



CMHC MORTGAGE

MARKET TRENDS

Canada Mortgage and Housing Corporation

First Quarter, 2001

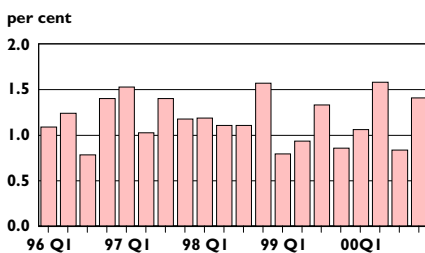
MORTGAGE LENDING

VIBRANT HOUSING MARKETS SUPPORT RESIDENTIAL MORTGAGE CREDIT

by Ali Manouchehri, Senior Economist - Capital Markets

Residential mortgage credit grew by 1.4 per cent in the final quarter of 2000 to reach \$434 billion as housing markets remained healthy and mortgage rates fell. As a result, residential mortgage debt expanded by 4.6 per cent in 2000. Mortgage debt is forecast to grow by 3 to 5 per cent a year in 2001-2002.

Residential mortgage credit growth*



* quarter-over-quarter estimate
Sources: CMHC, Bank of Canada CMHC-MAC 2001

MARKET SHARE OF RESIDENTIAL MORTGAGE CREDIT (%)

	4Q99	1Q00	2Q00	3Q00	4Q00e
Banks	66.5	69.2	70.6	70.8	71.0
Trusts	5.2	2.8	1.9	1.8	1.7
Caisse & Co-op	13.2	13.2	13.1	13.2	13.1
Life Ins. Co.	4.4	4.4	4.3	4.2	4.2
Pension Funds	2.0	2.1	2.1	2.2	2.3
Others*	8.7	8.3	8.0	7.8	7.7

e: estimate * Includes non-depository credit intermediaries
Sources: Bank of Canada, CMHC CMHC-MAC 2001

A combination of economic growth, rising disposable income, and low mortgage rates laid the foundation for strong housing markets and healthy growth in the mortgage market last year.

New House Prices Index rose 2.2 per cent and housing starts were up 1.1 per cent in 2000 while the value of homes sold through MLS¹ increased by 3.2 per cent last year. The strength in housing markets led to an increase of 1.4 per cent in mortgage credit outstanding in the closing quarter of 2000 over the previous quarter.

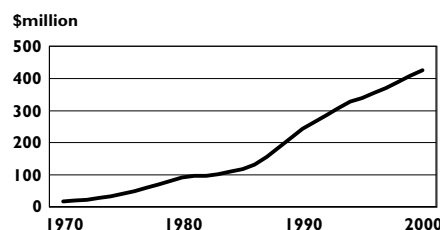
This raised residential mortgage debt by 4.6 per cent in 2000, in line with the historical experience since mid-1990s, yet well below the double digit annual growth rate of the 1980s. Mortgage debt now accounts for 70 per cent of household debt, a smaller percentage than in the early to mid-1990s.

Continued on page 3

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Residential mortgage credit growing steadily



Sources: CMHC, Bank of Canada CMHC-MAC 2001



HOME TO CANADIANS
Canada

HOME BUYERS' PLAN

NEARLY 134,000 INDIVIDUALS TOOK ADVANTAGE OF THE HOME BUYERS' PLAN TO PURCHASE HOMES IN 2000

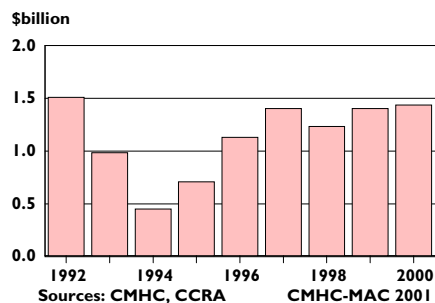
by Ali Manouchehri, Senior Economist - Capital Markets

The federal government's Home Buyers' Plan helped nearly 134,000 individuals to realize their homeownership dream last year by enabling them to withdraw more than \$1.4 billion in RRSP funds to purchase homes. Since its inception in 1992, more than one million individuals have participated in the program channeling \$10.4 billion to the housing market.

What is the Home Buyers' Plan (HBP)?

