



2012 MORTGAGE CONSUMER SURVEY



Canada 

Everything you need to open new doors



Key Findings from the 2012 Mortgage Consumer Survey

- Consumers are looking more to the Internet for mortgage information and use of social media is also growing
- Recent buyers continue to rely heavily on mortgage professionals and others for advice and information on a range of mortgage related topics
- Recent buyers are exploring their mortgage options and are actively engaged in the mortgage process
- Mortgage brokers and lenders both continue to do well in terms of share and loyalty
- Post transaction follow-up continues to be an important factor driving client satisfaction and potential future business
- Recent buyers report taking actions to pay down their mortgage sooner
- While there are positive indicators regarding the financial literacy of recent buyers, there is room for improvement
- First-time buyers differ from other mortgage consumers and have some unique needs



CONSUMERS ARE LOOKING MORE TO THE INTERNET FOR MORTGAGE INFORMATION AND USE OF SOCIAL MEDIA IS ALSO GROWING

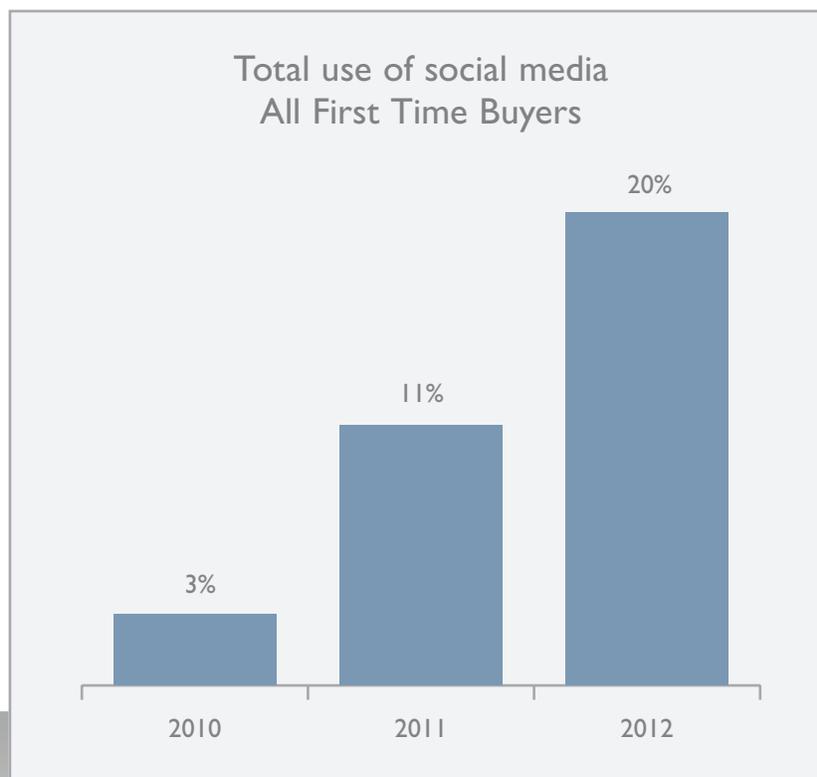
As found in last year's survey, mortgage consumers use a variety of resources, both on-line and off-line, when looking for information about mortgage features and options. Overall, about seven in ten (71%) consumers reported using online sources, up slightly from 65% in 2011. In addition, about one in three (31%, up from 22% last year) relied solely on the Internet to gather mortgage-related information.

Interest rates dominated among topics searched on the Internet (86%) followed by mortgage options (73%). Other items sought included mortgage calculators and general information about mortgages. Generally, the mortgage-related information and tools found on the Internet were seen to be useful, with usefulness ratings above 80%. Of consumers going online, 71% used a mortgage calculator.

Social media are also making inroads as sources for mortgage information. Among all mortgage consumers, Facebook is the most popular, with 5% of

consumers looking to this medium for mortgage-related information. Among first-time buyers the use of Facebook was 12%. In fact, the increased incidence of using social media among first-time buyers is notable, going from 3% in 2010 to 11% in 2011 and to 20% in 2012—nearly doubling in the last year. Interestingly, 43% of social media users used the interactive nature of social media either to solicit opinions or to provide answers to other mortgage consumers. Other social media platforms such as Twitter, YouTube, and LinkedIn were used by only a very small proportion of consumers (1%-3%).

