HOUSING RESEARCH

Residential Mortgage Industry Report

Fall 2022 Edition

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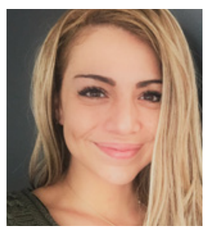

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KEY INSIGHTS

This report provides insights into the evolving mortgage industry landscape and mortgage market trends using the most recent available data. This integrated narrative around housing finance and affordability will focus on topics that are relevant for both policy and business decisions, as well as for CMHC's aspiration that, by 2030, everyone in Canada has a home that they can afford and that meets their needs. This report contributes to more stable and affordable markets by providing targeted information and insights that lead to more enhanced risk-based decisions.

In this Fall 2022 edition, we find the following:

Recent mortgage market trends

- Mortgage growth slowed down as interest rates hikedin the second quarter of 2022.
- Mortgage consumers are increasingly turning back to fixed rates as interest rates rapidly increase and the discount on variable interest rates vanishes.
- Declining ratios of mortgage loan approvals to applications show it is increasingly difficult for potential borrowers to get qualified for loans subject to the stress test.
- The share of mortgages in arrears (i.e. delinquent for 90 days or more) have continued to trend downwards across all types of lenders.

Housing Finance Research at-a-glance

- In the third quarter of 2022, consumers without a mortgage registered notable delinquency rate increases in auto loans and credit cards.
- Mortgage lending growth by alternative lenders outpaces conventional lenders. Their portfolio metrics indicate a decreasing risk profile.
- Mortgage borrowers in the alternative lending space are more likely to renew their loans as it becomes harder to qualify with traditional lenders.

EXPLORE THE DATA

Remember, you can always access most of the data by using the interactive mortgage dashboard to discover more insights that are relevant to you. **The Residential Mortgage Industry Data Dashboard** is a digital interactive companion to the Residential Mortgage Industry Report.

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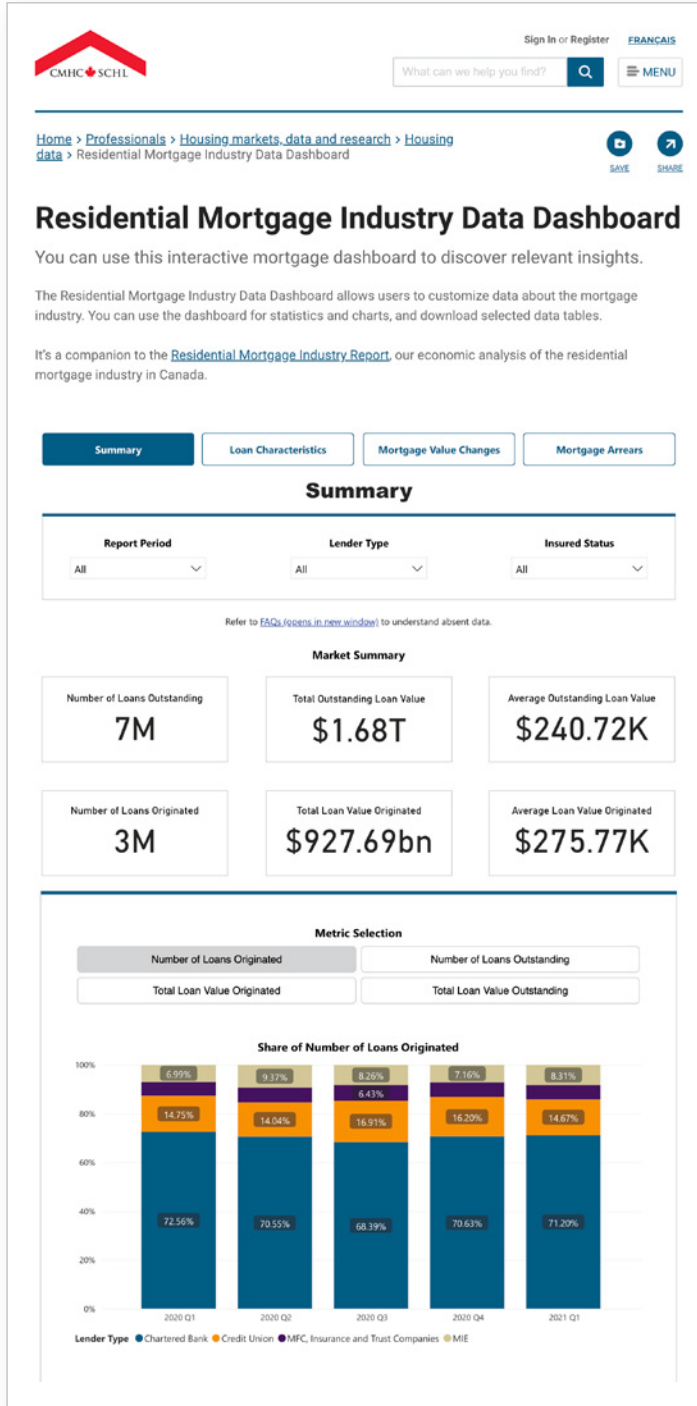
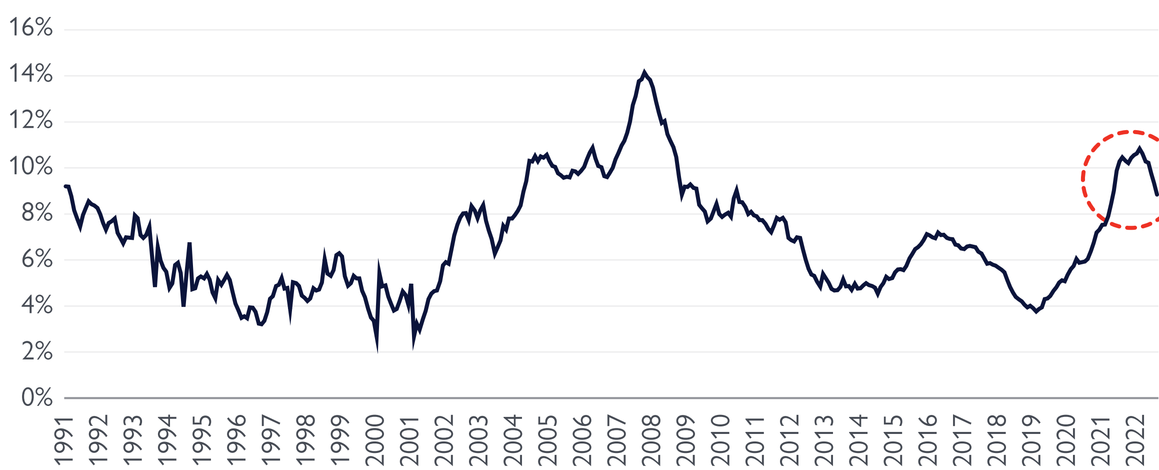
https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/residential-mortgage-industry-data-dashboard



RECENT RESIDENTIAL MORTGAGE MARKET TRENDS

- As of August 2022, residential mortgage debt stood at $2.05 trillion (+8.8% compared to August 2021). However, softer year-over-year growth since March 2022 was recorded due to the rapid interest rate hikes by the Bank of Canada (see Figure 1.1). Despite this deceleration in mortgage growth, Canadian households are facing record levels of real estate debt.

