



# MHC MORTGAGE

## MARKET TRENDS

Canada Mortgage and Housing Corporation

Second Quarter, 2003

### MORTGAGE LENDING

## ACTIVE HOUSING MARKETS HELP LIFT MORTGAGE CREDIT

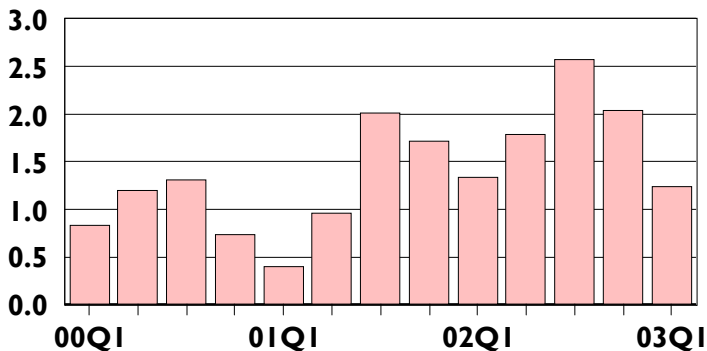
by Ali Manouchehri, Senior Economist - Capital Markets

*Residential mortgage credit grew by 7.9 per cent in the first quarter of 2003 compared to the same period last year, to surpass \$502 billion as mortgage rates declined and housing markets marched on.*

Lower mortgage rates, higher house prices, higher housing starts, and rising disposable income helped support mortgage credit growth in the opening quarter of 2003.

Residential mortgage credit grew by 1.2 per cent in the first quarter of 2003 over the previous quarter. The growth rate of residential mortgage debt at 1.3 per cent per quarter throughout 2000-2003 remains below the historical 2.7 per cent growth rate experienced in the 1970-1999 period. The current ratio of mortgage to household debt at under 69 per cent also remains well below the 75 per cent rate experienced in 1993. These should help ease concerns over residential mortgage debt load, especially in the context of rising disposable income and low mortgage rates.

### Residential mortgage credit growth\* per cent



\* quarter-over-quarter estimate

Sources: CMHC, Bank of Canada, Statistics Canada  
CMHC-MAC 2003

Continued on page 2

### In this Issue:

Mortgage lending ----- 1  
NHA MBS----- 4



HOME TO CANADIANS  
Canada

**Low mortgage rates set the tone**

Posted mortgage rates are now the lowest in decades. The five-year posted mortgage rate currently at 6.0 per cent has not been this low since June 1956. Low mortgage rates bode well for housing and mortgage markets since they lead to higher house prices and lower borrowing costs, and increase home building and selling activities.

Additionally, low mortgage rates have likely fostered loan consolidations and discouraged mortgage prepayment, supporting residential mortgage credit growth in the first quarter of 2003.

**A strong market for new homes helps raise mortgage credit**

While home sales are an immediate driver of new mortgage loans, housing starts and completions are among the main forces behind mortgage credit growth in the long run.

New construction contributed to growth in mortgage lending and credit outstanding as housing starts and completions strengthened in the first quarter of the year. New house prices rose 5.4 per cent and housing starts and completions were up by about 6.0 and 10.0 per cent respectively in the first three months of this year compared to the first quarter of 2002. Rising volume and prices have likely led to larger average mortgage loans in the first quarter of this year as was the case in 2002, which aided mortgage lending.

**Resale market's contribution**

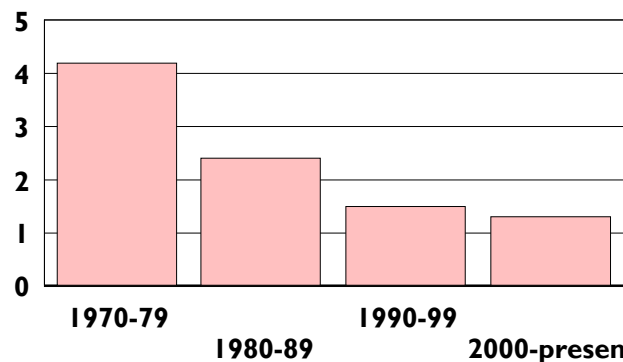
Resale home prices rose 8.0 per cent in the first quarter of 2003 compared to the same period in 2002 to partially compensate for fewer units sold, supporting mortgage credit growth<sup>1</sup>.

