2

REGULATIONS AND POLICY CHANGES

Since 2008, there have been a number of policy actions that have impacted the residential mortgage market. The Department of Finance has implemented multiple rounds of measures adjusting the rules for new government-backed insured mortgages, thereby reducing potential vulnerabilities in the housing market:

1. **October 2008:** The maximum amortization period was reduced to 35 years, the minimum down payment was increased to 5%, along with minimum credit score requirements and new loan documentation standards.
2. **April 2010:** The qualifying mortgage rate would be based on the higher of the mortgage contract rate or Bank of Canada conventional five-year fixed posted mortgage rate for mortgages with variable interest rates or fixed interest rates with terms less than five years. The maximum refinancing amount was lowered to 90% of the property value and the minimum down payment for investment properties was raised to 20%.
3. **March 2011:** The maximum amortization period was reduced to 30 years and the maximum refinancing limit was decreased to 85% of the property value. There also was a withdrawal of government guarantees on non-amortizing secured lines of credit (effective April 2011).
4. **July 2012:** The maximum amortization period decreased to 25 years while the maximum refinancing was limited to 80% of the property value. The maximum gross debt service ratio was set to 39% and the maximum total debt service ratio was 44%. CMHC also set the maximum purchase price to less than $1 million.
5. **February 2016:** The minimum down payment increased to 10% for the portion of a house price above $500,000.
6. **October 2016:** All insured mortgages were required to qualify on the higher of the mortgage contract rate or Bank of Canada conventional five-year fixed posted mortgage rate ("stress test"). Standardizing eligibility criteria for high- and low-ratio insured mortgages was also introduced (effective November 2016). Refinanced mortgages, rental properties and properties purchased for over one million dollars are no longer eligible for portfolio/bulk insurance.
7. **January 2018:** The qualifying rate for all uninsured mortgages should be the greater of the contractual mortgage rate plus 2% or the five-year benchmark rate published by the Bank of Canada.
8. **June 2021:** New proposal for qualifying rate for all uninsured mortgages should be the greater of the contractual mortgage rate plus 2% or 5.25%.

Other notable policy actions in recent years have been undertaken to strengthen the stability of housing finance: the Office of the Superintendent of Financial Institutions (OSFI) introduced guidelines for prudential mortgage underwriting, applying to lenders for both insured and uninsured mortgages (B-20) and to mortgage insurers (B-21). Lender guarantee fees on *National Housing Act* mortgage-backed securities (NHA MBS) and Canada Mortgage Bonds (CMB) have increased, along with the introduction of total guarantee and allocation limits for CMHC's securitization programs. Implementation of the 'ban' and 'purpose test' for low-ratio portfolio insurance was designed to encourage the development of private market funding alternatives.

HISTORY OF POLICY ACTIONS TO MANAGE HOUSING MARKET RISKS

2021

OSFI – June 2021
B-20 guidelines applying stress test on uninsured FRFI mortgages

2020

See 2020 Residential Mortgage Industry Report[1] for an overview of the measures put in place by CMHC and other mortgage loan insurers, lenders, the Bank of Canada, the Minister of Finance and OSFI designed to support the mortgage industry and foster financial stability.

2018

OSFI – January 2018
B-20 guidelines applying stress test on uninsured FRFI mortgages

2017

CMHC – January 2017
Mortgage insurance fee increase

2016

OSFI – November 2016 / January 2017
Draft Capital Adequacy Requirements (CAR)

Department of Finance – October 2016
Interest rate "stress test" for all mortgages

Standardizing eligibility criteria for high- and low-ratio insured mortgages (effective November 2016)

CMHC – July 2016
Securitization guarantee fees increased

Department of Finance – July 2016
Purpose test/ban

Department of Finance – Effective February 2016
Minimum down payment of 10% for the portion of a house price above $500,000

2015

OSFI – June 30, 2015
B-21 – Residential Mortgage Insurance Underwriting Practices and Procedures

CMHC – Effective June 2015
Increase MLI premiums for LTV > 90% by 15%

CMHC – April 2015
Changes to the guarantee fees on market NHA MBS

[1] https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/housing-research/research-reports/housing-finance/residential-mortgage-industry-report/2020/residential-mortgage-industry-report-2020-en.pdf?rev=875da49e-e0ef-4442-8d2f-4e257c6b79c0

2014

OSFI – December 2014
Capital Adequacy Requirements (CAR)

CMHC – Effective May 2014
Increase MLI premiums by 15% for all LTV ranges

CMHC – January 2014
Introduced annual limits to portfolio insurance

2013

Department of Finance – August 2013
Introduced annual limits to government-backed securitization (CMB and NHA MBS)

OSFI – End of 2012-2013 FY (Fiscal Year)
B-20 – Principles for Sound Residential Mortgage Underwriting Practices (initial stress test)

2012

CMHC – December 2012
Implemented legal framework for Canadian covered bonds

Department of Finance – July 2012
For high LTV:

Max. amort. = 25 years

Max. refinancing 80% LTV

Max. GDS = 39% and max. TDS = 44%

MLI only available for < $1M homes

2011

Department of Finance – March 2011
Max. amort. = 30 years

Max. refinancing limited to 85% of the property value

Withdrawal of gov. guarantees on non-amort. HELOCs (effective April 2011)

2010

Department of Finance – April 2010
Debt servicing standards higher of the mortgage contract rate or BoC five-year fixed posted mortgage rate for high-ratio mortgages