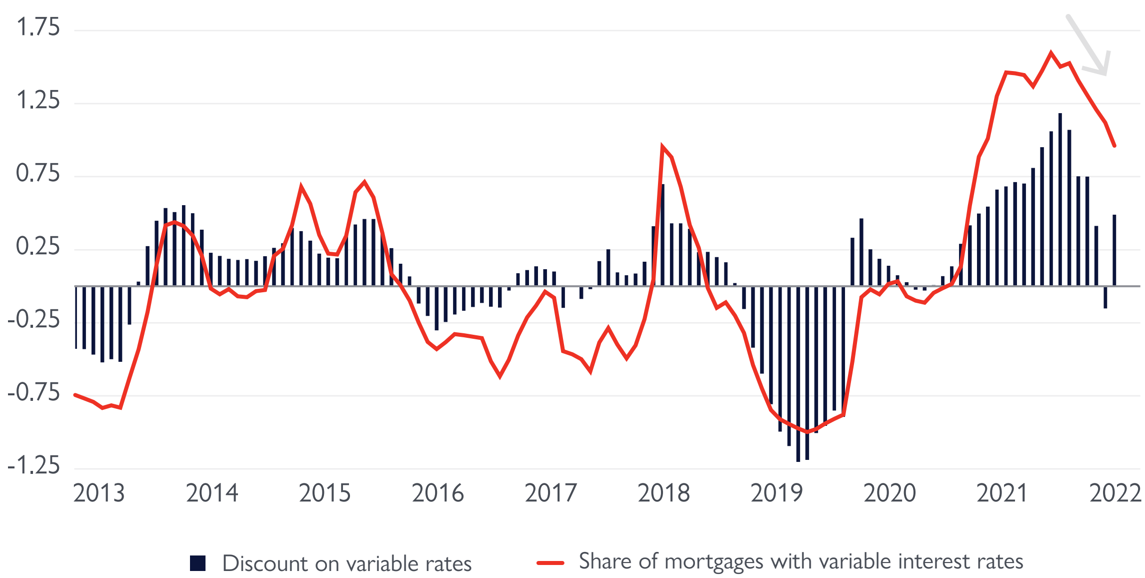
Figure 1.1 Mortgage growth slowing down as interest rates hike in second quarter of 2022



Source: Statistics Canada. Table 36-10-0639-01 Credit liabilities of households (x 1,000,000)

- The spread between the variable and fixed rates has been trending downward after peaking in the first quarter. Consequently, consumers' preference for variable rates has decreased. Since June, federally regulated financial institutions have lent more funds for new and renewed mortgages under fixed-rate agreements than variable-rate agreements. Additionally, this year, consumers who have opted for fixed-rate mortgages have increasingly favoured shorter-term commitments (less than five years) versus mortgages of five years or more. For more information on the interest rate environment, check out our report: The road ahead for the economy and housing — fall 2022 update | CMHC (cmhc-schl.gc.ca)[1].

Figure 1.2 Increasing discounts on variable rate mortgages boost mortgage consumers interest for these rates

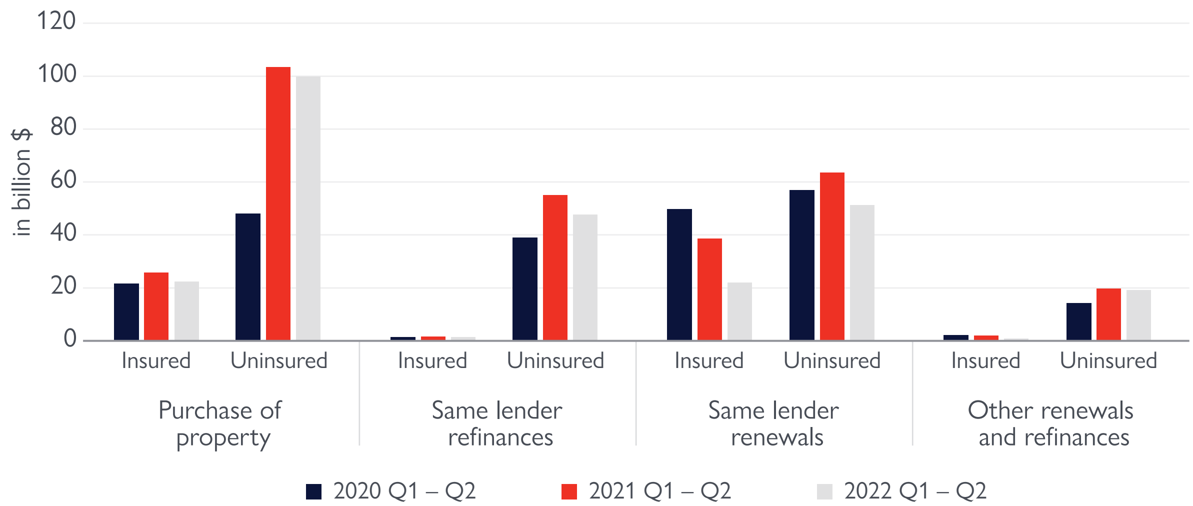


Sources: Statistics Canada. Table 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada; CMHC calculations

- An economic environment tinted by uncertainty, rising interest rates and inflationary pressure has contributed to the decrease in new mortgage originations in the first two quarters of 2022. This resulted in $191 billion worth of originated mortgage loans by chartered banks (-7.9%). As the housing markets have been cooling down, mortgage loans for property purchases dropped by 5.5%. Refinances showed the most significant decrease (-13.3%) (see Figure 1.3). During the same period, non-bank mortgage lenders—including credit unions, mortgage finance companies (MFCs) and mortgage investment entities (MIEs) extended a total of $ 110 billion worth of mortgage loans, which represents a drop of more than 23% compared to the same period in 2021.

[1] https://www.cmhc-schl.gc.ca/en/blog/2022/road-ahead-economy-housing-fall-2022-update

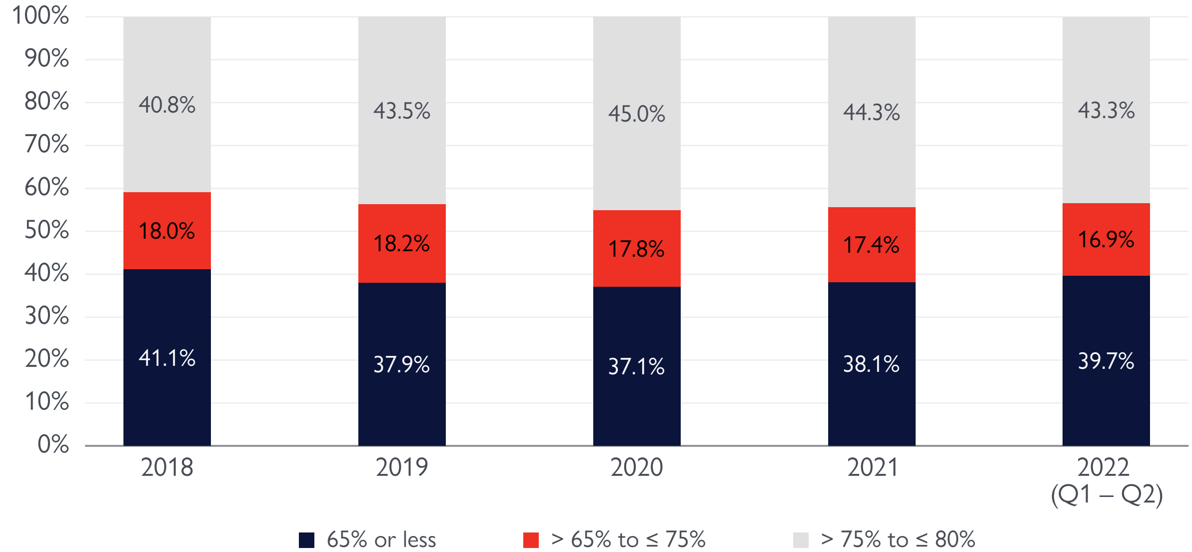
Figure 1.3 Mortgage originations drop for both insured and uninsured mortgages