**Mortgage market shares remain stable**

Recent trends in market share by institution type continued with chartered banks accounting for 72.5 per cent of the

**Average residential mortgage credit growth**

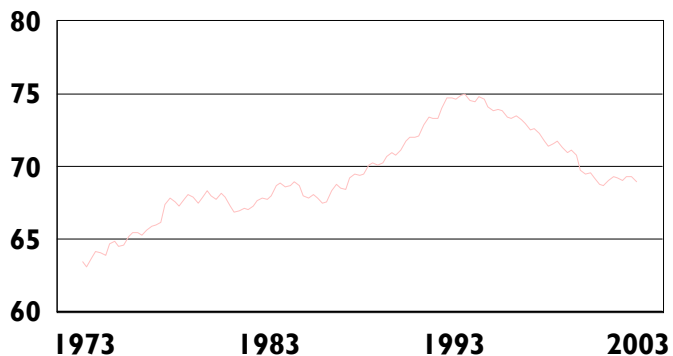
Per cent per quarter



Sources: CMHC, Bank of Canada, Statistics Canada  
CMHC-MAC 2003

**Residential mortgage debt relative to household debt**

Per cent



Sources: CMHC, Bank of Canada, Statistics Canada  
CMHC-MAC 2003

**Mortgage Credit (%)\***

	1Q02	2Q02	3Q02	4Q02	1Q03e
<b>Banks</b>	71.8	72.1	72.4	72.5	72.5
<b>Trusts</b>	1.3	1.3	1.3	1.3	1.3
<b>Caisse &amp; Co-op</b>	14.7	14.8	14.8	14.9	15.0
<b>Life Ins. Co.</b>	4.1	4.0	3.9	3.8	3.8
<b>Pension Funds</b>	2.3	2.2	2.2	2.1	2.1
<b>Others **</b>	5.8	5.6	5.5	5.4	5.3

\* Excludes Special Purpose Vehicles and NHA MBS

\*\* Includes non-depository credit intermediaries

e: estimate

Sources: CMHC, Bank of Canada, Statistics Canada

MAC 2003

Continued on page 3

## INDICATORS OF MORTGAGE LENDING ACTIVITY

### MORTGAGE CREDIT OUTSTANDING (\$MILLIONS)\*

	2000	2001	2002	1Q02	2Q02	3Q02	4Q02	1Q03e
<b>TOTAL</b>	430,180	447,951	480,233	465,429	473,740	485,925	495,839	502,021
% change	4.7	4.1	7.2	1.3	1.8	2.6	2.0	1.2
<b>Banks</b>	262,251	279,329	306,748	296,219	302,660	311,781	316,331	319,630
<b>Trusts</b>	6,111	5,234	5,521	5,439	5,582	5,530	5,532	5,636
<b>Caisse &amp; Co-op</b>	55,483	58,426	62,866	60,680	61,997	63,626	65,160	66,305
<b>Life Ins. Co.</b>	17,773	17,565	16,738	17,009	16,651	16,582	16,711	16,557
<b>Pension Funds</b>	8,653	9,257	9,297	9,417	9,348	9,260	9,164	9,087
<b>Others **</b>	25,771	24,360	23,709	23,857	23,675	23,642	23,662	23,562
<b>Special Purpose Vehicles</b>	23,378	19,224	16,037	16,740	15,971	15,570	15,867	16,401
<b>NHA MBS ***</b>	30,760	34,556	39,318	36,069	37,856	39,933	43,412	44,843

\* Average for the period, unadjusted

e: estimate

\*\* Includes non-depository credit intermediaries

\*\*\* CMHC

Sources: CMHC, Bank of Canada, Statistics Canada

CMHC-MAC 2003

### MORTGAGE RATES (%)\*

	2000	2001	2002	1Q02	2Q02	3Q02	4Q02	1Q03
<b>1-year</b>	7.85	6.14	5.17	4.80	5.50	5.33	5.03	5.05
<b>3-year</b>	8.17	6.88	6.28	6.13	6.70	6.20	6.07	6.08
<b>5-year</b>	8.35	7.40	7.02	7.05	7.37	6.85	6.80	6.63