Max. refinancing limited to 90% LTV

Min. down payment of 20% on investment properties

2009

OSFI – December 2009
E-18 – Stress testing expectations

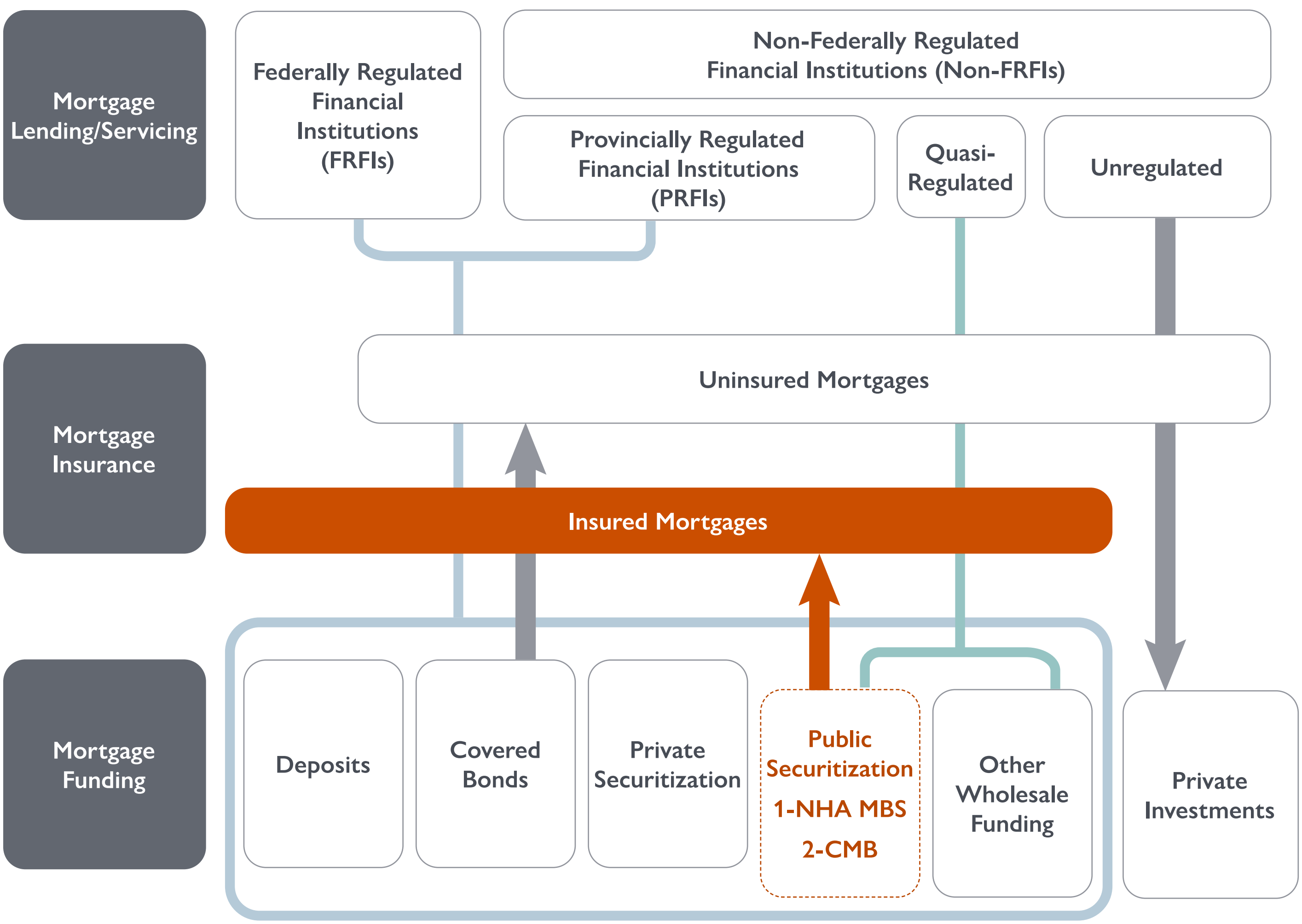
2008

Department of Finance – October 2008
Max. amort. = 35 years

Min. down payment = 5%

APPENDIX 3

HOUSING FINANCE IN CANADA 101



APPENDIX 4
GLOSSARY

Asset-backed commercial paper (ABCP)

An asset-backed commercial paper (ABCP) is a short-term money market instrument. It is a privately securitized fixed-income instrument backed by a pool of financial assets other than residential mortgage loans (such as credit card debt, personal loans or auto loans).

Canada Mortgage Bonds (CMB)

Under the CMB Program, Canada Housing Trust (CHT), a special purpose trust consolidated in CMHC's securitization activities, issues non-amortizing bonds ("Canada Mortgage Bonds" or "CMB") to investors and uses the proceeds to purchase NHA MBS. Monthly cash flows ("principal and interest") from the NHA MBS are transformed via swaps into interest payments made semi-annually for fixed-rate and quarterly for floating-rate CMB and the repayment of the principal at maturity (a "bullet" payment). The timely payment of interest and principal of CMB to investors is guaranteed by CMHC and therefore backed by the Government of Canada.

Covered bond

A debt obligation in relation to which the principal and interest owing are guaranteed to be paid from the loans or other assets held by the guarantor entity. Under the Canadian covered bond legal framework, assets may not include insured mortgages. CMHC is responsible for administering the covered bond legal framework.

Federally regulated financial institution (FRFI)

Under the Bank Act of Canada, the term "federal financial institution" means (a) a bank, (b) a body corporate to which the Trust and Loan Companies Act applies, (c) an association to which the Cooperative Credit Associations Act applies, or (d) an insurance company or a fraternal benefit society incorporated or formed under the Insurance Companies Act. The Office of the Superintendent of Financial Institutions (OSFI) regulates and supervises all banks and federally incorporated or registered trust and loan companies in Canada, as well as insurance companies and fraternal benefit societies.

Gross debt service (GDS) ratio

The gross debt service (GDS) ratio is the percentage of the gross income that will be used for payments of housing-related expenses (principal, interest, property taxes and heating costs, plus the annual site lease for leasehold tenure and 50% of applicable condominium fees). To calculate the GDS ratio, the sum of all annual housing-related expenses must be divided by the annual gross income and then multiplied by 100. The GDS ratio is only one of the factors considered in the loan underwriting process. Mortgage professionals also use a borrower's total debt service (TDS) ratio and credit history to determine if the borrower can afford to purchase a home.

High ratio mortgage

A high ratio mortgage is a mortgage loan of more than 80% of the lending value of the property. This occurs when the borrower's down payment is less than 20% of the purchase price of the property. By law, borrowers must purchase mortgage loan (default) insurance from their lender when the loan-to-value (LTV) ratio of the loan is high. If there is a default on the part of the borrower, the insurance allows for certain losses to be paid back to the lender. Not all lenders offer high ratio mortgages.

Low ratio mortgage

Also known as a conventional mortgage, a low ratio mortgage is a mortgage loan of 80% or less of the lending value of the property. This occurs when the borrower's down payment is at least 20% of the purchase price of the property. These types of loans do not require mortgage loan (default) insurance by law, since their loan-to-value (LTV) ratio is equal to or less than 80%. Such loans do not normally require mortgage default insurance from CMHC or any other insurer, unless lenders so require because of special conditions.

Loan-to-value (LTV) ratio

The loan-to-value (LTV) ratio corresponds to the original balance of the mortgage loan divided by the original value of the property. The result indicates whether it is a high ratio or low ratio mortgage. The LTV ratio determines the maximum amount of a guaranteed mortgage based on the market value of a given property as collateral.

Mortgage default insurance

Mortgage default insurance, commonly referred to as mortgage insurance or mortgage loan insurance, protects the lender in the event of default on the part of the borrower. This type of insurance is required by the federal government for high ratio mortgages (down payment of less than 20%). The mortgage default insurance premium payable by the borrower is based on the amount of the mortgage loan and the size of the down payment. The premium can be paid in a single lump sum or it can be added to the mortgage loan and included in the monthly payments.

Mortgage funding

To fund mortgages granted to borrowers, lenders use a variety of sources. Mortgage funding provided by chartered banks (FRFI) as well as other regulated lenders and credit unions (PRFI) comes primarily from personal deposits and wholesale funding, and through covered bonds and public securitization (NHA MBS and CMB). In the case of quasi-regulated lenders, mortgage funding relies heavily on bank funding and public securitization programs. For unregulated lenders, the mortgage funding available to them comes primarily from private investment. Private securitization (RMBS and ABCP) represents only a fraction of the sources of mortgage funding used by lenders.