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

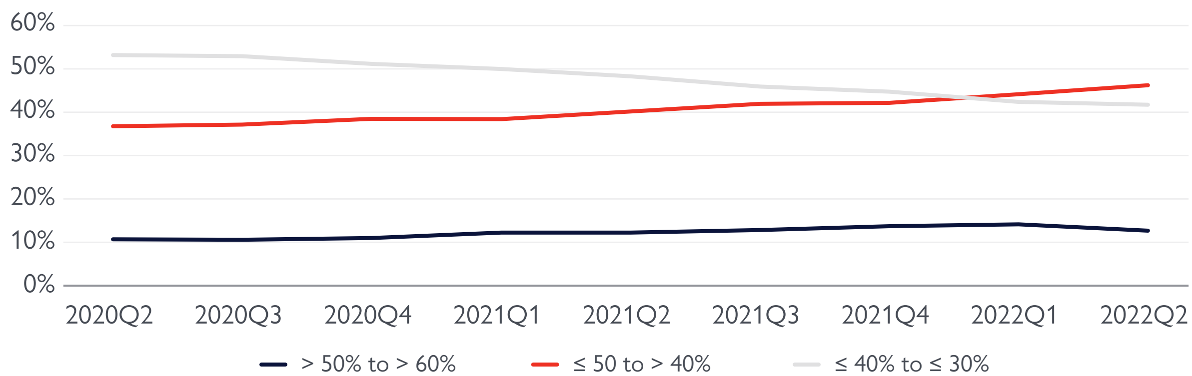
- Shifting trends in risk metrics, such as total debt service ratios (TDS), indicate a larger number of borrowers are becoming more leveraged. In the second quarter of 2022, a larger share of uninsured mortgages originated at chartered banks had higher total debt service (TDS) ratios. The share of uninsured new mortgages with a TDS ratio of 40% or less was on a downtrend since the second half of 2020 and decreased further in 2022 (see Figure 1.4). However, newly originated uninsured mortgages are showing lower loan-to-value ratios (LTV) as 40 % of the loans were originated at 65% or less (see Figure 1.5). This shift in LTV ratios indicates that the overall mortgage industry is likely to take on less risk, as larger shares of uninsured loans have higher buffers in the event of a large property price depreciation.

Figure 1.4 Newly originated uninsured mortgages slightly trending higher in the lower distribution of LTV ratios, chartered banks



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

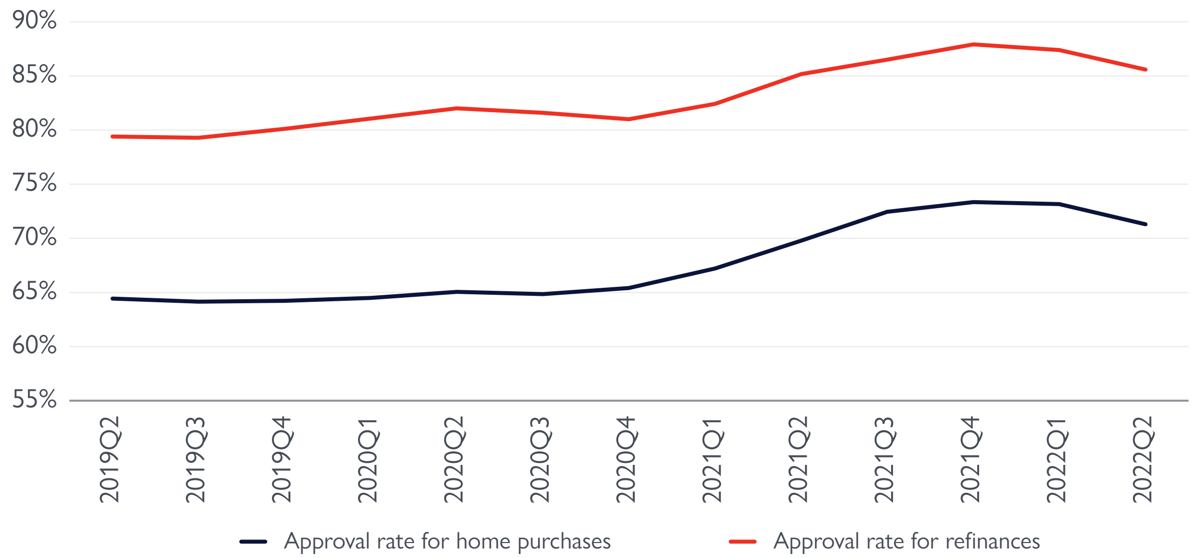
Figure 1.5 Share of uninsured new mortgages with a TDS ratio of 40% or less continues to shrink at chartered banks



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

- In addition to a reduced demand for new mortgages, mortgage regulations coupled with higher interest rates also contributed to the decrease in mortgage originations. Declining ratios of mortgage loan approvals to applications show it is increasingly difficult for potential borrowers to get qualified for loans subject to the stress test and to meet lender criteria. This is consistent for approvals in home purchases and same lender refinances. This said, approval rates remain higher than pre-pandemics levels. (See Figure 1.6)

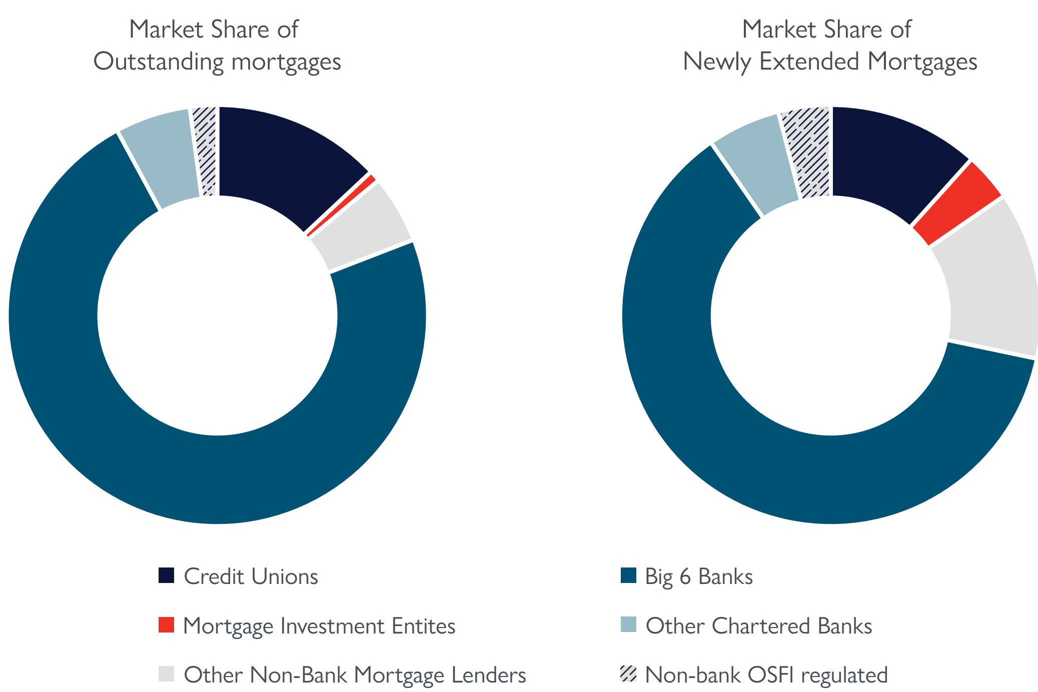
Figure 1.6 Approval rates decline for both home purchase and renewals