\* Average of period

Sources: CMHC, Bank of Canada, Statistics Canada

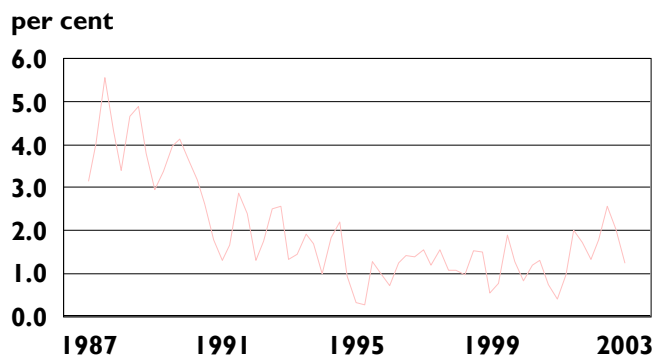
CMHC-MAC 2003

### MORTGAGE LENDING CONTINUED FROM PAGE 2

mortgage loans outstanding in the first quarter of 2003, up from 71.8 per cent a year earlier. Credit unions retained their second place position, accounting for 15.0 per cent of residential mortgage loans outstanding. ■

Based on data from MLS®. Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association

### Quarterly residential mortgage credit growth\*



\* quarter-over-quarter estimate

Sources: CMHC, Bank of Canada, Statistics Canada  
CMHC-MAC 2003

# ALL TIME NHA MBS ISSUANCE EXCEEDED \$100 BILLION

by Leslie Badzioch, Manager, Securitization Operations and Monitoring

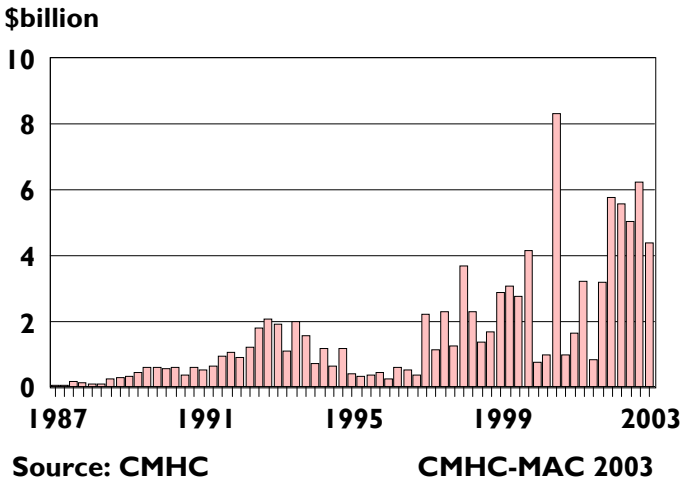
*In the first quarter of 2003, 16 years after the inception of the NHA MBS program, the total issuance under this program exceeded \$100 billion.*

With the issuance of the 3,329th MBS pool in early March 2003, the \$100 billion mark in MBS issuance was broken. This significant achievement represented the culmination of 16 years of efforts involving many Canadian financial institutions and resulting in the securitization of 753,043 Canadian residential mortgage loans. The NHA MBS program has come a long way, with yearly issuance growing from \$0.5 billion in 1987, the first year of the program, to \$22.6 billion in 2002.

### Single-family indemnity pools led issuance

The single-family mortgage pool types continued to lead the way during the first quarter of 2003, with 42 new pools accounting for \$4.0 billion in issuance. The

### Quarterly NHA MBS issues



### NHA MBS highlights - First quarter 2003

**All time issues:**

- ✓ total MBS issuance since program inception exceeded \$100 billion
- ✓ over 750,000 Canadian residential mortgage loans have been securitized since 1987

**New issues:**

- ✓ 57 pools for \$4.4 billion
- ✓ 42 single family pools totalling \$4.0 billion
- ✓ 13 MBS pools with multiple loans (multiple and mixed pool types) for \$300 million
- ✓ 2 social housing pools for \$74 million