Mobile data devices are being used by a small but growing proportion of consumers. Among all mortgage consumers who gathered information online, the incidence rose from 10% in 2011 to 14% in 2012. Among 18 to 24 year-olds, the use of mobile devices was substantially higher at 38%. Generally, mobile apps that include a mortgage payment/ interest/ amortization calculator are viewed as most useful.



RECENT BUYERS CONTINUE TO RELY HEAVILY ON MORTGAGE PROFESSIONALS AND OTHERS FOR ADVICE AND INFORMATION ON A RANGE OF MORTGAGE RELATED TOPICS

As seen in previous surveys, recent buyers continue to rely on mortgage professionals (lenders and brokers) for advice during the mortgage process. Also, of buyers who used a lender, 56% indicated that the lender was the single most influential person in their mortgage decision, and 45% of buyers who used a broker indicated that the broker was the single most influential person. Recent buyers also reported relying on other parties including: a family member (57%); real estate agent (53%); lawyer (40%); and, financial planner (29%). For about one-third of these buyers, these sources had a great deal of influence in their mortgage decision.

During the mortgage process, more than one-quarter of buyers reported receiving a recommendation to use a

specific lender (29%) or mortgage broker (25%).

The most common referral source for lenders was a family member or financial planner. In the case of brokers, it was a real estate agent or a friend of the borrower.

As part of their information and mortgage selection process, buyers received explanations on a range of topics, including: the differences among various mortgage products (71%); the purpose of mortgage loan insurance (67%); and, penalty clauses (67%). About six in ten reported receiving explanations about closing costs (62%), and the purpose of a mortgage pre-approval (62%). A similar proportion (61%) reported receiving explanations about the impact of mortgage prepayments and the effect of rising interest rates.

71%

of recent homebuyers received explanations on the differences between various mortgage products

61%

received explanations on the impact of prepayment and the effect of rising interest rates

RECENT BUYERS ARE EXPLORING THEIR MORTGAGE OPTIONS AND ARE ACTIVELY ENGAGED IN THE MORTGAGE PROCESS

Mortgage consumers spend on average about five weeks doing research before making a mortgage product decision. First-time buyers spend an average of eight weeks. The average time spent researching mortgages was fairly consistent across Canada.

About two-thirds of recent buyers reported contacting a lender or broker to learn about mortgage options (56% contacted a lender and 34% contacted a broker). Among those contacting a lender, on average 2.7 lenders were contacted; for brokers, on average 1.9 were contacted.

Many recent buyers prepared themselves before meeting with a lender or broker. Among recent buyers, nearly three-quarters had done at least one of: prepared a list of questions; organized their personal information; or

Nearly **75%** of recent buyers had done at least one of: prepared **a list of questions**; organized their **personal information**; or prepared **a list of their assets** prior to meeting with their mortgage professional

prepared a list of their assets prior to meeting with their mortgage professional. A majority (58%) of all mortgage consumers also engaged in discussions about the pros and cons of various mortgage products available to them - this level of engagement is seen in all regions of the country. Doing diligent research/shopping is further evidenced by the fact that recent buyers were presented with, on average, two to three mortgage options by their lender or broker.

At the end of the process, more than 80% of mortgage consumers felt confident that they got the best deal for their needs and that the mortgage process was easy and straightforward.



MORTGAGE BROKERS AND LENDERS BOTH CONTINUE TO DO WELL IN TERMS OF SHARE AND LOYALTY

In the 2012 survey, 27% of mortgage consumers used a mortgage broker to arrange their mortgage (23% in 2011). In the past year, brokers have made further inroads among mortgage renewers, with one in five relying on a broker. Broker share of mortgage originations has remained stable among first-time buyers at 48%, and repeat buyers at 32%. Among those refinancing their mortgage, 27% used a broker. Key reasons for using a broker continue to be getting the best rate or deal, and receiving excellent service.