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

- The market share of newly extended mortgages by mortgage investment entities (MIEs) show an increase in the first two quarters of 2022. Prior to the increasing interest rates that began in the second quarter of this year, the Big 6 banks held a market share of nearly 3 out of every 4 mortgages in Canada (72.5%), with provincial Credit Unions representing the second largest share at 13%. While MIEs held less than 2% of the outstanding mortgages in Canada, they extended their share to 7% of new mortgages in the second quarter. The trend in recent years toward uninsured mortgages means that nearly 8 in 10 mortgages are now uninsured.

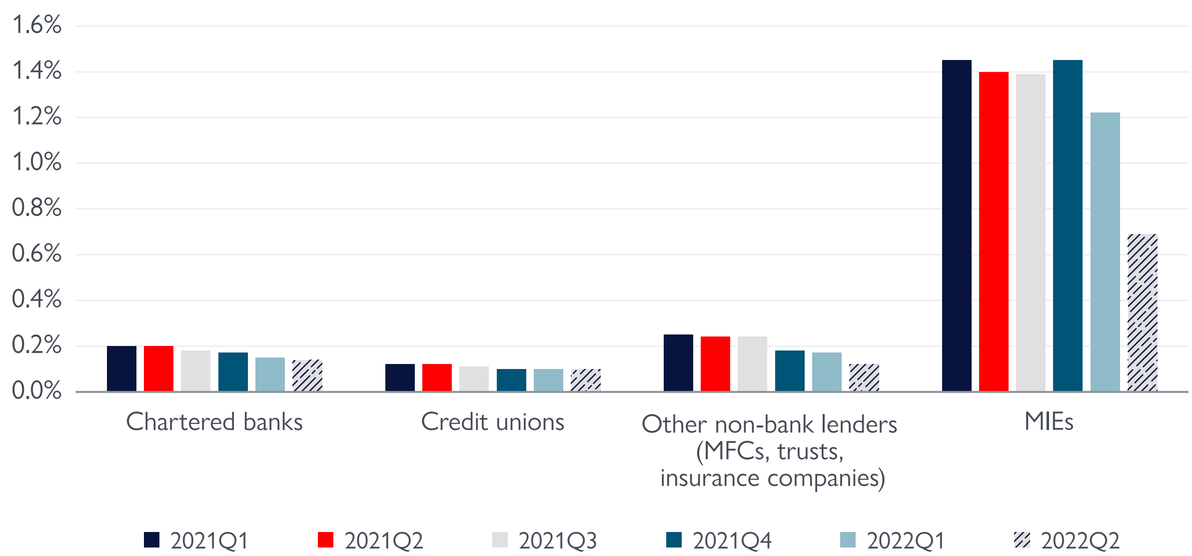
Figure 1.7 Market shares shift slightly with the changing interest rate environment



Sources: Survey of Non-Bank Mortgage Lenders, CMHC NHA MBS mortgage reporting, CMHC calculations, first quarter of 2022

- At the end of the second quarter of 2022, Canadian mortgage loan consumers were not only able to continue making their payments on time, but a larger share of them was able to do so. This downward trend in mortgage arrears was observed among all mortgage lender types. Credit unions recorded the lowest rate of mortgages in arrears, at 0.10%, followed by mortgage finance companies (MFCs), trusts and insurance companies down to 0.12% and chartered banks, with 0.14% MIEs continued to record the highest mortgage arrears rate, at 0.69%. While arrears rates are higher in MIEs 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. (Check out the Research at-a-glance section for more insights on delinquency monitoring.)

Figure 1.8 Mortgages in arrears (delinquent for 90 or more days) continued its downward trend across all lender types



Sources: Survey of Non-Bank Mortgage Lenders and Canadian Bankers Association

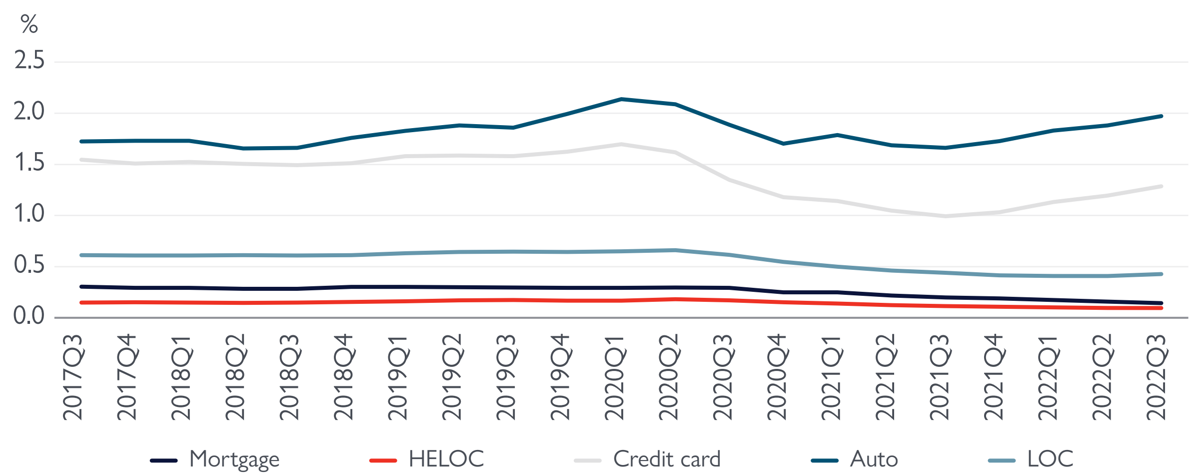
HOUSING FINANCE RESEARCH-AT-A-GLANCE

This section explores selected trends that tend to have a more long-term impact on the residential mortgage industry and the major markets. As these trends become more persistent over time, they should be further explored by both policy makers and the financial industry to contribute to the enhancement of housing supply and seek innovative options to better house all Canadians.

A. Mortgage Holders' delinquency rate improves for LOCs and Auto Loans but slightly worsens for Credit Cards

Mortgage arrears tend to be a lagged indicator; therefore, we look at other credit types that typically react more quickly to changing economic conditions.