National Housing Act Mortgage-Backed Securities (NHA MBS)

The NHA MBS Program provides a framework for transforming insured residential mortgages into securities issued by approved issuers ("National Housing Act Mortgage-Backed Securities" or "NHA MBS"). The securitized mortgages are insured against borrower default by CMHC or by private insurers and therefore by the Government of Canada. The timely payment of interest and principal to investors in the securities is guaranteed by CMHC and therefore by the Government of Canada.

Portfolio insurance

Portfolio insurance allows lenders to bulk-insure pools of previously uninsured mortgage loans. Unlike transactional mortgage loan insurance, which is paid for by the borrower, portfolio insurance is typically paid for by the lender. Portfolio insurance provides lenders with access to mortgage funding through government-sponsored (public) securitization programs, which require insured mortgages.

Private securitization

Private securitization refers to securitization activities that are not sponsored by the Government of Canada, and includes asset-backed commercial paper and residential mortgage-backed securities. Unlike public securitization, these securities are backed by uninsured assets.

Provincially regulated financial institution (PRFI)

Provincially regulated financial institutions (PRFIs) mainly comprise credit unions, caisses populaires and other financial institutions that are registered or incorporated at the provincial level. These entities are regulated and supervised by the financial authority of their province jurisdiction. Their policies, supervisory and regulatory frameworks are therefore different from those of federally regulated financial institutions.

Public securitization

Public securitization refers to the two securitization programs that are sponsored by the Government of Canada, namely the NHA MBS (National Housing Act Mortgage-Backed Securities) Program and the CMB (Canada Mortgage Bonds) Program. Securitization is the practice of transforming financial assets into securities on the capital markets. A distinction is usually made between mortgage-backed securities, which are backed by mortgage loan receivables, and asset-backed securities, which are backed by receivables from assets other than mortgage loans. Unlike covered bonds and private securitization, public securitization programs require insured mortgages.

Purpose test

"Purpose test" rules introduced on July 1, 2016, prohibit the securitization of CMHC-insured mortgage loans outside public securitization programs. These rules generally limit portfolio insurance to mortgages used in the NHA securitization programs, and thus restore portfolio insurance to its original purpose of allowing access to funding for housing loans through NHA securitization programs.

Quasi-regulated lenders

Lenders described as quasi-regulated are those, such as mortgage finance companies, that underwrite and service insured residential mortgages sourced from mortgage brokers. These mortgages tend to be packaged and sold to federally regulated financial institutions (FRFIs) or securitized through government-sponsored programs. Since mortgages purchased by FRFIs must conform to federal government mortgage lending rules, these quasi-regulated lenders are indirectly subject to these same rules. Similarly, to qualify for government-sponsored securitization, their mortgages must adhere to federal government guidelines for insured mortgages.

Residential mortgage-backed securities (RMBS)

Residential mortgage-backed securities (RMBS) are securities on the capital markets that are backed by mortgage loan receivables. In this report, the term RMBS refers to the product of private securitization, as opposed to the two public securitization programs sponsored by the Government of Canada (NHA MBS and CMB). Privately securitized RMBS are backed by uninsured mortgage loans.

Total debt service (TDS) ratio

The total debt service (TDS) ratio is the percentage of the borrower's gross income that will be used for payments of housing-related expenses (principal, interest, property taxes, heating costs, etc.) and other debt obligations, such as car payments or payments on other loans. To calculate the TDS ratio, the sum of all annual housing-related expenses and other debt obligations must be divided by the annual gross income and then multiplied by 100. The TDS ratio is only one of the factors considered in the loan underwriting process. Mortgage professionals also use a borrower's gross debt service (GDS) ratio and credit history to determine if the borrower can afford to purchase a home.

Unregulated lenders

Unregulated lenders include corporations, individuals and other entities that offer mortgages but that are typically subject to neither federal nor provincial mortgage lending rules and guidelines. Unlike banks, trust companies, insurers and credit unions, these lenders do not take deposits and are not subject to federal government mortgage lending rules and oversight. For example, they are not subject to federal rules about the amount of funds they must keep in reserve for credit losses arising from mortgage loans.

CMHC helps Canadians meet their housing needs

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1 Growth of residential mortgage credit kept accelerating and reached levels not seen in a decade

Year	Mortgage debt growth rate
2001	5%
	3%
	3%
	3%
	3%
	4%
	4%
	5%
	5%
	5%
	5%
	6%
2002	6%
	6%
	6%
	7%
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2003	8%
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2004	8%
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2007	10%
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	14%
	14%
	14%
	14%
	14%
2008	13%
	13%
	12%
	12%
	12%
	11%
	11%
	11%
	10%
	9%
	9%
	9%
2009	9%
	9%
	9%
	9%
	8%
	8%
	8%
	8%
	8%
	8%
	8%
	8%
2010	8%
	8%
	8%
	8%
	8%
	9%
	8%
	8%
	8%
	8%
	8%
	8%
2011	7%
	7%
	7%
	7%
	7%
	7%
	7%
	7%
	7%
	7%
	7%
	7%
2012	7%
	7%

(continued)

Year	Mortgage debt growth rate
	7%
	7%
	6%
	6%
	5%
	5%
	5%
	5%
	5%
	5%
2013	5%
	5%
	5%
	5%
	5%
	5%
	5%
	5%
	5%
	5%
	5%
	5%
2014	5%
	5%
	5%
	5%
	5%
	5%
	4%
	5%
	5%
	5%
	5%
	5%
2015	5%
	5%
	5%
	5%
	5%
	6%
	6%
	6%
	6%
	6%
	6%
	7%
2016	7%
	6%
	6%
	7%
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	6%
	6%
2017	6%
	6%
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2018	5%
	5%
	5%
	4%
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2019	3%
	3%
	3%
	3%
	3%
	4%
	4%
	4%
	4%
	4%
	4%
	4%
2020	5%
	5%
	5%
	5%
	5%
	6%
	6%
	6%
	6%
	7%
	7%
	7%
2021	7%
	7%
	7%
	8%
	8%
	9%

Sources: Statistics Canada Table: 36-10-0639-01 Credit liabilities of households, Bank of Canada; CMHC calculations

