



CANADA MORTGAGE AND
HOUSING CORPORATION

2011 MORTGAGE CONSUMER SURVEY



Canada 

Everything you need to open new doors



Key Findings from the 2011 Survey

- ✓ Buyers continue to view homeownership as an investment and take time planning their purchase
- ✓ Mortgage consumers seek out and value advice from mortgage professionals
- ✓ Mortgage consumers use a variety of information sources throughout the mortgage process
- ✓ Mortgage consumers engage in pro-active shopping and are confident about their mortgage choices
- ✓ Post mortgage contact could be beneficial to maintaining and growing business
- ✓ Mortgage consumers are pro-actively paying off their mortgage sooner
- ✓ Good level of financial literacy and prudence observed among mortgage consumers... however opportunities exist for improvement



BUYERS CONTINUE TO VIEW HOMEOWNERSHIP AS AN INVESTMENT AND TAKE TIME PLANNING THEIR PURCHASE

With the Canadian economy continuing to emerge from the economic downturn throughout 2010, mortgage consumer attitudes towards homeownership continue to be strong. A large majority of recent homebuyers (86%) agree that homeownership is a good long-term investment and this sentiment was generally shared by respondents in all regions of Canada.

The investment in homeownership is not entered into quickly. On average nationally, homebuyers took 11 months to plan their purchase. Those in British Columbia took nine months, while homebuyers in other regions noted planning their purchase ranged from ten to 12 months.

MORTGAGE CONSUMERS SEEK OUT AND VALUE ADVICE FROM MORTGAGE PROFESSIONALS

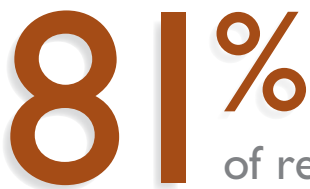
After deciding to look for information about mortgage options, half (51%) of recent mortgage consumers started with a mortgage or financial professional. The remaining half of respondents reported having started with family or friends, the Internet, or a real estate agent. However, throughout the process of obtaining a mortgage, 81% of recent buyers, at some point, relied on a mortgage professional (either a mortgage lender or mortgage broker) for advice and consultation.

Over three-quarters of recent buyers noted they received advice on mortgage terms and conditions, as well as whether to take a variable or fixed interest rate. More than 40% also received a recommendation to accelerate their mortgage payments in order to pay off their mortgages sooner.

Advice is not limited to just details about the mortgage. Recent buyers are also receiving recommendations to use specific professionals involved in the housing market such as home inspectors, lawyers, and real estate agents.



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MORTGAGE CONSUMERS USE A VARIETY OF INFORMATION SOURCES THROUGHOUT THE MORTGAGE PROCESS

Mortgage consumers continue to report that they use a variety of resources *both* on-line and off-line. While about one in five (22%) rely solely on the on-line channel and more than a third (35%) exclusively used off-line resources, the balance (43%) reported using both on-line and off-line resources. Among those respondents relying on off-line resources of information, about three-quarters of them reported having gone to a bank branch to gather information about mortgage options and features prior to making a mortgage decision. The majority (66%) also rated the information they received from the bank branch as very useful.

Among the various on-line resources that consumers used to gather information about mortgage options and features, two thirds of respondents going on-line (67%) indicated they had visited web sites of specific mortgage lenders. Other types of web sites, which were particularly useful, included sites of specific mortgage brokers, sites with mortgage related material, and sites of real estate agents or agencies.

Also, throughout the research process, about half of on-line consumers reported using an Internet search engine and the vast majority of them (85%) most commonly searched on interest rates. Other significant search topics included mortgage options (72%), a mortgage calculator (66%),

and general information about mortgages (38%). The large majority of these consumers found the information from these web sites to be very useful.

Mortgage consumers who noted using the Internet during their research phase were also engaged in specific web site activities: 75% of them used an on-line mortgage calculator, 54% printed out information, 45% researched other financial products, and 45% did a financial self assessment.