Figure 2.1 Delinquency rates, by type of credit — Share of the number of accounts 90 days or more past due over the previous three months

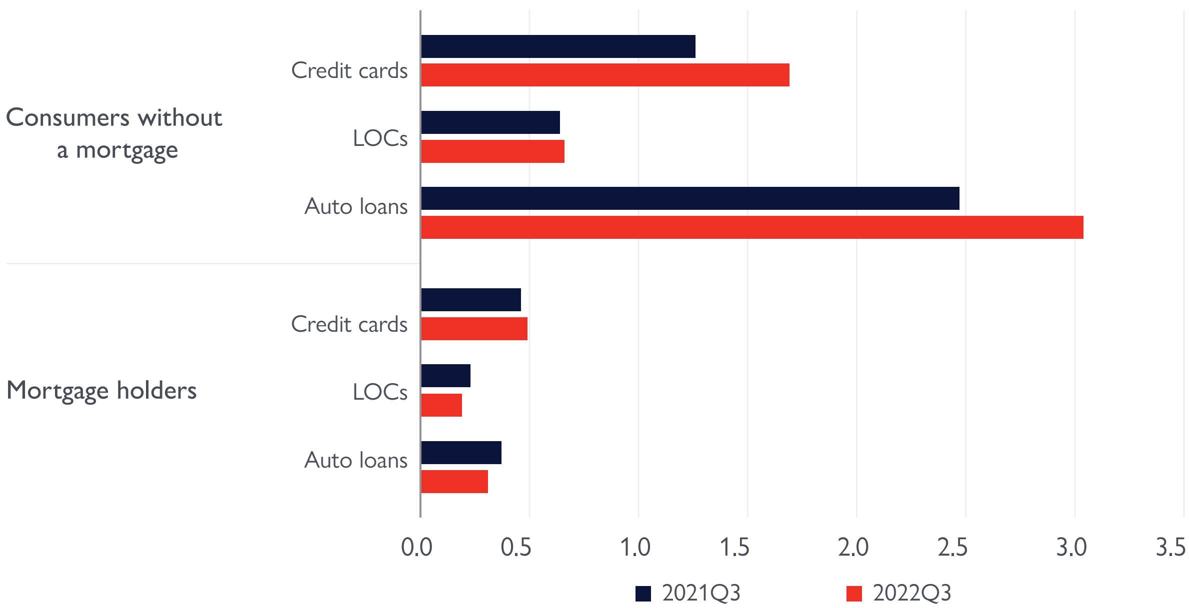


Source: Equifax and CMHC calculations

The credit types with the lower delinquency rate are the Home Equity Line of Credit (HELOC) and Mortgage, and these have been trending downward for several quarters. On the other hand, the delinquency rate for credit cards and auto loans—which are historically higher—have increased consecutively for four quarters and are below and equal to their pre-pandemic level, respectively. The increase is noteworthy in the current climate of continued interest rate hikes and could signal a trend change in the delinquency rate for mortgages, HELOCs, and Lines of Credit (LOCs).

The delinquency rate for credit cards, LOCs, and auto loans differs among mortgage holders and consumers without a mortgage (see Figure 2.2). In the third quarter of this year, consumers without a mortgage registered notable delinquency rate increases in auto loans and credit cards compared to the same period last year. However, mortgage holders' delinquency rates for auto loans and LOCs are lower when compared to the third quarter of 2021, while credit cards increased only slightly, thus signalling resiliency among consumers holding a mortgage.

Figure 2.2 Delinquency rates for mortgage holders and consumers without a mortgage



Sources: Equifax and CMHC calculations

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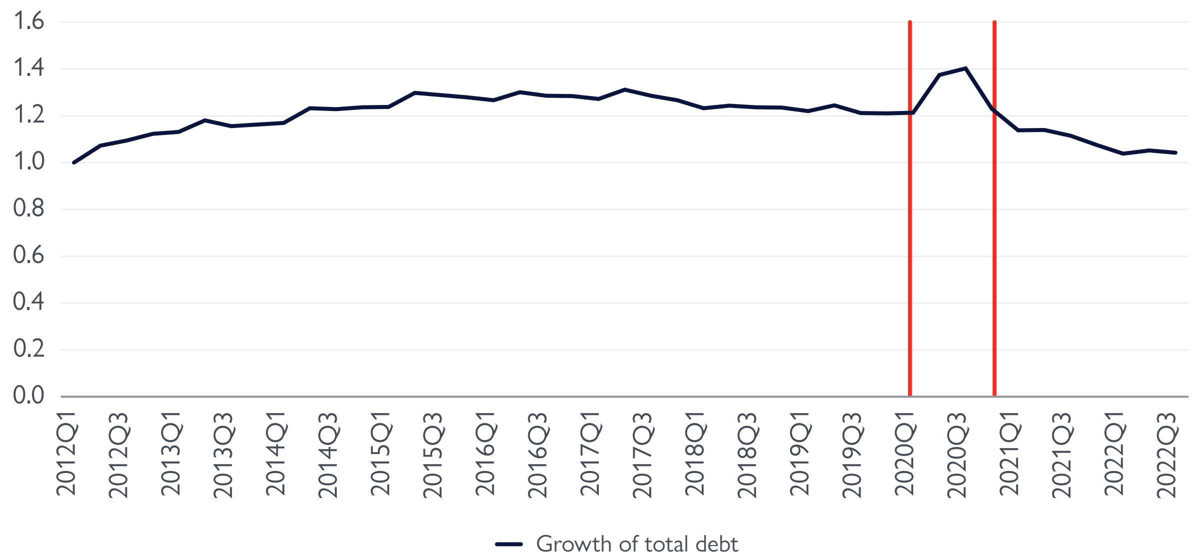
B. The number of overstretched borrowers and their amount of debt have decreased since the peak observed

Recent change in economic conditions (raising inflation, increasing interest rates, decreasing house prices, etc.) motivate us to monitor closely the evolution of debt servicing. Our attention focuses on borrowers that seem overstretched today, that is, those who are expected to be delinquent in the following year and/or are likely to go bankrupt in the next 2 years, and the amount of debt they are taking up. Figure 2.3 illustrates the total debt evolution by borrowers struggling the most with debt repayment—most likely to become delinquent and bankrupt. In the first three quarters of 2020, both the number and total debt of overstretched borrowers had peaked as the financial impact of the pandemic on consumers was becoming more evident.

Figure 2.3 Debt of consumers that are expected to be delinquent in the next year and go bankrupt has been declining



Sources: Equifax, CMHC calculations

The decrease in the trend from the fourth quarter of 2020 coincides with the government's intervention and relaxing of restrictions once mass vaccination was in place. As of the third quarter of 2022, overstretched borrowers have been trending down, despite the recent uncertain economic conditions. In one of our upcoming publications, we will present an indicator that shows debt growth of consumers at risk of default by CMA, accounting for the number of borrowers as well as total debt. The advantage of such an indicator is that it captures changes in trends, is sensitive to economic shocks and is easily computable and flexible to adjustments. Stay tuned!

C. Mortgage lending growth by mortgage investment corporations (MICs) outpaces conventional lenders and indicates a decrease in their risk profile

While overall mortgage debt in Canada grew by close to 9.75% in the second quarter of 2022 (year-over-year), the assets under management of the top 25 MICs in Canada grew by more than 22%. This unregulated segment of the industry has likely attracted a higher number of borrowers that were not able to get qualified with a traditional lender in the context of rapidly rising interest rates. On-field information gathered through interviews conducted by Fundamentals Research Corp. solidifies this statement as many MICs mentioned receiving an increasing number of loan requests in the past months. In this context, it is possible that MICs further expand their mortgage loan portfolios as more borrowers are likely to renew their loans in the alternative lending space resulting in lower repayments (see section D – update on exit strategies).

During the second quarter of 2022, the higher share of first mortgages and stable levels of average loan-to-value (LTV) ratios on newly originated mortgages, coupled with dropping delinquencies and foreclosures, have decreased the risk of the MIC's portfolio. In addition, geographical distribution has slightly shifted as Quebec's share increased from 5,3% to 6,7%. MICs remain largely concentrated in British Columbia and Ontario (see table 1 for more details).