Figure 2 **Variable-rate mortgages continued to grow well into 2021**

Year	Share of mortgages advanced with variable interest rate (RHS)	Spread between fixed-term mortgage rate and variable rate (LHS)
Dec-13	34%	0.52
Jan-14	33%	0.57
Feb-14	32%	0.50
Mar-14	29%	0.43
Apr-14	25%	0.33
May-14	24%	0.31
Jun-14	25%	0.32
Jul-14	24%	0.29
Aug-14	24%	0.27
Sep-14	24%	0.25
Oct-14	24%	0.26
Nov-14	29%	0.36
Dec-14	30%	0.40
Jan-15	33%	0.54
Feb-15	39%	0.53
Mar-15	36%	0.44
Apr-15	32%	0.36
May-15	29%	0.32
Jun-15	29%	0.29
Jul-15	32%	0.44
Aug-15	38%	0.52
Sep-15	39%	0.55
Oct-15	37%	0.54
Nov-15	32%	0.44
Dec-15	27%	0.33
Jan-16	25%	0.24
Feb-16	23%	0.17
Mar-16	20%	-0.01
Apr-16	17%	-0.14
May-16	16%	-0.22
Jun-16	17%	-0.13
Jul-16	18%	-0.10
Aug-16	18%	-0.04
Sep-16	18%	-0.02
Oct-16	18%	0.00
Nov-16	15%	-0.04
Dec-16	13%	-0.03
Jan-17	15%	0.09
Feb-17	18%	0.22
Mar-17	21%	0.26
Apr-17	22%	0.29
May-17	24%	0.28
Jun-17	23%	0.28
Jul-17	16%	0.05
Aug-17	16%	0.13
Sep-17	15%	0.06
Oct-17	13%	0.11
Nov-17	17%	0.30
Dec-17	19%	0.41
Jan-18	17%	0.19
Feb-18	15%	0.19
Mar-18	17%	0.26
Apr-18	21%	0.38
May-18	26%	0.58
Jun-18	44%	0.97
Jul-18	43%	0.69
Aug-18	39%	0.66
Sep-18	33%	0.62
Oct-18	30%	0.37
Nov-18	25%	0.34
Dec-18	22%	0.32
Jan-19	23%	0.33
Feb-19	21%	0.23
Mar-19	19%	0.08
Apr-19	14%	-0.16
May-19	11%	-0.31
Jun-19	8%	-0.50
Jul-19	7%	-0.67
Aug-19	6%	-0.75
Sep-19	6%	-0.86
Oct-19	5%	-0.83

(continued)

Year	Share of mortgages advanced with variable interest rate (RHS)	Spread between fixed-term mortgage rate and variable rate (LHS)
Nov-19	5%	-0.69
Dec-19	6%	-0.66
Jan-20	7%	-0.54
Feb-20	7%	-0.60
Mar-20	15%	0.78
Apr-20	24%	0.76
May-20	25%	0.52
Jun-20	24%	0.44
Jul-20	25%	0.40
Aug-20	26%	0.33
Sep-20	24%	0.28
Oct-20	23%	0.23
Nov-20	23%	0.25
Dec-20	24%	0.28
Jan-21	25%	0.34
Feb-21	25%	0.37
Mar-21	28%	0.49
Apr-21	36%	0.64
May-21	43%	0.77
Jun-21	45%	0.80

Sources: Statistics Canada Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

Figure 3A Fixed-rate mortgage holders opt for longer terms

Year	Less than 1 year	From 1 to less than 3 years	From 3 to less than 5 years	5 years or more
2019	6.4%	20.3%	30.8%	42.6%
2020	5.2%	12.3%	24.3%	58.2%
2021 (as of June)	3.8%	10.2%	30.8%	55.3%

Sources: Statistics Canada Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

Figure 3B Average interest rate of new mortgage lending, chartered banks

Year	Variable rate, uninsured	Fixed rate, uninsured, less than 1 year	Fixed rate, uninsured, from 1 to less than 3 years	Fixed rate, uninsured, from 3 to less than 5 years	Fixed rate, uninsured, 5 years or more
Jan-14	2.8	4.9	3.1	3.1	3.7
Feb-14	2.8	4.9	3.0	3.1	3.6
Mar-14	2.8	5.1	2.9	3.1	3.4
Apr-14	2.8	5.0	2.9	3.0	3.2
May-14	2.9	4.6	3.0	3.0	3.1
Jun-14	2.8	4.6	3.0	3.0	3.1
Jul-14	2.8	4.3	2.9	2.9	3.1
Aug-14	2.8	4.5	2.9	2.9	3.1
Sep-14	2.8	4.5	2.8	2.9	3.1
Oct-14	2.7	4.5	2.8	2.9	3.1
Nov-14	2.7	4.6	2.9	3.0	3.1
Dec-14	2.7	4.6	2.9	3.0	3.1
Jan-15	2.6	4.6	3.0	3.0	3.1
Feb-15	2.5	4.8	2.9	2.9	3.0
Mar-15	2.5	4.9	2.7	2.8	2.9
Apr-15	2.5	4.9	2.6	2.7	2.8
May-15	2.5	4.7	2.5	2.7	2.8
Jun-15	2.5	4.6	2.5	2.7	2.8
Jul-15	2.3	4.4	2.5	2.7	2.7
Aug-15	2.3	4.6	2.6	2.7	2.8
Sep-15	2.2	4.7	2.5	2.7	2.8
Oct-15	2.2	4.7	2.5	2.7	2.8
Nov-15	2.3	4.8	2.5	2.7	2.8
Dec-15	2.4	4.7	2.5	2.7	2.8
Jan-16	2.5	4.7	2.5	2.7	2.9
Feb-16	2.6	4.9	2.5	2.8	2.9
Mar-16	2.8	4.8	2.5	2.7	2.9
Apr-16	2.8	4.7	2.4	2.7	2.8
May-16	2.9	4.7	2.4	2.6	2.7
Jun-16	2.7	4.6	2.5	2.6	2.6
Jul-16	2.7	4.6	2.4	2.5	2.6
Aug-16	2.7	4.5	2.5	2.5	2.6
Sep-16	2.6	4.6	2.5	2.5	2.6
Oct-16	2.6	4.5	2.5	2.5	2.6
Nov-16	2.7	4.5	2.5	2.5	2.6

(continued)

Year	Variable rate, uninsured	Fixed rate, uninsured, less than 1 year	Fixed rate, uninsured, from 1 to less than 3 years	Fixed rate, uninsured, from 3 to less than 5 years	Fixed rate, uninsured, 5 years or more
Dec-16	2.7	4.6	2.5	2.5	2.6
Jan-17	2.7	4.7	2.6	2.6	2.7
Feb-17	2.6	4.7	2.7	2.7	2.8
Mar-17	2.6	4.7	2.7	2.7	2.8
Apr-17	2.6	4.8	2.7	2.7	2.8
May-17	2.5	4.8	2.7	2.6	2.7
Jun-17	2.5	4.8	2.6	2.6	2.7
Jul-17	2.7	5.0	2.7	2.5	2.7
Aug-17	2.7	4.7	2.8	2.6	2.8
Sep-17	3.0	4.8	2.9	2.8	3.0
Oct-17	3.0	4.7	3.0	2.9	3.1
Nov-17	3.0	4.8	3.1	3.1	3.2
Dec-17	2.9	4.9	3.2	3.1	3.3
Jan-18	3.2	5.1	3.2	3.2	3.3
Feb-18	3.2	5.3	3.2	3.2	3.4
Mar-18	3.2	5.4	3.3	3.3	3.4
Apr-18	3.1	5.5	3.3	3.3	3.4
May-18	2.9	5.5	3.3	3.3	3.5
Jun-18	2.7	5.6	3.4	3.3	3.5
Jul-18	3.0	5.5	3.5	3.3	3.5
Aug-18	3.0	5.5	3.5	3.4	3.6
Sep-18	3.1	5.5	3.5	3.4	3.6
Oct-18	3.3	5.4	3.5	3.5	3.7
Nov-18	3.4	5.3	3.5	3.5	3.8
Dec-18	3.5	5.3	3.6	3.6	3.8
Jan-19	3.5	5.2	3.7	3.6	3.8
Feb-19	3.6	5.2	3.7	3.6	3.7
Mar-19	3.6	5.2	3.6	3.5	3.6
Apr-19	3.6	5.2	3.4	3.2	3.4
May-19	3.6	5.2	3.4	3.1	3.3
Jun-19	3.7	5.4	3.4	3.0	3.1
Jul-19	3.7	5.3	3.4	2.9	3.0
Aug-19	3.8	5.2	3.4	2.9	2.9
Sep-19	3.9	5.4	3.3	2.8	2.9
Oct-19	3.8	5.3	3.4	2.8	2.9
Nov-19	3.7	5.2	3.4	2.9	2.9