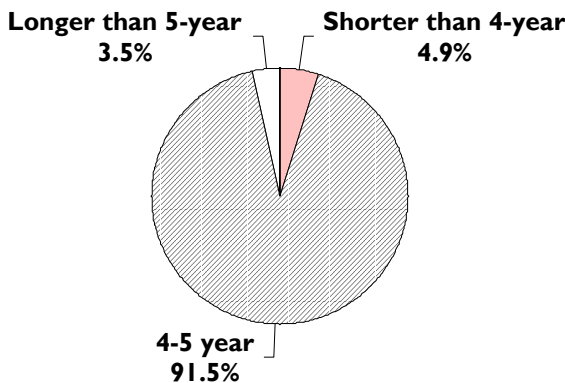
**MBS-bond yield spreads:**

- ✓ approximately 35-40 and 20-25 basis points for prepayable and non-prepayable pools respectively with terms of 3 to 5 years

**Outstanding volume:**

- ✓ \$46.2 billion outstanding, up from \$45.4 billion from the previous quarter

### Dollar amount of NHA MBS issued by term, first quarter 2003



Continued on page 5

single-family indemnity pool 975 remained the most popular, accounting for 73.0 per cent of all MBS issued in the first quarter.

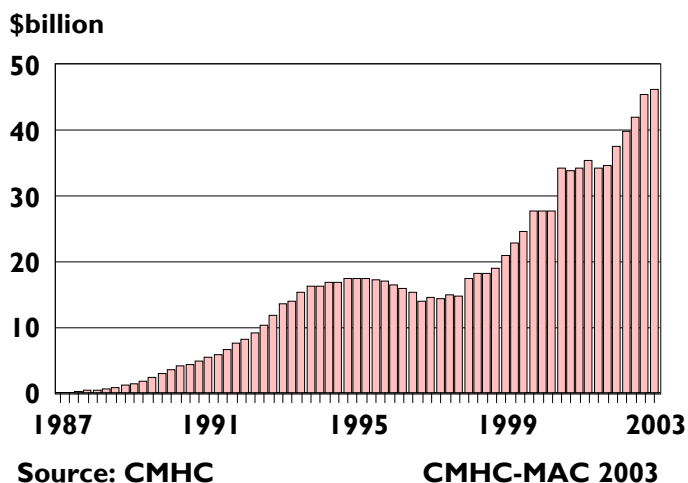
### Medium-term issues most common

Over 91.0 per cent of the dollar amount of MBS issued in the first quarter was for 4-5 year terms. Longer term issues accounted for about 4.0 per cent, while shorter terms accounted for approximately 5.0 per cent of issuance. The five year term structure remains popular for issuers because of the attractive funding levels that can be achieved around this term.

### Chartered Banks and Trust Companies lead issuers

In the first quarter chartered banks accounted for 71.9 per cent of the dollar amount of new NHA MBS issues, followed by trust companies at 26.9 per cent.

## NHA MBS outstanding, end of quarter



### NHA MBS outstanding

Total MBS outstanding increased by \$800 million by the end of the first quarter to reach \$46.2 billion. NHA MBS accounted for 8.9 per cent of the total residential credit outstanding in Canada in the first quarter of 2003, up from 7.7 per cent in the first quarter of 2002.

### MBS spreads

NHA MBS Government of Canada bond yield spreads are approximately 35-40 basis points for prepayable pools with terms between 3 and 5 years. The spreads for non prepayable pools with terms of 3 to 5 years are approximately 20-25 basis points. ■

### NOTE

If there is a specific trend or development you would like to see analyzed in a future issue please let us know. Suggestions and requests for additional information may be sent to Ali Manouchehri, Senior Economist, Capital Markets, Market Analysis Centre, Canada Mortgage and Housing Corporation (CMHC), 700 Montreal Road, Ottawa, Ontario, K1A 0P7, Tel.: (613) 748-2506, Internet: amanouch@cmhc-schl.gc.ca

For information regarding MBS please call Ian Witherspon, Manager, Business Development, Securitization Centre, CMHC, Toronto, Tel.: (416) 218-3334.

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To receive your subscription over the Internet, visit <http://www.cmhc-schl.gc.ca/MktInfo/Store> \$25.00 per issue. Annual subscription (4 issues) \$85 + GST – Order No. MMTSE.

Cette publication est aussi disponible en français sous le titre SCHL – Tendances du marché hypothécaire – No de commande : MMTSE.

