



Canada Mortgage and Housing Corp. reports that only 0.38 per cent of the 630,957 mortgages it insures are in arrears.

HOME BUYERS PROVE STERLING INVESTMENT

For Canadian lenders, home owners are perhaps the best investment in the country. For, despite all the talk of high household debt and increasing mortgages, defaults in home loans remain tiny and housing values continue to be stable.

Consistent surveys show that Canadians don't have a mortgage default problem. Mortgage arrears in Canada were 0.38 per cent as of January 2012. In British Columbia, among the nation's housing hot spots, arrears are even lower.

According to Canada Mortgage and Housing Corporation, which provides insurance for those with lower downpayments, only 8 per cent of home buyers have less than 10 per cent equity and the average home equity is 44 per cent.

Then, consider housing values. In the past five years, the average house price in Vancouver's Lower Mainland

has increased about 24 per cent, remain higher now than a year ago and easily outstrip Canada's official rate of inflation, which is hovering around 1.9 per cent.

According to the Royal Bank of Canada, housing affordability hasn't really changed in Canada in 10 years, on a national basis, and it actually improved in the last quarter of 2011. This is due to lower interest rates and rising incomes.

According to industry estimates, average personal household debt is around 153 per cent of income. That's a record high number, but studies show much of this debt is being used for investment. These include investing in stocks, mutual funds, and real estate, both in Canada and the United States. In fact, Canadians are the biggest foreign buyers in Florida and we are also buying in Phoenix, Arizona in record numbers. Recent U.S. data shows a recent uptick in U.S. housing values.

A profile of the typical CMHC-insured borrower was recently released by the crown agency and it shows a fairly healthy risk profile.

- Average outstanding mortgage amount: \$162,157 (this compares with an average home value in excess of \$350,000)

- Average equity: 44 per cent.

- Borrowers with 20 per cent or more in equity: 75 per cent.

- Insured borrowers with homes worth more than \$400,000: 13 per cent

- Average credit score: 724 (700 is considered "good"; 850 is "excellent.")

Borrowers with a credit score above 700: 76 per cent.

Portion of insurance that's high-ratio: 50 per cent (Pierre Serré, CMHC's Chief Risk Officer, notes that the majority of CMHC-insured buyers are first-time buyers and there has been no deterioration among these borrowers as measured by standard risk metrics.)

- Portion of high-ratio borrowers ahead of their scheduled amortization by 1+ payment(s): 33 per cent.

- Average amortization at time of approval: 25 years.