(continued)

Year	Variable rate, uninsured	Fixed rate, uninsured, less than 1 year	Fixed rate, uninsured, from 1 to less than 3 years	Fixed rate, uninsured, from 3 to less than 5 years	Fixed rate, uninsured, 5 years or more
Dec-19	3.8	5.1	3.5	2.9	2.9
Jan-20	3.7	5.1	3.4	3.0	3.0
Feb-20	3.7	5.0	3.4	2.9	3.0
Mar-20	2.2	5.5	3.4	2.8	2.8
Apr-20	2.1	5.1	3.3	2.7	2.7
May-20	2.3	5.0	3.2	2.7	2.7
Jun-20	2.3	4.9	3.2	2.6	2.6
Jul-20	2.2	5.0	3.1	2.5	2.5
Aug-20	2.1	5.0	3.1	2.3	2.3
Sep-20	2.1	4.9	3.0	2.2	2.2
Oct-20	2.0	4.8	3.0	2.1	2.1
Nov-20	2.0	5.0	3.0	2.0	2.0
Dec-20	1.9	5.0	3.0	1.9	2.0
Jan-21	1.8	5.1	3.0	1.8	2.0
Feb-21	1.7	5.0	2.9	1.8	1.9
Mar-21	1.6	5.1	2.8	1.9	2.0
Apr-21	1.6	4.9	2.9	2.0	2.0
May-21	1.6	5.0	3.0	2.1	2.1
Jun-21	1.6	4.9	2.9	2.2	2.1

Sources: Statistics Canada Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

Figure 4 Growth in obligated principal payments drove total mortgage payments (outstanding mortgages)

Period	Variable rate, uninsured	Fixed rate, uninsured, less than 1 year	Fixed rate, uninsured, from 1 to less than 3 years
Q1 1990	1,668	27,248	6.41
Q2 1990	1,440	27,888	6.64
Q3 1990	1,440	28,464	6.57
Q4 1990	1,488	29,020	6.58
Q1 1991	1,464	30,108	6.74
Q2 1991	1,600	30,260	6.89
Q3 1991	1,688	30,360	6.82
Q4 1991	1,552	30,752	6.83
Q1 1992	1,872	30,084	6.83
Q2 1992	1,984	30,256	6.77
Q3 1992	2,136	30,288	6.63
Q4 1992	1,848	30,504	6.70
Q1 1993	2,972	28,632	6.53
Q2 1993	2,372	29,056	6.25
Q3 1993	2,344	28,556	6.34
Q4 1993	2,672	28,152	6.36
Q1 1994	2,896	28,348	6.34
Q2 1994	2,968	27,868	6.20
Q3 1994	2,988	28,396	6.30
Q4 1994	2,932	28,908	6.31
Q1 1995	3,204	29,728	6.47
Q2 1995	2,796	30,092	6.39
Q3 1995	3,028	29,956	6.41
Q4 1995	3,088	29,820	6.36
Q1 1996	3,128	29,768	6.33
Q2 1996	3,304	29,540	6.30
Q3 1996	3,624	29,036	6.26
Q4 1996	3,556	28,724	6.13
Q1 1997	4,076	27,920	6.04
Q2 1997	3,924	27,784	5.97
Q3 1997	4,076	27,512	5.79
Q4 1997	4,408	27,244	5.75
Q1 1998	4,728	27,364	5.79
Q2 1998	4,504	27,240	5.70
Q3 1998	4,812	27,772	5.71
Q4 1998	4,588	28,004	5.62
Q1 1999	5,692	26,232	5.49
Q2 1999	5,300	26,132	5.33
Q3 1999	5,564	25,796	5.25
Q4 1999	5,840	26,228	5.31
Q1 2000	5,376	27,684	5.39
Q2 2000	5,752	28,248	5.44
Q3 2000	6,064	28,260	5.37
Q4 2000	5,524	29,056	5.31
Q1 2001	5,704	28,972	5.18
Q2 2001	6,028	28,656	5.28
Q3 2001	6,304	28,324	5.16
Q4 2001	6,616	27,764	5.09
Q1 2002	7,588	27,356	5.11
Q2 2002	7,888	27,248	5.13
Q3 2002	8,200	27,496	5.12
Q4 2002	7,880	27,860	5.07
Q1 2003	8,472	28,152	5.13
Q2 2003	8,444	28,516	5.20
Q3 2003	8,708	28,524	5.21
Q4 2003	9,264	28,508	5.23
Q1 2004	9,672	28,480	5.21
Q2 2004	10,400	28,260	5.17
Q3 2004	10,824	28,300	5.17
Q4 2004	11,224	28,628	5.24
Q1 2005	11,492	29,260	5.36
Q2 2005	11,844	29,936	5.37
Q3 2005	12,080	30,564	5.44
Q4 2005	12,672	31,140	5.50
Q1 2006	12,732	32,016	5.43
Q2 2006	12,760	33,524	5.59
Q3 2006	13,312	34,472	5.61
Q4 2006	13,508	35,364	5.63
Q1 2007	13,880	36,560	5.69
Q2 2007	13,960	37,924	5.84
Q3 2007	14,212	39,264	5.98

(continued)

Period	Variable rate, uninsured	Fixed rate, uninsured, less than 1 year	Fixed rate, uninsured, from 1 to less than 3 years
Q4 2007	15,148	40,672	6.13
Q1 2008	14,968	41,316	6.07
Q2 2008	16,372	40,984	6.10
Q3 2008	16,280	41,512	6.04
Q4 2008	18,488	38,560	5.99
Q1 2009	18,852	37,984	6.01
Q2 2009	19,988	37,448	6.07
Q3 2009	19,736	38,076	6.00
Q4 2009	20,420	37,868	5.97
Q1 2010	20,772	37,920	5.88
Q2 2010	21,084	38,676	6.05
Q3 2010	22,348	38,240	6.05
Q4 2010	22,132	39,092	6.00
Q1 2011	22,116	39,504	6.00
Q2 2011	22,764	39,328	6.04
Q3 2011	23,532	38,772	6.00
Q4 2011	24,404	38,740	5.98
Q1 2012	24,924	38,940	6.00
Q2 2012	25,316	39,128	6.02
Q3 2012	25,716	39,468	6.02
Q4 2012	26,512	39,240	6.04
Q1 2013	26,860	39,824	6.00
Q2 2013	27,676	39,776	6.03
Q3 2013	28,004	40,568	6.09
Q4 2013	28,656	40,632	6.09
Q1 2014	28,972	41,124	6.12
Q2 2014	29,836	41,032	6.16
Q3 2014	30,400	41,256	6.13
Q4 2014	30,900	41,464	6.17
Q1 2015	31,600	41,424	6.11
Q2 2015	33,316	39,888	6.08
Q3 2015	34,104	39,860	6.09
Q4 2015	34,980	39,804	6.16
Q1 2016	36,316	39,216	6.37
Q2 2016	36,260	40,352	6.35
Q3 2016	37,052	40,512	6.36
Q4 2016	37,916	40,348	6.35
Q1 2017	38,700	40,548	6.40
Q2 2017	39,340	41,060	6.38
Q3 2017	39,576	41,848	6.33
Q4 2017	39,780	43,772	6.42
Q1 2018	39,720	45,468	6.54
Q2 2018	39,552	47,064	6.61
Q3 2018	39,260	48,624	6.66
Q4 2018	37,396	52,472	6.68
Q1 2019	38,652	52,904	6.80
Q2 2019	39,432	53,756	6.80
Q3 2019	40,140	54,528	6.84
Q4 2019	41,920	54,040	6.85
Q1 2020	43,272	53,444	6.82
Q2 2020	38,056	52,992	5.74
Q3 2020	43,592	52,196	6.36
Q4 2020	46,912	51,108	6.55
Q1 2021	49,136	51,152	6.56