While still a relatively “niche” channel, 11% of recent first-time buyers reported the use of social media platforms for researching mortgages, up from 3% the previous year.



75%

of mortgage consumers, who noted using the Internet during their research phase, used an on-line mortgage calculator

MORTGAGE CONSUMERS ENGAGE IN PRO-ACTIVE SHOPPING AND ARE CONFIDENT ABOUT THEIR MORTGAGE CHOICES

Survey results show that mortgage consumers are pro-actively shopping in order to obtain the best mortgage deal for themselves. A large proportion of consumers researched terms and conditions (76%), independently compared the costs of different interest rate scenarios on different amortization or payment schedules (65%), negotiated a better interest rate than the posted rate (60%), contacted one or more mortgage lenders to learn about options (51%), or considered other mortgage offers before deciding on a mortgage (48%).

In fact, recent buyers took on average five weeks from the time research began until they made their final mortgage decision. Recent first-time buyers took seven weeks. Regionally, recent buyers from the Atlantic provinces took on average eight weeks and recent buyers in British Columbia took four weeks.

The combination of the time spent educating themselves about mortgages, and meeting with mortgage professionals is definitely worth the effort. According to the survey,

a very high proportion of mortgage consumers (88%) feel that they made their mortgage decision with a good understanding of the mortgage options available to them and 84% were confident that they got the best mortgage deal for their needs.



Of mortgage consumers,

65%

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88%

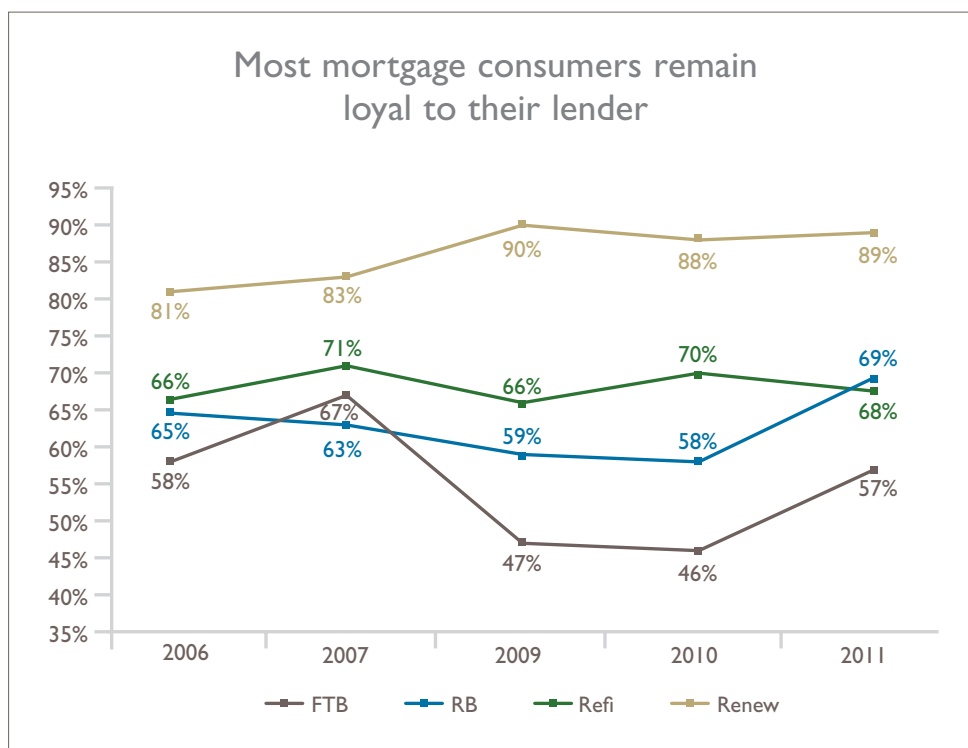
feel that they made their mortgage decision with a good understanding of the mortgage options available to them

POST MORTGAGE CONTACT COULD BE BENEFICIAL TO MAINTAINING AND GROWING BUSINESS

Most recent buyers feel their mortgage professionals are listening to them throughout the process. Eighty-two per cent of recent buyers indicated that their particular mortgage professional – either a mortgage lender or mortgage broker – took the time to fully understand their financial situation and mortgage needs.