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## NHA MBS STATISTICS

### NHA MORTGAGE-BACKED SECURITIES

(Average of period except when indicated)

		2001	2002	1Q02	2Q02	3Q02	4Q02	1Q03
<b>OUTSTANDING AMOUNT (End of period)</b>								
<b>TOTAL</b>	\$million	34,684	45,420	37,500	39,924	42,061	45,420	46,214
	Units	969	987	979	982	991	987	987
Residential, single (with PIP *)	\$million	1,669	1,425	1,569	1,495	1,491	1,425	1,315
	Units	222	157	212	197	185	157	144
Residential, single (no PIP)	\$million	593	258	487	389	318	258	220
	Units	136	100	131	121	112	100	92
Residential, single (no PIP with indemnity)	\$million	22,653	21,519	22,798	22,423	22,083	21,519	19,720
	Units	245	264	247	257	261	264	256
Residential, single (no PIP with indemnity, 5-year)	\$million	2,329	13,594	4,867	7,618	9,785	13,594	16,159
	Units	22	90	40	52	66	90	114
Residential, multiple	\$million	1,434	1,910	1,412	1,610	1,774	1,910	2,031
	Units	107	128	108	113	123	128	135
Social Housing	\$million	4,284	4,729	4,560	4,503	4,692	4,729	4,696
	Units	113	102	113	110	105	102	98
Mixed	\$million	1,723	1,984	1,808	1,887	1,920	1,984	2,073
	Units	124	146	128	132	139	146	148

#### ISSUES (Total of period)

<b>TOTAL</b>	\$million	8,906	22,644	5,782	5,583	5,025	6,254	4,392
	Units	139	239	53	56	70	60	57
Residential, single (with PIP)	\$million	245	307	54	74	123	57	53
	Units	20	20	4	5	9	2	5
Residential, single (no PIP)	\$million	11	0	0	0	0	0	0
	Units	1	0	0	0	0	0	0
Residential, single (no PIP with indemnity)	\$million	4,669	7,675	2,495	1,988	1,797	1,394	749
	Units	44	73	17	21	20	15	13
Residential, single (no PIP with indemnity, 5-year)	\$million	2,544	12,555	2,773	2,993	2,488	4,301	3,215
	Units	22	68	18	12	14	24	24
Residential, multiple	\$million	188	670	43	264	185	178	137
	Units	12	33	5	8	12	8	8
Social Housing	\$million	832	1,031	297	144	361	230	74
	Units	17	15	4	2	6	3	2
Mixed	\$million	418	406	120	121	72	94	163
	Units	23	30	5	8	9	8	5

#### YIELDS (5-year maturity,%)

MBS Prepayable (with PIP)	5.31	4.89	5.17	5.18	4.63	4.58	4.62
MBS Non-prepayable	5.26	4.81	5.10	5.08	4.55	4.51	4.55
Mortgage rates	7.40	7.02	7.05	7.37	6.85	6.80	6.63
GOCs	4.99	4.58	4.86	4.87	4.33	4.26	4.31

#### SPREADS OVER GOC (5-year maturity,%)

Prepayable (with PIP)	0.32	0.31	0.31	0.30	0.30	0.31	0.31
Non-prepayable	0.27	0.23	0.25	0.21	0.22	0.25	0.25
Mortgage rates	2.42	2.44	2.19	2.49	2.52	2.54	2.33

\* PIP stands for Penalty Interest Payments.

Sources: CMHC, Bank of Canada, Statistics Canada

CMHC - MAC 2003

## NHA MORTGAGE-BACKED SECURITIES

### JANUARY TO MARCH 2003 ISSUES

POOL NO.	ISSUER	VALUE (\$)	COUPON RATE (%)	DUE DATE	WEIGHTED AVERAGE INTEREST(%)	AMORTIZATION (YRS)
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#### Month of Issue: January 2003

##### NHA-Insured Market Residential Pools (Single Units)

96-414-040	Vancouver City Savings CU	16,374,505.77	4.70	2007-11-01	5.69	22.09
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##### NHA-Insured Market Residential Pools (Mixed)

96-501-978	Equitable Trust Company (The)	15,159,591.21	4.25	2008-01-01	5.33	20.43
96-501-986	Equitable Trust Company (The)	39,182,162.37	5.20	2013-01-01	5.77	23.93