Sources: Statistics Canada Table: 11-10-0065-01, Debt service indicators of households, national balance sheet accounts, CMHC calculations

Figure 5 **Gross mortgage origination escalated due to surging issuance of uninsured mortgages for property purchases**

Type	2019Q2	2020Q2	2021Q2
Purchases	**35,397,036**	**40,166,853**	**80,592,791**
Insured	10,982,383	13,569,875	15,461,628
Uninsured	24,414,653	26,596,978	65,131,163
Same lender refinancing	**17,758,746**	**21,994,282**	**29,266,937**
Insured	569,900	972,542	836,696
Uninsured	17,188,846	21,021,740	28,430,241
Same lender renewals	**50,366,863**	**59,920,761**	**45,800,694**
Insured	22,758,261	29,472,990	18,052,137
Uninsured	27,608,602	30,447,771	27,748,557
Other renewals and refinancing (switches)	**6,949,291**	**9,431,081**	**12,048,460**
Insured	751,235	1,309,288	1,069,761
Uninsured	6,198,056	8,121,793	10,978,699

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations.

Figure 6 **End-of-contract uninsured principal repayments also shot up**

Type	2019Q2	2020Q2	2021Q2
End-of-contract principal repayments	**40,514,034**	**24,390,777**	**21,414,596**
Insured	13,167,188	10,276,752	9,575,790
Uninsured	27,346,846	14,114,025	11,838,806
Non-scheduled repayments	**12,845,963**	**6,924,190**	**7,351,740**
Insured	5,880,399	3,974,798	4,419,286
Uninsured	6,965,564	2,949,392	2,932,454
Scheduled repayments	**17,124,747**	**13,550,549**	**13,965,975**
Insured	7,305,701	6,515,529	6,702,171
Uninsured	9,819,046	7,035,020	7,263,804

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations.

Figure 7 **Share of uninsured mortgages extended by chartered banks grew rapidly (in million $)**

Period	Residential mortgages, insured	Residential mortgages, uninsured
Q1 2013	536,693	332,498
	538,631	345,219
	545,199	363,491
	543,558	371,706
Q1 2014	541,455	375,481
	539,794	389,429
	542,552	401,293
	545,012	408,300
Q1 2015	542,369	414,694
	539,373	434,209
	537,725	457,104
	548,210	463,269
Q1 2016	545,986	471,038
	571,970	462,083
	572,114	484,654
	562,133	503,451
Q1 2017	566,236	511,516
	556,224	541,464
	540,987	576,260
	532,289	597,267
Q1 2018	522,491	610,269
	508,820	633,812
	496,330	656,957
	487,836	674,938
Q1 2019	479,269	686,489
	476,211	707,123
	470,382	735,118
	464,815	758,187
Q1 2020	460,116	776,875
	476,531	785,167
	481,994	811,209
	481,819	847,539
Q1 2021	472,523	880,067

Source: Statistics Canada Table 10-10-0134-01, Chartered banks, mortgage loans report, end of period, Bank of Canada, (x 1,000,000)

Figure 8 Uninsured mortgages by loan amount skew toward the higher end of the distribution

Period	Type	$250,000 or less	$250,001 to $500,000	$500,001 to $1,000,000	Over $1,000,000
2019Q2	Uninsured	26.9%	37.8%	23.2%	12.1%
2020Q2		24.7%	37.7%	25.4%	12.2%
2021Q2		21.2%	36.1%	28.9%	13.8%
2019Q2	Insured	38.5%	43.2%	11.4%	6.9%
2020Q2		36.3%	43.4%	12.5%	7.8%
2021Q2		33.1%	42.4%	14.6%	9.9%

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations.

Figure 9 Distribution of LTV ratios of newly originated uninsured mortgages shifting upwards, chartered banks

Year	65% or less	> 65% to ≤ 75%	> 75% to ≤ 80%
2016	43.5%	16.7%	39.7%
2017	42.8%	17.1%	40.0%
2018	41.1%	18.0%	40.8%
2019	37.9%	18.2%	43.5%
2020	37.1%	17.8%	45.0%
2021 (as of June)	37.5%	17.9%	44.5%

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations.

Figure 10 Newly originated insured mortgages saw growth in loans with an LTV ratio from 96% up to and including 100%, chartered banks

Year	65% or less	> 65% to ≤ 75%	> 75% to ≤ 80%	> 80% to ≤ 85%	> 85% to ≤ 90%	> 90% to ≤ 95%	> 95% to ≤ 100%	≤ 30%
2016	5.5%	3.9%	6.1%	4.2%	18.4%	55.4%	14.1%	15%
2017	4.8%	4.4%	4.4%	4.2%	19.4%	55.7%	15.6%	16%
2018	5.4%	4.1%	6.5%	4.9%	19.6%	53.4%	13.2%	16%
2019	5.1%	3.3%	3.3%	5.6%	21.8%	53.8%	15.0%	17%
2020	6.1%	3.3%	4.9%	6.3%	22.9%	50.5%	11.7%	18%
2021 (as of June)	5.9%	3.0%	3.3%	4.4%	20.8%	51.8%	22.1%	16%

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC Calculations.

Figure 11 TDS ratio for uninsured (outbound) and insured (inbound) mortgages, 2021 (as of Q2), chartered banks

Type	> 60%	> 55% to ≤ 60%	> 50% to ≤ 55%	> 45% to ≤ 50%	> 40% to ≤ 45%	> 35% to ≤ 40%	> 30% to ≤ 35%	≤ 30%
Insured	3%	-	-	2%	30%	31%	19%	15%
Uninsured	8%	2%	2%	11%	29%	21%	12%	15%

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations.