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

		Q1-2021	Q2-2021	Q3-2021	Q4-2021	Q1-2022	Q2-2022
Assets Under Managment (AUM) in M$ of top 25 MICs		$8,269	$8,315	$8,413	$9,188	$9,862	$10,168
Average lending rate to single-family		8.9%	8.8%	8.1%	8.0%	7.9%	8.0%
Average share of first mortgages		81.3%	81.4%	83.7%	83.6%	84.8%	83.9%
Average loan-to-value (LTV) ratio		58.0%	57.9%	57.4%	58.5%	58.3%	58.0%
Debt to capital		17.4%	16.8%	17.3%	20.2%	22.5%	25.3%
Delinquency of 60 days or more		3.12%	3.23%	2.90%	2.59%	2.30%	1.34%
Foreclosure rate		3.18%	2.60%	2.21%	1.34%	1.08%	0.90%
Geographical distribution	British Columbia	36.7%	36.7%	39.1%	43.5%	41.7%	41.7%
	Alberta	8.1%	8.1%	7.4%	6.7%	6.3%	6.3%
	Ontario	48.4%	48.5%	47.9%	42.8%	43.4%	43.9%
	Quebec	3.8%	5.3%	4.1%	4.6%	5.9%	6.7%
	Others	3.0%	1.4%	1.6%	2.5%	2.6%	1.4%

Sources: Mortgage Investment Corporations (MIC) Survey, Fundamentals Research Corp, second quarter of 2022

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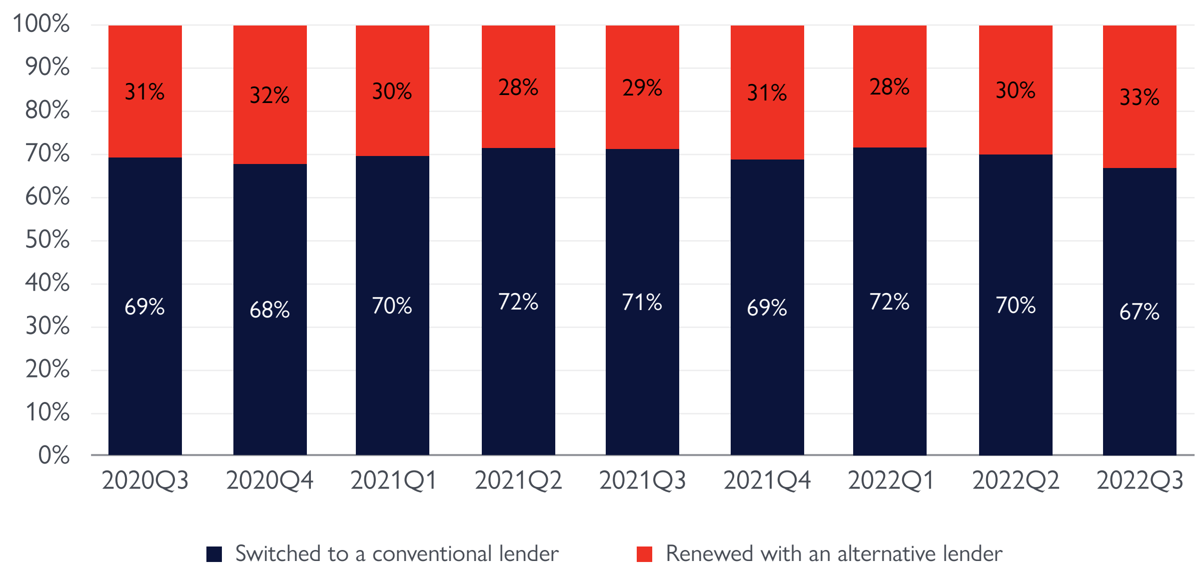
D. Mortgage borrowers in the alternative lending space are more likely to renew their loan as it becomes harder to qualify with traditional lenders

Tight mortgage rules coupled with rapidly increasing interest rates are making it even harder for mortgage borrowers to obtain a loan from conventional lenders. As a result, fewer mortgage borrowers can switch from an alternative lending provider to a conventional lender at their loan term. Therefore, a larger share of mortgage borrowers renew their loan in the alternative lending space—either with the same alternative lender or another. In the third quarter of 2022,[2] 33% of mortgages were not repaid at term and remained in the alternative lender's portfolio (compared to 29% one year earlier). Some 70% of mortgage borrowers had an effective exit strategy (see box 1) in the second and third quarters of 2022. This is lower than what was observed in 2020 and 2021 (72%) when this share remained stable. This recent drop was also attributable to fewer properties being sold at loan term.

In a context where mortgage borrowers are staying for a longer period in the alternative lending space, hence paying higher interest rates, affordability remains an outstanding issue for these borrowers, who find themselves, oftentimes, in precarious financial situations.

Figure 2.4 Fewer mortgage borrowers switch to a conventional lender as it becomes increasingly difficult to qulify under the current interest rate environment



Sources: Teranet mortgage transactions, CMHC calculations

[2] July and August 2022.

Box 1: What is an exit strategy in the alternative lending space?

An exit strategy is a plan that is developed and assessed as part of the underwriting process when a loan is originated. The exit strategy outlines the ability of the borrower to improve their financial situation and exit the alternative lending space at the end of the loan term. A borrower can also sell their property as part of their exit strategy, without being delinquent on the loan.

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1.1 Residential mortgage debt accelerating to pace last observed in 2008

Year	Mortgage growth
1991	9.20%
	9.18%
	8.78%
	8.16%
	7.77%
	7.46%
	7.96%
	8.26%
	8.54%
	8.43%
	8.37%
	8.26%
1992	7.98%
	7.61%
	7.32%
	7.61%
	7.68%
	7.80%
	7.18%
	6.96%
	6.72%
	6.99%
	6.97%
	6.96%
1993	7.94%
	7.82%
	7.08%
	6.96%
	7.08%
	7.44%
	6.11%
	4.83%
	6.56%
	5.98%
	5.65%
	5.50%
1994	4.79%
	4.98%
	5.78%
	5.87%
	5.43%
	3.97%
	5.52%
	6.77%
	4.74%
	4.77%
	5.20%
	5.29%
1995	5.21%
	5.39%
	5.15%
	4.59%
	4.35%
	5.14%
	4.92%
	5.13%
	5.35%
	5.14%
	4.61%
	4.12%
1996	3.83%
	3.49%
	3.55%
	3.48%
	3.94%
	3.92%
	3.75%
	3.24%
	3.21%
	3.36%
	3.74%
	4.32%
1997	4.42%
	4.86%
	4.92%
	5.21%
	4.75%
	4.79%
	3.88%
	5.03%
	4.99%
	4.87%
	4.45%
	4.35%
1998	4.22%
	4.33%
	4.77%
	4.67%
	4.71%
	5.03%
	6.03%
	5.40%
	5.32%
	5.57%
	6.22%
	6.29%
1999	6.16%
	5.30%
	4.89%
	5.00%
	5.32%
	5.20%
	5.20%
	4.66%
	4.39%
	3.88%
	3.49%
	3.36%
2000	2.69%
	5.43%
	4.86%
	4.90%
	4.41%
	4.09%
	3.80%
	3.88%
	4.21%
	4.63%
	4.49%
	4.05%
2001	4.97%
	2.69%
	3.24%
	2.97%
	3.43%
	3.79%
	4.31%
	4.53%
	4.64%
	4.68%
	5.07%
	5.77%
2002	5.91%
	5.84%