##### NHA-Insured Market Residential Pools (Multiple Units)

96-602-032	Toronto-Dominion Bank	21,789,666.26	4.13	2008-01-01	4.92	23.02
96-602-081	Toronto-Dominion Bank	42,300,443.98	5.13	2013-01-01	5.75	23.16
96-602-099	M.R.S. Trust Company	2,961,550.00	4.25	2008-01-01	4.90	25.00
96-602-107	Peoples Trust Company	8,044,844.86	4.20	2008-01-01	4.99	22.32

#### Month of Issue: February 2003

##### NHA-Insured Market Residential Pools (Mixed)

96-501-994	Equitable Trust Company (The)	33,880,047.47	5.00	2013-02-01	5.56	33.75
96-502-000	Equitable Trust Company (The)	22,911,594.34	4.30	2008-02-01	5.24	24.41

##### NHA-Insured Market Residential Pools (Multiple Units)

96-602-115	M.R.S. Trust Company	2,765,237.50	4.40	2008-02-01	4.96	25.00
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##### NHA-Insured Market Residential Pools (NO PIP WITH 5 YEAR INDEMNITY)

97-500-953	Royal Bank of Canada	99,173,285.53	4.25	2006-05-01	5.76	20.16
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#### Month of Issue: March 2003

##### NHA-Insured Market Residential Pools (Single Units)

96-413-976	Alberta Motor Assoc.Insur.Comp	8,457,586.08	4.50	2008-03-01	5.76	22.78
96-414-057	Vancouver City Savings CU	17,972,947.23	4.55	2008-02-01	5.39	21.89
96-414-065	Alberta Motor Assoc.Insur.Comp	3,056,697.41	3.75	2006-03-01	5.55	23.13
96-414-073	Alberta Motor Assoc.Insur.Comp	7,421,153.90	4.35	2008-03-01	5.66	23.10

##### NHA-Insured Market Residential Pools (Mixed)

96-502-018	Equitable Trust Company (The)	51,963,319.87	4.40	2008-03-01	5.02	20.41
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##### NHA-Insured Market Residential Pools (Multiple Units)

96-602-123	Peoples Trust Company	19,845,478.24	5.60	2023-03-01	6.48	19.95
96-602-131	Peoples Trust Company	19,719,045.93	5.05	2013-03-01	5.85	22.02
96-602-149	Peoples Trust Company	20,047,493.10	4.40	2008-03-01	5.12	21.75

##### NHA-Insured Market Residential Pools (NO PIP WITH 3 YEAR INDEMNITY)

97-003-800	Bank of Nova Scotia	22,041,289.27	4.00	2006-06-01	5.02	19.78
97-003-818	Bank of Nova Scotia	26,201,584.91	4.25	2007-03-01	7.08	18.89
97-003-826	Bank of Nova Scotia	45,719,849.82	4.40	2007-09-01	6.37	21.11
97-003-859	National Bank of Canada	115,356,788.40	4.65	2008-01-01	5.89	20.98
97-003-867	National Bank of Canada	42,472,177.64	4.65	2008-01-01	5.92	11.45
97-003-875	Cnd.Imperial Bank of Commerce	18,890,190.38	4.50	2006-06-01	7.19	20.79
97-003-883	Cnd.Imperial Bank of Commerce	73,812,546.37	4.67	2007-11-01	6.09	22.36
97-003-891	Cnd.Imperial Bank of Commerce	6,036,816.48	4.50	2007-11-01	5.69	22.31
97-003-909	Bank of Nova Scotia	153,231,457.45	4.60	2008-02-01	5.62	21.32
97-003-917	Bank of Nova Scotia	161,951,925.92	4.65	2008-02-01	5.99	20.68
97-003-925	HSBC Bank Canada	22,041,677.34	4.60	2008-03-01	5.54	21.61
97-003-933	HSBC Bank Canada	5,482,858.41	4.50	2006-02-01	5.17	21.19
97-003-941	Maple Trust Company	56,057,618.41	4.60	2008-03-01	5.41	22.36