The Home Buyers' Plan (HBP) was introduced by the federal government in 1992 to help individuals purchase homes. It allows Canadians, who meet certain eligibility conditions, to withdraw up to \$20,000 tax-free from their RRSPs for this purpose. The amounts withdrawn remain tax-exempt if they are repaid within 15 years. The program enhancements in 1999 allow for wider accessibility of the program for disabled individuals or those caring for them.

RRSP funds used to purchase homes under Home Buyers' Plan



HBP opens another avenue to first-time homebuyers

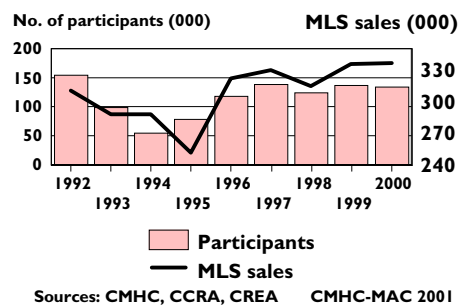
A recent survey shows² that 18 per cent of first-time buyers use RRSPs as the primary source of downpayment. First-time buyers requiring mortgage insurance rely even more heavily on RRSP funds as the primary source of downpayment.

HBP contributes to the residential real estate market

The HBP continues to play a role in the residential real estate market,

particularly for first-time buyers. The average withdrawal under HBP was \$10,719 in 2000, in line with amounts withdrawn in the previous years. The average withdrawal under HBP amounted to 6.5 per cent of the price of an average house across the country in 2000, ranging from a low of 4.8 per cent in British Columbia to a high of 10.7 per cent in Quebec.

Home Buyers' Plan and MLS sales



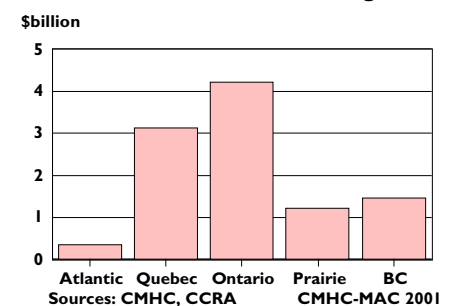
The ratio of HBP participants to MLS sales at 40 per cent last year, suggests that up to one out of three home buyers through MLS could have used RRSP funds to buy their homes. Withdrawals under HBP accounted for 2.6 per cent of the value of homes sold through MLS last year. In Quebec, as many as 73 per cent of those purchasing homes through the real estate board utilized the HBP, while only one in four did so in British Columbia.

Ontario and Quebec residents account for the bulk of subscribers to HBP

Participation in the program has

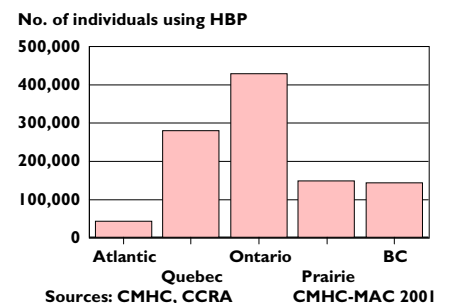
varied from province to province and over time. Ontario home buyers accounted for over 44 per cent of both participants and amounts withdrawn in 2000. Quebec accounted for 29 per cent of participants and 32 per cent of the amounts withdrawn, followed by British Columbia at about 9 per cent of both participants and funds withdrawn.

Since 1992 Home Buyers' Plan has channeled \$10.4 billion to housing markets



Average withdrawals ranged from a low of \$7,544 in Manitoba to a high of \$11,870 in Quebec, reflecting the diversity of housing markets, purchasing preferences of home

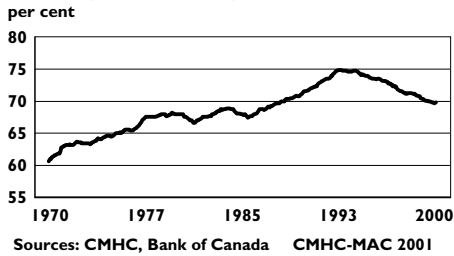
Home Buyers' Plan has helped over one million individuals buy homes



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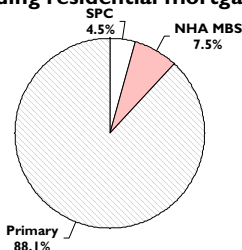
Residential mortgages accounted for a smaller proportion of household debt last year than they did in 1994



Primary and secondary mortgage markets marching on

The Canadian housing finance system continues to evolve with the secondary mortgage market assuming a more prominent role in the funding of mortgages in recent years. The pace of expansion in the secondary market was faster than in the primary market in 2000, with mortgage credit outstanding in the secondary market growing by 5.6 per cent between December 1999 and December 2000 compared to 4.5 per cent in the primary market. National Housing Act Mortgage-Backed Securities (NHA MBS) and Special Purpose Corporations (SPCs) represented 7.5 and 4.5 per cent of overall residential mortgage credit respectively by December 2000.