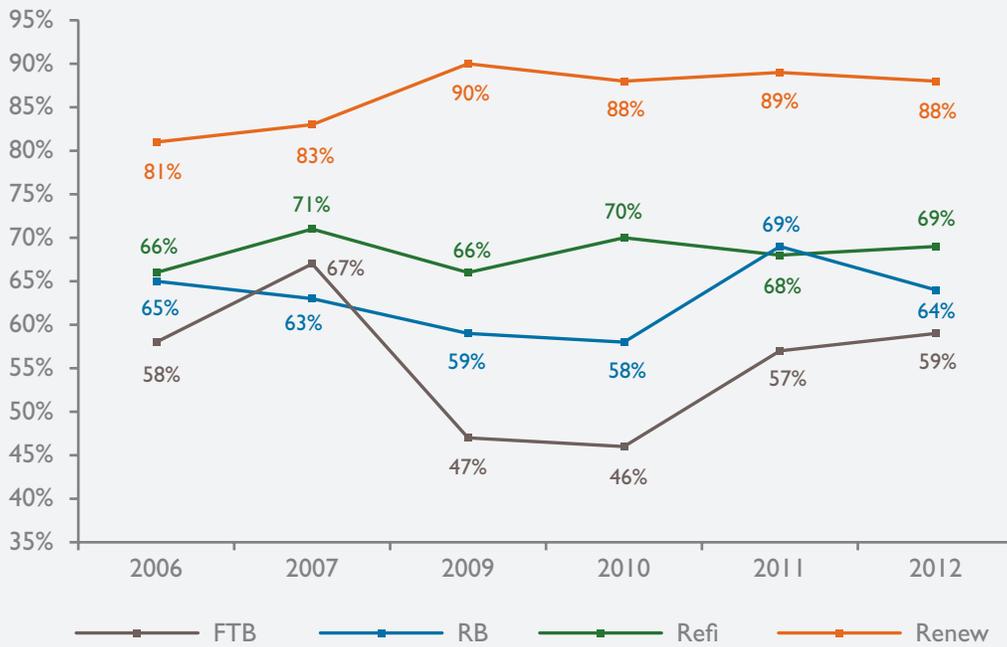
Mortgage consumers remain loyal to their existing lender to varying degrees. Nearly nine in ten renewers continue to remain loyal to their existing lender,

a finding that has been consistent over the past several years. Lender loyalty continues to be weakest among first-time buyers, where 59% reported getting their mortgage with the financial institution they were dealing with the most. However, there appears to be an increase in lender loyalty among first-time buyers, which has increased from only 47% in 2009. As with brokers, key reasons for using a lender continue to be getting the best rate or deal, and receiving excellent service.

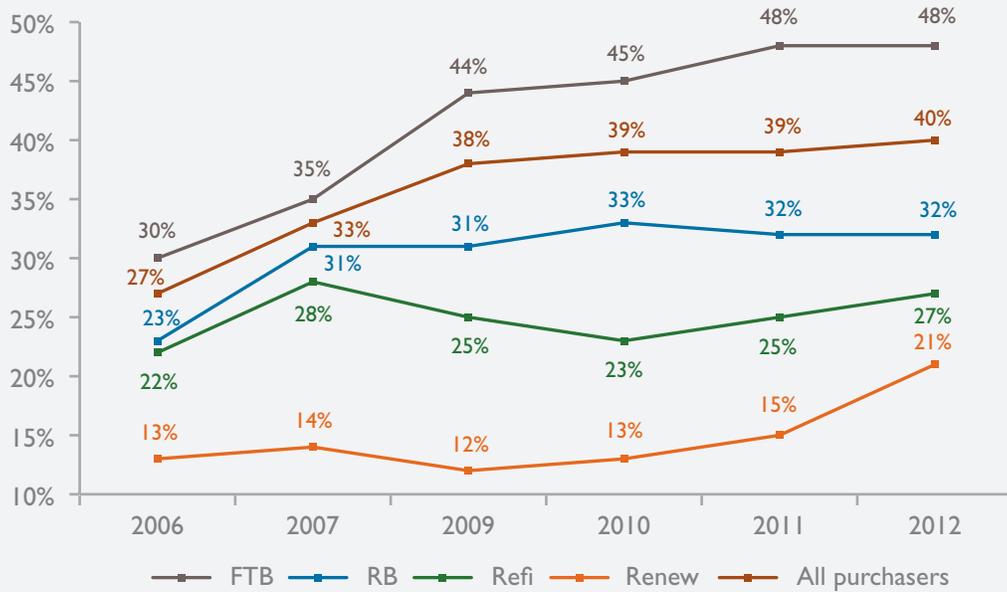
For both lenders and brokers, mortgage negotiations are still dominated by face-to-face meetings (68% for those using a lender and 51% for those using a broker), followed a distant second by most negotiations being done over the phone (18% for those using lender and 21% for those using a broker). The majority of mortgage consumers agreed that they were satisfied with their experience using their lender or broker (83% for lenders and 77% for brokers).