(continued)

Year	Mortgage growth
	6.45%
	7.06%
	7.53%
	7.84%
	8.03%
	8.04%
	7.74%
	8.35%
	8.15%
	7.81%
2003	8.16%
	8.39%
	7.70%
	7.28%
	6.91%
	6.28%
	6.56%
	6.85%
	7.48%
	7.32%
	7.80%
	7.80%
2004	7.96%
	8.13%
	8.37%
	8.96%
	9.42%
	10.31%
	10.29%
	10.51%
	10.30%
	10.50%
	10.45%
	10.57%
2005	10.29%
	10.09%
	10.05%
	9.77%
	9.69%
	9.57%
	9.62%
	9.59%
	9.88%
	9.85%
	9.75%
	9.86%
2006	10.05%
	10.37%
	10.67%
	10.88%
	10.42%
	10.08%
	10.03%
	9.65%
	9.61%
	9.80%
	10.01%
	10.38%
2007	10.64%
	10.97%
	11.18%
	11.52%
	12.01%
	12.73%
	13.12%
	13.77%
	13.85%
	14.14%
	13.95%
	13.82%
2008	13.49%
	12.87%
	12.38%
	11.95%
	12.04%
	11.47%
	11.20%
	10.90%
	10.48%
	9.58%
	8.85%
	9.19%
2009	9.18%
	9.29%
	9.13%
	9.10%
	8.40%
	8.25%
	8.10%
	7.68%
	7.80%
	8.12%
	8.44%
	8.00%
2010	7.87%
	7.97%
	8.05%
	7.89%
	8.67%
	9.01%
	8.53%
	8.51%
	8.30%
	8.00%
	8.10%
	7.94%
2011	7.90%
	7.74%
	7.73%
	7.57%
	7.35%
	7.21%
	7.50%
	7.83%
	7.75%
	7.84%
	7.63%
	6.95%
2012	6.86%
	6.80%
	6.99%
	6.96%
	6.47%
	6.01%
	5.61%
	5.37%
	5.31%
	5.06%
	4.84%
	5.39%
2013	5.21%
	5.01%
	4.74%
	4.68%
	4.69%
	4.82%
	5.16%
	4.86%
	4.87%
	4.70%
	4.97%
	4.76%
2014	4.77%
	4.90%
	5.00%
	4.91%
	4.87%
	4.79%
	4.54%
	4.83%
	5.00%
	5.28%
	5.18%
	5.21%

(continued)

Year	Mortgage growth
2015	5.46%
	5.58%
	5.60%
	5.57%
	5.74%
	6.07%
	6.27%
	6.48%
	6.56%
	6.68%
	6.86%
	7.12%
2016	7.07%
	6.99%
	6.94%
	7.19%
	7.09%
	7.09%
	6.95%
	6.91%
	6.91%
	6.67%
	6.64%
	6.50%
2017	6.47%
	6.58%
	6.61%
	6.58%
	6.56%
	6.36%
	6.28%
	6.06%
	5.84%
	5.87%
	5.79%
	5.75%
2018	5.66%
	5.57%
	5.46%
	5.13%
	4.83%
	4.59%
	4.39%
	4.29%
	4.21%
	4.06%
	3.94%
	4.01%
2019	3.91%
	3.76%
	3.88%
	3.95%
	4.30%
	4.33%
	4.43%
	4.66%
	4.82%
	5.02%
	5.11%
	5.07%
2020	5.35%
	5.60%
	5.74%
	6.05%
	5.87%
	5.91%
	5.93%
	6.04%
	6.39%
	6.75%
	7.19%
	7.32%
2021	7.53%
	7.54%
	7.90%
	8.42%
	9.01%
	9.88%
	10.28%
	10.46%
	10.31%
	10.21%
	10.43%
	10.55%
2022	10.62%
	10.83%
	10.63%
	10.28%
	10.23%
	9.75%
	9.34%
	8.84%

Source: Statistics Canada. Table 36-10-0639-01 Credit liabilities of households (x 1,000,000)

Figure 1.2 Increasing discounts on variable rate mortgages boost mortgage consumers interest for these rates

Year	Discount on variable rates	Share of mortgages with variable interest rates
2013	-42.7%	10.1%
	-43.0%	9.6%
	-46.8%	9.2%
	-52.0%	8.4%
	-50.0%	8.7%
	-51.8%	8.4%
	-26.3%	12.4%
	3.2%	16.4%
	27.5%	21.5%
	44.7%	28.0%
	53.5%	33.3%
	50.8%	33.8%
2014	55.5%	33.3%
	50.0%	31.9%
	38.8%	29.2%
	23.0%	24.7%
	20.8%	23.9%
	18.8%	24.6%
	18.0%	23.6%
	18.5%	23.5%
	17.5%	24.3%
	20.5%	24.5%
	26.3%	29.2%
	29.5%	30.1%
2015	40.0%	33.3%
	37.8%	38.6%
	31.3%	36.3%
	22.3%	32.0%
	19.5%	29.5%
	19.3%	29.3%
	35.0%	31.9%
	42.3%	37.9%
	46.0%	39.3%
	46.0%	37.2%
	36.5%	32.3%
	26.0%	26.6%
2016	15.5%	25.2%
	6.8%	23.0%
	-11.8%	20.0%
	-20.3%	17.4%
	-30.3%	16.4%
	-24.5%	17.4%
	-19.3%	18.5%
	-16.8%	18.3%
	-14.3%	18.1%
	-11.5%	17.9%
	-14.0%	14.7%
	-14.5%	12.7%
2017	-3.0%	14.9%
	9.0%	18.3%
	11.0%	20.7%
	13.8%	22.3%
	11.8%	24.3%
	10.0%	23.4%
	-14.8%	16.1%
	0.2%	15.7%
	-8.8%	15.0%
	-2.0%	13.4%
	17.3%	17.3%
	25.3%	19.3%
2018	9.5%	17.0%
	7.5%	15.1%
	8.7%	16.9%
	16.8%	20.5%
	41.0%	26.0%
	70.0%	44.1%
	43.0%	42.6%
	43.0%	38.6%
	39.3%	33.4%
	23.3%	30.3%
	23.5%	24.8%
	20.0%	22.0%

(continued)

Year	Discount on variable rates	Share of mortgages with variable interest rates
2019	16.5%	22.8%
	2.3%	21.0%
	-15.5%	18.6%
	-42.0%	14.2%
	-59.8%	11.0%
	-80.8%	8.1%
	-99.5%	6.8%
	-109.3%	6.1%
	-120.3%	5.5%
	-118.8%	5.0%
	-100.5%	5.5%
	-95.5%	6.2%
2020	-85.0%	6.9%
	-89.5%	7.4%
	33.3%	14.7%
	46.5%	23.5%
	25.3%	24.6%
	18.8%	23.9%
	14.0%	25.3%
	7.5%	25.7%
	2.7%	23.6%
	-2.3%	23.0%
	-3.0%	22.8%
	0.8%	24.1%
2021	7.0%	24.7%
	13.8%	25.3%
	29.0%	27.7%
	41.8%	36.1%
	49.8%	42.7%
	54.5%	45.2%
	66.3%	51.0%
	68.3%	54.3%
	71.3%	54.1%
	70.3%	53.9%
	81.0%	52.4%
	95.3%	54.5%
2022	106.0%	56.9%
	118.5%	55.0%
	107.0%	55.5%
	75.3%	53.2%
	75.0%	51.2%
	41.3%	49.2%
	-15.3%	47.4%
	49.0%	44.2%