Securitization plays a major role in funding residential mortgages



Stable mortgage market structure

Recent trends in market share by institution type continued, with chartered banks accounting for approximately 75 per cent of mortgage initiation in the first nine months of 2000 and 71 per cent of the mortgage loans outstanding by the final quarter of last year. Credit unions retained their second place position, accounting for 13 per cent of residential mortgage loans outstanding.

Mortgage credit will grow by 3 to 5 per cent in 2001-2002

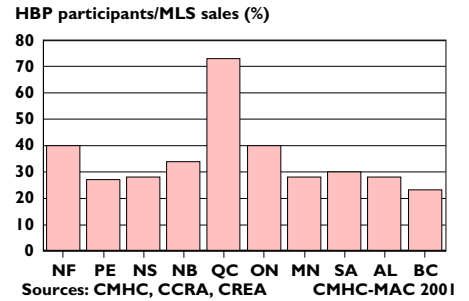
Despite slower economic growth and a smaller home-buying age population, low mortgage rates will sustain demand for homeownership in both new and resale housing markets and support house price increases in 2001-2002. Mortgage credit is expected to grow by 3 to 5 per cent in 2001-2002 and average \$473 billion in 2002. ■

¹Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

Continued from page 2

buyers, and financial institutions in the provinces.

Home Buyers' Plan plays an important role in provincial housing markets



Participants typically withdrew funds from more than one RRSP account to buy a home. The average number of withdrawals per participant has been hovering around 1.3 annually since the inception of the program.

Wide access to the program and a positive housing climate will continue to encourage many individuals to take advantage of HBP in 2001. ■

Province / Territory	Provincial participation in HBP in 2000		
	No. of participants	Total withdrawal (\$)	Average withdrawal (\$)
NF	1,030	8,575,796	8,326
PE	330	2,628,758	7,966
NS	2,324	20,609,605	8,868
NB	1,524	12,230,614	8,025
QC	39,030	463,303,364	11,870
ON	59,377	639,704,797	10,774
MN	3,086	23,281,993	7,544
SA	2,303	18,793,930	8,161
AL	12,205	110,034,199	9,016
BC	12,541	134,575,434	10,731
NWT	110	1,194,135	10,856
YK & NU	121	1,211,201	10,010
National	133,981	1,436,143,826	10,719

Source: Canada Customs and Revenue Agency, 2000 data is preliminary

²Financial Industry Research Monitor (FIRM) survey, September 2000

INDICATORS OF MORTGAGE LENDING ACTIVITY

MORTGAGE CREDIT OUTSTANDING (\$MILLIONS)*

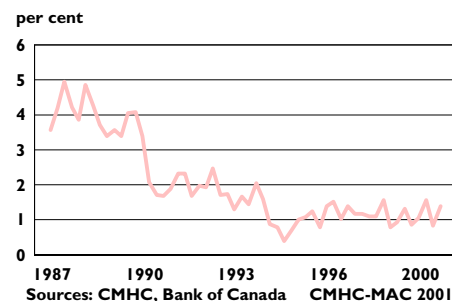
	1998	1999	2000	4Q99	1Q00	2Q00	3Q00	4Q00e
TOTAL	390,183	407,566	426,506	413,851	418,252	424,868	428,424	434,478
% change	4.9	4.5	4.6	0.9	1.1	1.6	0.8	1.4
Banks	248,322	268,862	300,248	275,129	289,296	299,920	303,485	308,290
Trusts	24,441	22,363	8,721	21,558	11,850	8,033	7,524	7,477
Caisse & Co-op	53,145	54,176	56,188	54,656	55,316	55,866	56,460	57,109
Life Ins. Co.	20,795	18,811	18,172	18,117	18,218	18,230	18,136	18,105
Pension Funds	7,857	7,995	9,185	8,400	8,650	8,897	9,349	9,842
Others**	35,623	35,360	33,992	35,990	34,922	33,921	33,470	33,655