\*PIP stands for Penalty Interest Payments

Source: CMHC

CMHC - MAC 2003

## NHA MORTGAGE-BACKED SECURITIES

JANUARY TO MARCH 2003 ISSUES

POOL NO.	ISSUER	VALUE (\$)	COUPON RATE (%)	DUE DATE	WEIGHTED AVERAGE INTEREST(%)	AMORTIZATION (YRS)
<b>Month of Issue: March 2003</b>						
<b>NHA-Insured Market Residential Pools (NO PIP WITH 5 YEAR INDEMNITY)</b>						
97-500-961	Home Trust Company	29,978,965.02	4.25	2008-03-01	6.53	23.74
97-500-979	Royal Bank of Canada	149,874,058.67	4.25	2007-02-01	5.34	21.31
97-500-987	Royal Bank of Canada	349,968,190.99	4.60	2008-02-01	5.64	21.58
97-500-995	Cnd.Imperial Bank of Commerce	201,396,699.95	4.50	2008-03-01	6.01	22.56
97-501-001	Cnd.Imperial Bank of Commerce	22,596,114.10	4.56	2008-03-01	6.14	11.83
97-501-019	Canada Trustco Mortgage Co.	55,905,420.71	4.10	2006-06-01	6.62	10.81
97-501-027	Toronto-Dominion Bank	619,370,042.18	4.50	2008-02-01	5.57	21.23
97-501-035	Toronto-Dominion Bank	95,111,266.95	4.25	2007-03-01	5.76	21.19
97-501-043	Toronto-Dominion Bank	177,506,931.90	4.50	2008-02-01	5.46	11.64
97-501-050	Toronto-Dominion Bank	143,996,577.76	4.20	2007-01-01	5.99	19.96
97-501-068	Toronto-Dominion Bank	112,970,402.47	4.20	2007-02-01	5.87	10.10
97-501-076	Toronto-Dominion Bank	82,676,766.36	4.20	2007-08-01	6.02	10.11
97-501-084	Canada Trustco Mortgage Co.	139,417,838.24	4.50	2008-02-01	5.52	10.40
97-501-092	Canada Trustco Mortgage Co.	93,871,440.34	4.20	2007-02-01	5.87	18.79
97-501-100	Canada Trustco Mortgage Co.	148,925,907.08	4.50	2008-02-01	5.56	11.70
97-501-118	Canada Trustco Mortgage Co.	125,028,599.86	4.50	2008-02-01	5.61	18.10
97-501-126	Canada Trustco Mortgage Co.	90,990,993.38	4.20	2007-03-01	5.88	11.30
97-501-134	Canada Trustco Mortgage Co.	78,286,991.77	4.25	2007-09-01	6.21	11.99
97-501-142	HSBC Bank Canada	47,216,979.33	4.55	2007-09-01	5.74	21.30
97-501-159	Maple Trust Company	106,523,383.89	4.65	2008-03-01	5.49	22.55
97-501-167	Home Trust Company	12,343,722.26	4.00	2006-02-01	6.79	23.79
97-501-175	Cnd.Imperial Bank of Commerce	209,533,382.44	4.50	2008-03-01	5.42	22.14
97-501-183	Cnd.Imperial Bank of Commerce	22,095,321.84	4.50	2008-03-01	5.37	11.51
<b>Social Housing Pools</b>						
99-008-658	Bank of Nova Scotia	66,488,389.80	4.00	2008-03-01	4.59	24.21
99-008-666	Peoples Trust Company	7,464,169.42	4.10	2007-09-01	11.25	15.02

\*PIP stands for Penalty Interest Payments

Source: CMHC

CMHC - MAC 2003

### Definition of NHA MBS pool types

- 964 - Comprised exclusively of Homeowner Mortgages, any Penalty Interest Payments (PIP) from early prepayment are passed through to the investor
- 967 - Comprised exclusively of Homeowner Mortgages, all Penalty Interest Payments (PIP) from early prepayment are retained by the issuer
- 970 - Comprised exclusively of Homeowner Mortgages, Investors are paid an indemnity in the event of any prepayments made outside the core prepayments provisions
- 975 - Comprised exclusively of Homeowner Mortgages, Investors are paid an indemnity in the event of any prepayments made outside the core prepayments provisions (5-year term)
- 966 - Comprised exclusively multi-family rental mortgages, pools mortgages are closed to prepayment options
- 990 - Comprised exclusively Social Housing Mortgages, pools and mortgages are closed to prepayment options
- 965 - Mixed Pools, these pools can be comprised of any of the above types of mortgages