

MORTGAGE HOLDERS MODEL OF FINANCIAL SMARTS



If only Canadian governments were as wise with debt as Canadian homeowners.

A federal report shows that, despite the concerns expressed by the federal Finance Minister over risky home loans, the overall amount of mortgages in Canada that are in arrears is nearly insignificant.

The recent Housing Observer, compiled by Canada Mortgage and Housing Corporation, reveals that the proportion of residential mortgages that were three months or more in arrears was trending down in the first half of 2012 – when stricter mortgage regulations were applied – to an average of 0.36 per cent.

This is lower than the 0.41 per cent in 2011, and lower than the average of 0.43 per cent in 2010, and only slightly

above the average of 0.33 per cent in the previous decade (2001-2010). (By comparison, the CMHC report says the U.S. arrears rate in the second quarter of 2012 was more than eight times higher at 3.04 per cent).

As well, nearly a third of homeowners are making accelerated mortgage payments. Last year 1.9 million Canadians made extra mortgage payments to knock down their home ownership debt.

Meanwhile, the federal government – that has moved aggressively to restrict mortgage amortizations and continually warns against high mortgages – is \$602 billion in debt and adding to it at a pace of \$57 million per day, says the Canadian Taxpayer Association.

Other highlights from CMHC's Housing Observer:

Canadian homeowners are paying off their mortgages and increasing their equity faster than ever.

Mortgage holder profile:

- **32% make extra mortgage payments**
- **44% in average home equity**
- **0.36% behind in payments**

- Total residential mortgage credit outstanding reached \$1.112 trillion by January 2012, an increase of 7.4 per cent from January 2011.

- The average homeowner equity in CMHC's insured portfolio has remained constant from 2010 at 44 per cent. In other words, Canadian home equity is worth nearly \$500 billion.

The Canadian Association of Accredited Mortgage Professional Association (CAAMP) annual survey also contains some interesting data about those planning to be mortgage-free sooner.

- \$300 – the average monthly increase to regular mortgage payments in the past year;

- \$22,500 – the average lump sum payment among mortgage-holders in the past year;

- \$29,000 – the average lump sum payment among those now mortgage-free during the last year of their mortgage

The CAAMP report found that one-third of home owners said low interest rates have helped them increase repayments, and that the majority planned to pay off their mortgage in less than 25 years.