But more interestingly, lenders and brokers who follow up with their clients after the mortgage deal are more likely to benefit by maintaining and increasing their business. Over two-thirds of mortgage consumers, who had been contacted by their lender or broker since their most recent mortgage transaction, completely agreed that they would contact the same lender or broker for advice on future mortgage needs compared to less than 50% of those who had not been contacted. Similar proportions exist for the likelihood to use the lender or broker for their next mortgage, and for the likelihood to recommend the lender or broker to a family member or friend.

Loyalty to a lender is most common among the renewer and refinance segments: 89% of renewers and 68% of refinancers did not change lenders. These levels have remained relatively consistent over the past few years. An increase in loyalty among the purchaser segments was observed this year. Just over half (57%) of first-time buyers took out their mortgage with the institution they were dealing with at the time (up from 46% last year) while 69% of repeat buyers did not change lenders when obtaining their most recent mortgage (up from 58% last year).

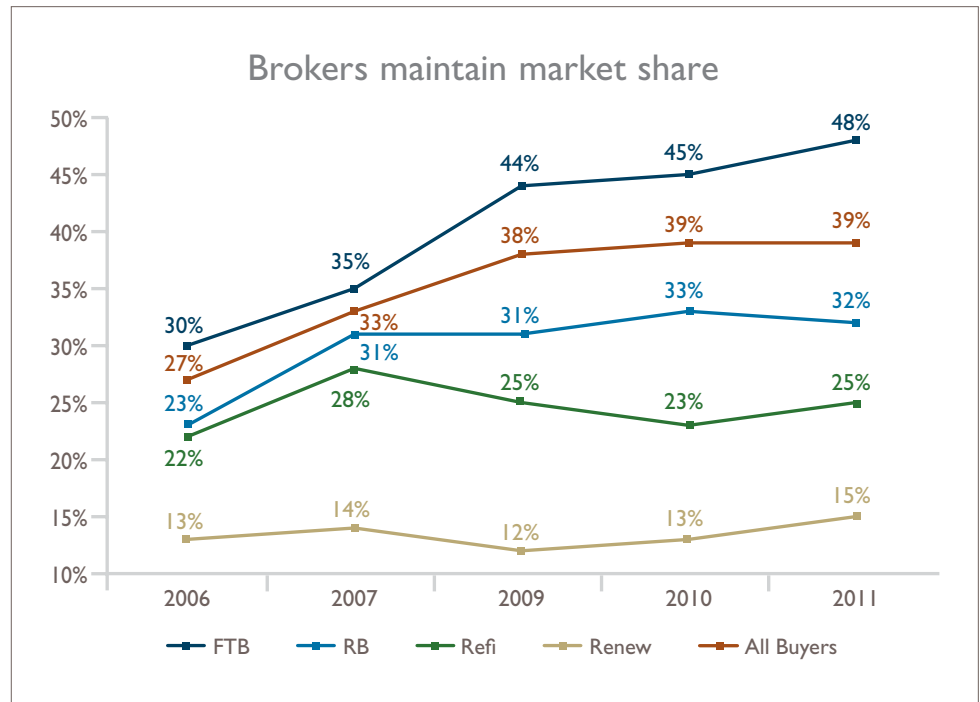


82%

of recent buyers indicated that their particular mortgage professional took the time to fully understand their financial situation and mortgage needs

Survey results show that overall mortgage broker market share has remained stable over the past year at 23% (all segments). By segment, mortgage broker share remained relatively stable for 2011 at 48% for first-time buyers, 32% for repeat buyer (all buyers was 39%), 25% for refinancers, and 15% for renewers.