Most mortgage consumers remain loyal to their lender



Brokers maintain market share



POST TRANSACTION FOLLOW-UP CONTINUES TO BE AN IMPORTANT FACTOR DRIVING CLIENT SATISFACTION AND POTENTIAL FUTURE BUSINESS

In the 2012 survey, 46% of consumers were contacted by their mortgage professional following their mortgage transaction. In the case of those using a lender directly, 42% reported post transaction follow-up, while for those using a broker 55% reported post transaction contact. The most common methods of contact were by telephone (57% of lender customers and 42% of broker customers who had been contacted), followed by email (23% and 29% respectively). For the most part, the purpose of such follow-up was simply to thank the customer (58% of those contacted by their lender and 66% of those contacted by their broker) and/or to confirm the closing (43% and 33% respectively).

Mortgage consumers highly valued their broker or lender contacting them following the mortgage process, and such

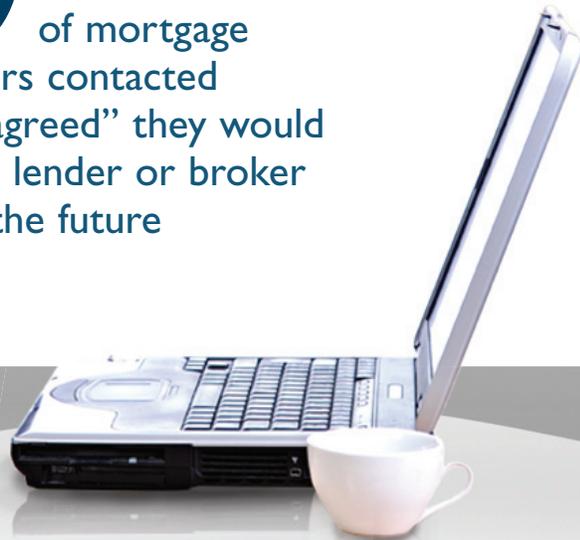
contact can be very beneficial to brokers and lenders. About two-thirds of consumers contacted “totally agreed” that they were satisfied with the services provided by their lender or broker. This compares to only about four in ten among those who had not been contacted.

Similarly, post-transaction contact greatly increased the likelihood a consumer would use their lender or broker for their next mortgage transaction. Among those contacted, about 60% “totally agreed” they would use their lender or broker again in the future, compared to only about one-third of those who were not contacted.

The importance of mortgage client satisfaction is further demonstrated by the finding that 83% of broker clients and 82% of lender clients who “totally agreed” that they were satisfied with their broker/lender experience also “totally agreed” they will use the same broker/lender for their next mortgage transaction.



60% of mortgage consumers contacted “totally agreed” they would use their lender or broker again in the future



RECENT BUYERS REPORT TAKING ACTIONS TO PAY DOWN THEIR MORTGAGE SOONER

As in the 2011 survey, about one-third (31%) of recent buyers reported making either a lump-sum payment or increasing their regular payment or both as actions to pay off their mortgage sooner; this compares to 29% in the 2011 survey. As well, nearly half of recent buyers (44%) have their mortgage payment set higher than the

minimum required, also a slight increase over the previous year (39%). This finding is consistent across the country.