Figure 12 Shrinking share of uninsured new mortgages with a TDS ratio of 40% or less, chartered banks

Period	> 60%	> 55% to ≤ 60%	> 50% to ≤ 55%	> 45% to ≤ 50%	> 40% to ≤ 45%	> 35% to ≤ 40%	> 30% to ≤ 35%	≤ 30%
2021Q2	8%	1%	2%	11%	29%	21%	12%	15%
2021Q1	8%	2%	2%	10%	28%	21%	13%	16%
2020Q4	7%	1%	2%	10%	28%	21%	13%	16%
2020Q3	7%	1%	2%	9%	28%	22%	13%	17%
2020Q2	7%	1%	2%	9%	27%	22%	14%	18%
2020Q1	8%	2%	3%	11%	25%	23%	14%	16%
2019Q4	7%	2%	2%	10%	28%	22%	13%	16%

Source: CMHC residential mortgage data reporting of NHA MBS issuers; CMHC calculations.

Figure 13 Residential mortgage debt largely held by chartered banks

Type	Total
Big Six banks	73%
Other banks	6%
CUs	14%
MFCs, insurance, trust companies	5%
MIEs	2%

Sources: Bank of Canada, Statistics Canada's Survey of Non-Bank Mortgage Lenders, and CMHC estimates

Figure 14 In 2020, chartered banks extended mortgages at a higher pace than the non-bank segment

Type	Total
Big 6	67.72%
Other chartered banks	5.46%
Credit unions	10.91%
Mortgage finance companies, insurance and trust companies	7.55%
Mortgage investment entites	8.35%

Sources: Bank of Canada, Statistics Canada's Survey of Non-Bank Mortgage Lenders, and CMHC estimates

Figure 15 The share of mortgages in arrears continue their downward trend, reaching thirty-year low

Period	CBA arrear rate
1990	0.18%
	0.20%
	0.20%
	0.21%
	0.20%
	0.21%
	0.22%
	0.24%
	0.26%
	0.28%
	0.30%
	0.32%
1991	0.37%
	0.40%
	0.43%
	0.44%
	0.44%
	0.49%
	0.54%
	0.55%
	0.57%
	0.57%
	0.60%
	0.62%
1992	0.64%
	0.65%
	0.64%
	0.63%
	0.58%
	0.57%
	0.54%
	0.54%
	0.53%
	0.52%
	0.52%
	0.53%
1993	0.52%
	0.53%
	0.51%
	0.51%
	0.51%
	0.48%
	0.47%
	0.48%
	0.49%
	0.47%
	0.48%
	0.50%
1994	0.52%
	0.54%
	0.52%
	0.50%
	0.49%
	0.46%
	0.46%
	0.46%
	0.49%
	0.49%
	0.47%
	0.48%
1995	0.50%
	0.50%
	0.50%
	0.50%
	0.52%
	0.52%
	0.54%
	0.57%
	0.56%
	0.56%
	0.57%
	0.57%
1996	0.59%
	0.62%
	0.63%
	0.62%
	0.61%
	0.58%
	0.58%
	0.58%
	0.60%
	0.58%
	0.61%
	0.64%
1997	0.65%
	0.64%
	0.63%
	0.61%
	0.62%
	0.60%
	0.57%
	0.56%
	0.55%
	0.53%
	0.52%
	0.52%
1998	0.53%
	0.52%
	0.49%
	0.48%
	0.48%
	0.48%
	0.47%
	0.47%
	0.48%
	0.46%
	0.48%
	0.51%
1999	0.53%
	0.53%
	0.51%
	0.48%
	0.50%
	0.48%
	0.46%
	0.46%
	0.45%
	0.43%
	0.43%
	0.43%
2000	0.45%
	0.44%
	0.44%
	0.42%
	0.42%
	0.39%
	0.40%
	0.40%
	0.40%
	0.42%
	0.42%
	0.43%
2001	0.45%
	0.44%
	0.43%
	0.43%
	0.42%
	0.41%
	0.42%
	0.42%
	0.43%
	0.44%
	0.44%
	0.46%
2002	0.46%
	0.45%
	0.44%
	0.43%
	0.42%
	0.39%

(continued)

Period	CBA arrear rate
	0.39%
	0.38%
	0.38%
	0.37%
	0.36%
	0.37%
2003	0.38%
	0.37%
	0.37%
	0.36%
	0.35%
	0.34%
	0.34%
	0.35%
	0.35%
	0.35%
	0.34%
	0.33%
2004	0.34%
	0.34%
	0.32%
	0.30%
	0.30%
	0.28%
	0.27%
	0.27%
	0.27%
	0.27%
	0.26%
	0.26%
2005	0.27%
	0.27%
	0.27%
	0.25%
	0.25%
	0.25%
	0.25%
	0.25%
	0.26%
	0.26%
	0.26%
	0.27%
2006	0.28%
	0.26%
	0.25%
	0.25%
	0.24%
	0.24%
	0.24%
	0.24%
	0.24%
	0.24%
	0.25%
	0.25%
2007	0.26%
	0.26%
	0.26%
	0.25%
	0.25%
	0.24%
	0.25%
	0.25%
	0.26%
	0.26%
	0.26%
	0.26%
2008	0.27%
	0.27%
	0.27%
	0.26%
	0.27%
	0.27%
	0.27%
	0.28%
	0.29%
	0.29%
	0.31%
	0.33%
2009	0.36%
	0.38%
	0.39%
	0.40%
	0.41%
	0.42%
	0.42%
	0.43%
	0.43%
	0.44%
	0.44%
	0.45%
2010	0.45%
	0.45%
	0.44%
	0.43%
	0.42%
	0.42%
	0.42%
	0.42%
	0.42%
	0.42%
	0.42%
	0.43%
2011	0.45%
	0.44%
	0.43%
	0.42%
	0.41%
	0.41%
	0.40%
	0.40%
	0.40%
	0.39%
	0.39%
	0.38%
2012	0.38%
	0.37%
	0.37%
	0.35%
	0.34%
	0.33%
	0.33%
	0.33%
	0.33%
	0.32%
	0.32%
	0.33%
2013	0.33%
	0.33%
	0.32%
	0.31%
	0.31%
	0.31%
	0.30%
	0.31%
	0.31%
	0.31%
	0.31%
	0.32%
2014	0.32%
	0.31%
	0.31%
	0.30%
	0.29%
	0.29%
	0.28%
	0.29%
	0.28%
	0.28%
	0.28%
	0.29%
2015	0.29%
	0.29%
	0.28%
	0.28%
	0.28%

(continued)

Period	CBA arrear rate
	0.27%
	0.27%
	0.27%
	0.27%
	0.27%
	0.26%
	0.27%
2016	0.28%
	0.28%
	0.28%
	0.28%
	0.28%
	0.28%
	0.28%
	0.29%
	0.28%
	0.28%
	0.27%
	0.28%
2017	0.28%
	0.28%
	0.27%
	0.26%
	0.25%
	0.25%
	0.25%
	0.24%
	0.24%
	0.24%
	0.24%
	0.24%
2018	0.24%
	0.24%
	0.24%
	0.23%
	0.23%
	0.23%
	0.24%
	0.23%
	0.24%
	0.24%
	0.24%
	0.24%
2019	0.25%
	0.24%
	0.24%
	0.23%
	0.23%
	0.23%
	0.23%
	0.23%
	0.24%
	0.24%
	0.23%
	0.24%
2020	0.24%
	0.24%
	0.24%
	0.25%
	0.26%
	0.27%
	0.26%
	0.25%
	0.25%
	0.23%
	0.22%
	0.23%
2021	0.23%
	0.23%
	0.22%
	0.21%
	0.20%