As seen over the last couple of years, broker market share is strongest in Western Canada where 54% of buyers in British Columbia used a mortgage broker. Usage in other regions in Canada fall within a couple of percentage points of the national average of 39% for all recent buyers.



MORTGAGE CONSUMERS ARE PRO-ACTIVELY PAYING OFF THEIR MORTGAGE SOONER

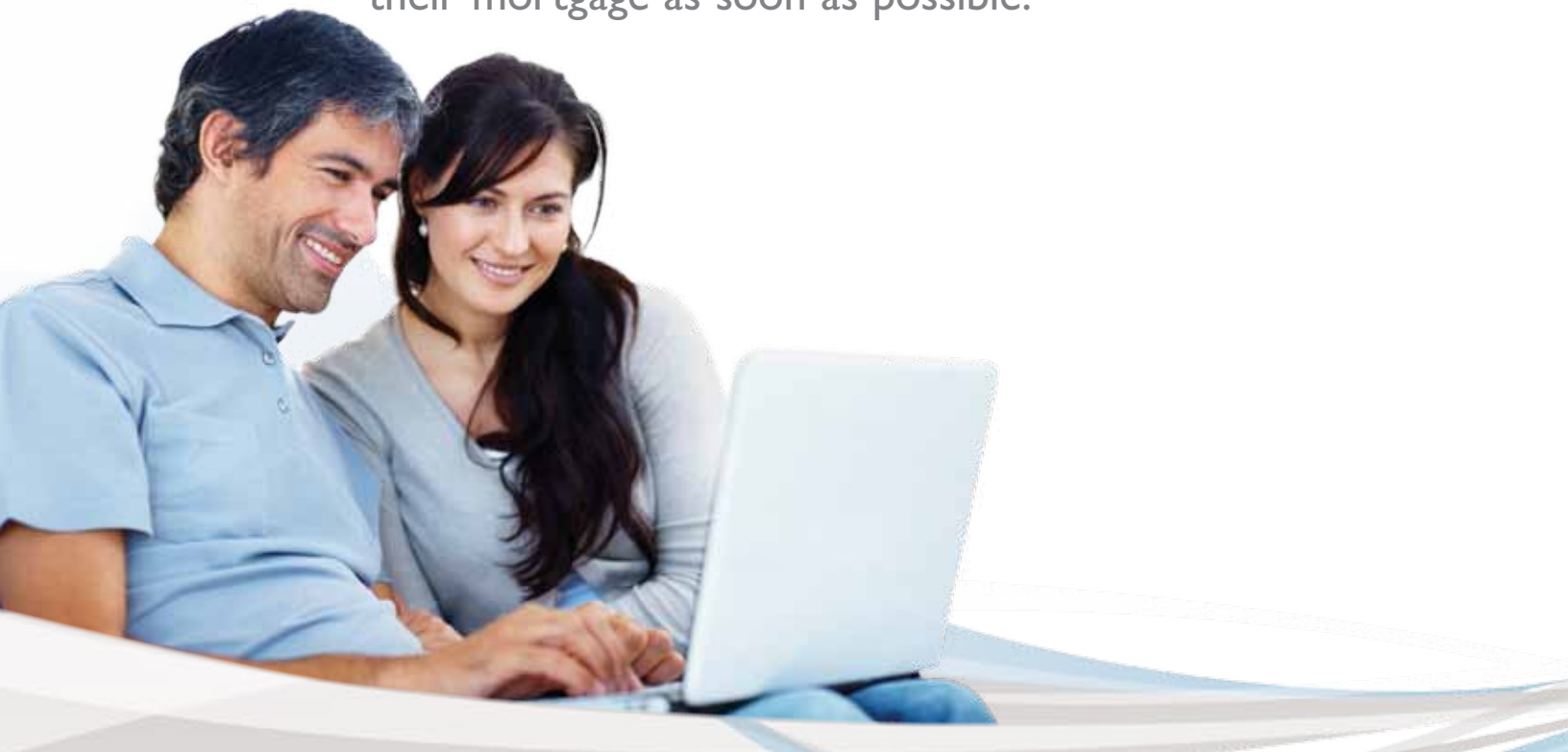
As in 2010, the 2011 survey findings indicate that Canadians feel confident in how they manage their mortgage debt. Three-quarters of recent buyers feel it is very important to pay off their mortgage as soon as possible. In fact, 39% of recent buyers have their mortgage payment set higher than the minimum required. Further, since taking out their mortgage, 20% of recent buyers have already made a lump sum payment to their mortgage.