Besides the above actions, recent buyers reported either putting aside savings and/or reducing non-mortgage debt, including: 61% contributing to an RRSP; 36% making investments outside of their RRSP; and 43% paying down non-mortgage debt faster than necessary. In addition, 62% reported having contributed to a general savings account.

44% have their mortgage payment set higher than the minimum required

43% paying down non-mortgage debt faster than necessary



WHILE THERE ARE POSITIVE INDICATORS REGARDING THE FINANCIAL LITERACY OF RECENT BUYERS, THERE IS ROOM FOR IMPROVEMENT

As part of their research in the mortgage acquisition process, about four in ten recent buyers (47% of first-time and 33% of repeat buyers) went online and did a financial self-assessment.

Looking back after the process, some 80% plus of recent buyers felt they had a good understanding about how much they could afford and also that they had made their decision with a good understanding of the mortgage options available to them.

Similar to the 2011 survey results, 80% of recent buyers reported that they had established “at least to some extent” a household budget, with most who did so allowing for contingencies, such as “assessing to some

degree”: the potential impact of rising interest rates on their budget (66%); the potential impact of a loss income on their budget (66%); and, the potential impact of rising expenses on their budget (76%).

Among those without a budget, four-fifths (82%) indicated that they felt confident they could prepare a budget based on their existing knowledge. However, almost half were not confident they knew who to go to for help in establishing a household budget.

While the above results are relatively positive regarding financial consumer literacy among recent buyers, there is room for improvement. The survey findings showed that: 20% of recent buyers do not have a household budget; one-fifth (22%) are not sure where they would go for advice in case of financial difficulty.



4 in 10 recent buyers
went online and did a financial
self-assessment

FIRST TIME BUYERS DIFFER FROM OTHER MORTGAGE CONSUMERS AND HAVE SOME UNIQUE NEEDS

The survey results showed that first-time buyers have some distinct characteristics. Not surprisingly, one is being younger, with an average age of 34 vs. 47 for repeat buyers. Others include: a higher incidence of using a mortgage broker; lower levels of lender loyalty; higher incidence of starting their mortgage research with a family member and friend; and, greater influence of family members.

Other distinguishing characteristics are: higher incidences of using online resources for mortgage research; higher

use of mobile devices; and, higher use of social media, all no doubt related to their younger age.

As noted, they spend more time doing mortgage research. However, they felt less confident than other mortgage consumers about understanding the impact of interest rate increases and the mortgage decision itself. Again, these findings reinforce the opportunity for mortgage professionals and others to spend time increasing the knowledge and thus the confidence levels of first time buyers through various financial literacy activities.

ABOUT THE SURVEY

In February and March 2012, CMHC completed an online survey of 3,502 recent mortgage consumers – all prime decision makers – who undertook a mortgage transaction within the previous 12 months. The findings represent the views of the consumers surveyed.

CMHC has conducted this survey since 1999. As your trusted partner in mortgage loan insurance, we trust that you can use these findings to identify opportunities and build stronger relationships with your clients.

DEFINITIONS

For the purpose of this survey, recent mortgage consumers are segmented as follows:

- First-time buyers:** those who purchased their first home in the past 12 months and took a mortgage
- Repeat buyers:** those who previously owned a home and have purchased a subsequent home in the past 12 months and took a mortgage
- Renewers:** those who renewed their mortgage in the past 12 months
- Refinancers:** those who refinanced their home through a mortgage in the past 12 months

MEANING OF LENDER LOYALTY

Lender loyalty for repeat buyers, renewers, and those refinancing means that they obtained their current mortgage from the same mortgage lender they were dealing with previously. For first-time buyers it means that they obtained their current mortgage from the financial institution they were dealing with the most at the time they took out their mortgage.

www.cmhc.ca/2012survey



CMHC offers a number of online tools and a wide variety of housing information to support Canadians in making informed and responsible homebuying decisions as they pursue their housing needs. Access any of these resources today and browse through the wealth of mortgage and housing information developed specifically with you and your clients in mind.

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