Source: Canadian Bankers Association (May 2021)

Figure 16 Mortgages in arrears (delinquent for 90 or more days) continued downward trend across all lender types

Period	Chartered banks	Credit unions	Other non-bank lenders (MFCs, trusts, insurance companies)	MIEs
2020Q1	0.24%	0.16%	0.22%	1.04%
2020Q2	0.26%	0.18%	0.29%	1.05%
2020Q3	0.25%	0.16%	0.29%	1.02%
2020Q4	0.23%	0.15%	0.27%	0.97%
2021Q1	0.20%	0.13%	0.25%	0.88%

Sources: Statistics Canada's Survey of Non-Bank Mortgage Lenders, third quarter 2020, and Canadian Bankers Association (May 2021)

Figure 17 Covered Covered bonds gradually decrease as the temporary expansion of term repo operations program comes to an end

Period	Deposits & Others	Market NHA MBS	CMB Notional	Covered Bonds	Private Securitization
2013 Q1	59.70%	15.50%	18.40%	5.20%	1.20%
2013 Q2	59.80%	16.60%	17.20%	5.10%	1.30%
2013 Q3	60.10%	16.20%	17.00%	5.40%	1.30%
2013 Q4	60.10%	15.70%	16.90%	5.80%	1.50%
2014 Q1	60.20%	15.80%	16.80%	5.80%	1.40%
2014 Q2	60.10%	15.60%	16.70%	6.10%	1.50%
2014 Q3	60.10%	15.70%	16.20%	6.70%	1.40%
2014 Q4	59.20%	16.60%	16.20%	6.60%	1.40%
2015 Q1	59.10%	16.40%	16.00%	7.30%	1.30%
2015 Q2	58.70%	15.80%	16.30%	7.80%	1.40%
2015 Q3	58.70%	15.60%	16.30%	8.20%	1.20%
2015 Q4	59.40%	15.60%	15.60%	8.10%	1.20%
2016 Q1	58.80%	15.10%	15.90%	9.00%	1.20%
2016 Q2	58.60%	14.80%	15.50%	9.70%	1.40%
2016 Q3	58.70%	14.70%	15.60%	9.50%	1.50%
2016 Q4	58.20%	15.60%	15.20%	9.40%	1.60%
2017 Q1	58.80%	15.30%	15.40%	9.00%	1.50%
2017 Q2	59.20%	15.10%	15.20%	9.00%	1.40%
2017 Q3	59.60%	14.80%	15.30%	9.00%	1.40%
2017 Q4	58.90%	15.70%	15.00%	8.90%	1.50%
2018 Q1	58.60%	15.70%	15.20%	9.10%	1.50%
2018 Q2	58.50%	15.40%	15.10%	9.80%	1.20%
2018 Q3	58.80%	15.20%	15.20%	9.70%	1.10%
2018 Q4	59.70%	15.50%	14.30%	9.50%	1.00%
2019 Q1	59.50%	15.50%	14.60%	9.40%	1.10%
2019 Q2	59.90%	15.10%	14.40%	9.60%	1.00%
2019 Q3	58.80%	15.00%	15.00%	10.20%	1.00%
2019 Q4	60.20%	14.70%	14.30%	9.70%	1.10%
2020 Q1	57.40%	14.50%	14.10%	12.90%	1.00%
2020 Q2	53.40%	15.20%	14.50%	15.70%	1.20%
2020 Q3	55.90%	13.50%	14.60%	14.90%	1.20%
2020 Q4	56.70%	13.10%	14.50%	14.60%	1.10%
2021 Q1	58.70%	12.10%	14.60%	13.60%	1.10%

Sources: OSFI; CMHC securitization annual/quarterly reports; DBRS

Figure 18 Private securitization remains limited, at 1% of total mortgage funding in Canada

Period	Deposits & Others	Market NHA MBS	CMB Notional	Covered Bonds	Private Securitization	Total-MF Reports
2012 Q4	691,423	178,596	202,955	64,531	13,470	1,150,975
2013 Q1	691,935	179,782	212,955	60,491	14,388	1,159,551
2013 Q2	707,449	196,123	203,455	60,491	15,126	1,182,643
2013 Q3	722,887	194,685	204,355	64,965	15,918	1,202,810
2013 Q4	732,848	191,583	206,105	70,358	17,672	1,218,566
2014 Q1	737,172	193,647	205,905	71,432	17,158	1,225,314
2014 Q2	746,792	194,544	207,405	75,954	18,873	1,243,567
2014 Q3	761,219	198,364	205,405	84,507	18,001	1,267,496
2014 Q4	763,936	213,577	208,905	85,233	18,166	1,289,818
2015 Q1	769,150	212,752	208,155	94,341	16,389	1,300,786
2015 Q2	767,347	206,934	212,655	101,615	18,437	1,306,989
2015 Q3	786,381	208,382	218,305	109,542	16,703	1,339,314
2015 Q4	818,516	215,510	215,055	111,712	16,289	1,377,083
2016 Q1	812,712	208,727	219,805	123,880	16,794	1,381,917
2016 Q2	824,487	208,042	218,305	137,105	19,195	1,407,134
2016 Q3	842,528	211,002	223,555	136,440	21,106	1,434,631
2016 Q4	853,912	229,034	222,725	137,508	23,469	1,466,648
2017 Q1	873,883	227,958	228,802	134,269	22,462	1,487,375
2017 Q2	890,247	227,321	228,695	135,618	21,359	1,503,241
2017 Q3	910,452	225,550	233,289	138,289	20,852	1,528,433
2017 Q4	914,522	244,052	233,149	137,358	22,819	1,551,900
2018 Q1	914,350	244,272	236,649	142,387	22,724	1,560,381
2018 Q2	917,518	241,901	236,649	154,078	18,668	1,568,814
2018 Q3	936,299	241,874	241,749	153,894	17,197	1,591,012
2018 Q4	978,026	253,524	234,249	155,365	16,813	1,637,976
2019 Q1	976,692	254,901	239,499	153,619	17,749	1,642,459
2019 Q2	998,118	251,333	240,249	160,531	16,717	1,666,947
2019 Q3	956,291	244,071	244,249	165,801	16,862	1,627,274
2019 Q4	1,025,056	249,341	243,499	165,375	18,265	1,701,535
2020 Q1	988,299	250,346	243,645	221,981	17,657	1,721,928
2020 Q2	926,606	263,628	251,650	273,245	20,518	1,735,647
2020 Q3	994,269	240,811	259,150	264,523	20,725	1,779,477
2020 Q4	1,005,125	232,365	256,500	258,891	19,913	1,772,794
2021 Q1	1,054,290	216,983	262,250	243,521	19,672	1,796,716

Source: OSFI; CMHC securitization annual/quarterly reports; DBRS