GOOD LEVEL OF FINANCIAL LITERACY AND PRUDENCE OBSERVED AMONG MORTGAGE CONSUMERS... HOWEVER OPPORTUNITIES EXIST FOR IMPROVEMENT

Overall, 80% of recent buyers reported doing some level of household budgeting. While establishing this budget, the majority also reported that they had assessed to some degree the potential impact of rising interest rates on the budget (71%), assessed to some degree the potential impact of a loss of income on the budget (69%), or assessed to some degree the potential impact of rising expenses on the budget (79%).

Mortgage consumers are also demonstrating the ability to save. Eighty-one per cent of recent buyers indicated they used at least one of a variety of saving techniques, including: contributing to an RRSP, a TFSA, or RESP, making investments outside of a RRSP, or contributing to an emergency fund.

75% of recent buyers feel it is very important to pay off their mortgage as soon as possible.



Overall, results show that recent buyers demonstrated a good level of financial literacy as evidenced by their mortgage behaviours and intentions:

- 80% researched terms and conditions available
- 88% had a good understanding of how much mortgage they could afford before buying
- 75% felt it is very important to pay off their mortgage as soon as possible
- 39% have their payment set higher than the minimum required and 20% have made a lump sum payment since obtaining their mortgage
- 81% have some form of savings
- 80% to some extent have a household budget
- 39% intend to reduce their amortization at their next mortgage renewal

While it is evident that homebuyers are entering into these large financial transactions with a good understanding of personal finances, nevertheless, opportunities exist to enhance the service and education provided to mortgage consumers. For example, areas in which mortgage and financial professionals can offer advice and guidance are

long term mortgage and financial strategies, budgeting, and managing debt. The research showed that during their mortgage research, 23% of first-time buyers received advice on budgeting and 18% received advice on managing debt. In addition, the survey found that one in four (25%) of recent buyers are not sure of where to go to receive reliable advice in case of financial difficulty.

Tools and resources from CMHC for mortgage professionals are available to provide your clients with a more holistic financial experience.



88%

of recent buyers had a good understanding of how much mortgage they could afford before buying

ABOUT THE SURVEY

From February 25th to March 25th 2011, CMHC completed an on-line survey of 3,512 recent mortgage consumers—all prime decision-makers—and the result is a unique perspective on attitudes and behaviours.

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.



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.



EverythingYouNeed.ca

Visit **EverythingYouNeed.ca** today and find product information, market insights, and valuable industry tools you can share with your clients, such as:

- Mortgage Payment Calculator
- Mortgage Affordability Calculator
- Household Budget Calculator



The RESOURCE for Mortgage Professionals

Make sure you stay top of mind with your clients by offering the right information at the right time. Go to EverythingYouNeed.ca and register/log onto **The RESOURCE for Mortgage Professionals** and personalize a variety of homebuying fact sheets such as:

- Are you financially ready for a mortgage?
- Managing Your Mortgage — Tips to Make Informed Home Financing Decisions
- Determining your household budget
- The ABC's of Mortgage Loan Insurance
- Homebuying Step-By-Step
- *And much, much more!*



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www.cmhc.ca/2011survey

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