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 1.3 Mortgage originations drop for both insured and uninsured mortgages

		2020 Q1 – Q2	2021 Q1 – Q2	2022 Q1 – Q2
Purchase of property	Insured	22	26	22
	Uninsured	48	103	100
Same-lender renewals	Insured	1	2	1
	Uninsured	39	55	48
Same-lender refinances	Insured	50	39	22
	Uninsured	57	64	51
Other renewals and refinances	Insured	2	2	1
	Uninsured	14	20	19

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

Figure 1.4 Newly originated uninsured mortgages slightly trending higher in the lower distribution of LTV ratios, 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	38.1%	17.4%	44.3%
2022 (Q1 – Q2)	39.7%	16.9%	43.3%

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

Figure 1.5 Share of uninsured new mortgages with a TDS ratio of 40% or less continues to shrink at chartered banks

Period	> 50% to > 60%	≤ 50 to > 40%	≤ 40% to ≤ 30%
2022Q2	13%	46%	41%
2022Q1	14%	44%	42%
2021Q4	14%	42%	44%
2021Q3	13%	42%	46%
2021Q2	12%	40%	48%
2021Q1	12%	38%	50%
2020Q4	11%	38%	51%
2020Q3	11%	37%	53%
2020Q2	11%	37%	53%

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

Figure 1.6 Approval rates decline for both home purchase and renewals

Period	Approval rate for home purchases	Approval rate for refinances
2019Q2	64.4%	79.4%
2019Q3	64.1%	79.3%
2019Q4	64.2%	80.1%
2020Q1	64.5%	81.1%
2020Q2	65.0%	82.0%
2020Q3	64.8%	81.6%
2020Q4	65.4%	81.0%
2021Q1	67.2%	82.4%
2021Q2	69.8%	85.2%
2021Q3	72.4%	86.5%
2021Q4	73.3%	87.9%
2022Q1	73.2%	87.4%
2022Q2	71.3%	85.6%

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

Figure 1.7 Market shares shift slightly with the changing interest rate environment

Market Share	Outstanding	Extended
Credit Unions	13.0%	11.7%
Mortgage Investment Entites	0.9%	3.7%
Other Non-Bank Mortgage Lenders	5.2%	12.9%
Big 6 Banks	73.0%	62.1%
Other Charteres Banks	5.8%	5.6%
Non-bank OSFI regulated	2.1%	4.0%

Sources: Survey of Non-Bank Mortgage Lenders, CMHC NHA MBS mortgage reporting, CMHC calculations, first quarter of 2022

Figure 1.8 Mortgages in arrears (delinquent for 90 or more days) continued its downward trend across all lender types

Period	Chartered banks	Credit unions	Other non-bank lenders (MFCs, trusts, insurance companies)	MIEs
2020Q3	0.25%	0.15%	0.26%	1.79%
2020Q4	0.23%	0.14%	0.24%	1.57%
2021Q1	0.20%	0.12%	0.25%	1.45%
2021Q2	0.20%	0.12%	0.24%	1.40%
2021Q3	0.18%	0.11%	0.24%	1.39%
2021Q4	0.17%	0.10%	0.18%	1.45%
2022Q1	0.15%	0.10%	0.17%	1.22%
2022Q2	0.14%	0.10%	0.12%	0.69%

Sources: Survey of Non-Bank Mortgage Lenders and Canadian Bankers Association

Figure 2.1 Delinquency rates, by type of credit. Share of the number of accounts 90 days or more past due over the previous three months

Period	Mortgage	HELOC	Credit card	Auto	LOC
2017Q3	0.30	0.15	1.55	1.72	0.61
2017Q4	0.29	0.15	1.51	1.73	0.61
2018Q1	0.29	0.15	1.52	1.73	0.61
2018Q2	0.28	0.15	1.50	1.66	0.61
2018Q3	0.28	0.15	1.49	1.66	0.61
2018Q4	0.30	0.15	1.51	1.76	0.61
2019Q1	0.30	0.16	1.58	1.83	0.63
2019Q2	0.30	0.17	1.59	1.88	0.64
2019Q3	0.29	0.17	1.58	1.86	0.65
2019Q4	0.29	0.17	1.62	1.99	0.64
2020Q1	0.29	0.17	1.70	2.14	0.65
2020Q2	0.29	0.18	1.62	2.09	0.66
2020Q3	0.29	0.17	1.35	1.89	0.62
2020Q4	0.25	0.15	1.18	1.70	0.55
2021Q1	0.25	0.14	1.14	1.79	0.50
2021Q2	0.22	0.12	1.05	1.69	0.46
2021Q3	0.20	0.11	0.99	1.66	0.44
2021Q4	0.19	0.11	1.03	1.73	0.41
2022Q1	0.18	0.10	1.13	1.83	0.41
2022Q2	0.16	0.10	1.20	1.88	0.41
2022Q3	0.14	0.10	1.29	1.97	0.43

Source: Equifax and CMHC calculations

Figure 2.2 Delinquency rates for mortgage holders and consumers without a mortgage

Period	Mortgage holders			Consumers without a mortgage		
	Auto loans	LOCs	Credit cards	Auto loans	LOCs	Credit cards
2021Q3	0.37	0.23	0.46	2.47	0.64	1.26
2022Q3	0.31	0.19	0.49	3.04	0.66	1.69

Sources: Equifax and CMHC calculations

Figure 2.3 Debt of consumers that are expected to be delinquent in the next year and go bankrupt has been declining

Period	Growth of total debt	Start	End
2012Q1	1.00		
2012Q2	1.07		
2012Q3	1.09		
2012Q4	1.12		
2013Q1	1.13		
2013Q2	1.18		
2013Q3	1.16		
2013Q4	1.16		
2014Q1	1.17		
2014Q2	1.23		
2014Q3	1.23		
2014Q4	1.24		
2015Q1	1.24		
2015Q2	1.30		
2015Q3	1.29		
2015Q4	1.28		
2016Q1	1.27		
2016Q2	1.30		
2016Q3	1.28		
2016Q4	1.28		
2017Q1	1.27		
2017Q2	1.31		
2017Q3	1.29		
2017Q4	1.27		
2018Q1	1.23		
2018Q2	1.24		
2018Q3	1.24		
2018Q4	1.24		
2019Q1	1.22		
2019Q2	1.25		
2019Q3	1.21		
2019Q4	1.21		
2020Q1	1.21	1.6	
2020Q2	1.37		
2020Q3	1.40		
2020Q4	1.23		1.6
2021Q1	1.14		
2021Q2	1.14		
2021Q3	1.11		
2021Q4	1.08		
2022Q1	1.04		
2022Q2	1.05		
2022Q3	1.04		

Sources: Equifax, CMHC calculations

Figure 2.4 Fewer mortgage borrowers switch to a conventional lender as it becomes increasingly difficult to qulify under the current interest rate environment

Period	Switched to a conventional lender	Renewed with an alternative lender
2020Q3	69%	31%
2020Q4	68%	32%
2021Q1	70%	30%
2021Q2	72%	28%
2021Q3	71%	29%
2021Q4	69%	31%
2022Q1	72%	28%
2022Q2	70%	30%
2022Q3	67%	33%

Source: Teranet mortgage transactions, CMHC calculations