*Seasonally adjusted data
Sources: Bank of Canada, CMHC

** Includes non-depository credit intermediaries

e: estimate
CMHC-MAC 2001

Quarterly residential mortgage credit growth



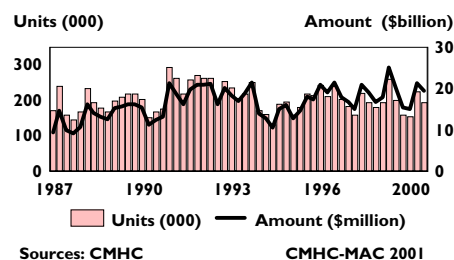
MORTGAGE LOANS APPROVED*

		1998	1999	3Q99	4Q99	1Q00	2Q00	3Q00
TOTAL	\$ millions	71,714	78,745	20,179	15,556	15,151	21,403	19,452
	Units	755,263	814,583	201,450	159,362	153,590	224,105	193,458
By Type of Lender								
Banks	\$ millions	55,126	60,574	15,553	12,028	11,316	15,874	14,817
	Units	549,716	599,482	147,891	117,652	109,160	164,980	142,564
Trusts	\$ millions	5,881	4,725	1,216	824	916	1,356	1,164
	Units	66,785	52,470	13,080	9,116	9,158	12,531	11,306
Life Ins. Co.	\$ millions	1,510	1,049	198	152	287	390	336
	Units	27,605	19,579	4,877	3,079	3,940	7,298	5,675
Others	\$ millions	9,197	12,398	3,212	2,551	2,632	3,783	3,135
	Units	111,157	143,052	35,602	29,515	31,332	39,296	33,913

* Not seasonally adjusted
Sources: Bank of Canada, CMHC

CMHC-MAC 2001

Mortgage loans approved



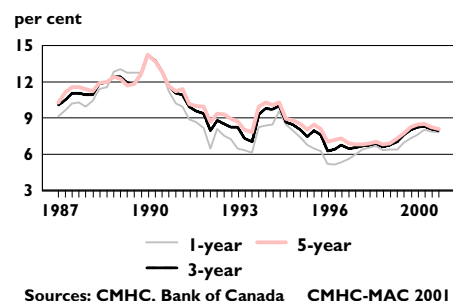
MORTGAGE RATES (%)*

	1998	1999	2000	3Q99	4Q99	1Q00	2Q00	3Q00	4Q00
1-year	6.50	6.80	7.85	6.97	7.35	7.63	8.03	7.90	7.83
3-year	6.77	7.37	8.17	7.60	8.05	8.25	8.33	8.10	8.00
5-year	6.93	7.56	8.35	7.75	8.25	8.48	8.52	8.25	8.15

* Average of period
Sources: Bank of Canada, CMHC

CMHC-MAC 2001

Mortgage rates



A SOLID PERFORMANCE BY NHA MBS IN 2000

by Ali Manouchehri, Senior Economist - Capital Markets

At \$11.0 billion, NHA MBS issues last year reached the second highest level ever as the secondary mortgage market continued to gain momentum.

CMHC's initiatives to introduce new pool types to accommodate a wider array of products, improve the issuing process, and reduce issuing costs have contributed to the phenomenal growth of NHA MBS since 1997. The acceptance of NHA MBS as collateral by the Bank of Canada and the Canadian Payment System also contributed to this growth.

A flatter yield curve reduced the lock-in premium for longer-term mortgages, encouraging more borrowers to opt for such mortgages. This increased the average mortgage term and enhanced reliance on MBS.

Portfolio management considerations by several financial institutions also played a major role in fostering a favourable environment for MBS to grow last year.

Single-family indemnity pools drive volumes

Single-family mortgage pool types led the way in 2000 with the issue of 73 new pools amounting to \$9.8 billion. Single-family indemnity pools 970 continued to remain particularly

popular, accounting for 87.7 per cent of the total amount issued last year.

On the other hand, issues of multiple, social housing, and mixed pools at \$1.2 billion in 2000 were 42.7 per cent lower than in the previous year.

NHA MBS outstanding

Large issues of NHA MBS last year helped raise the outstanding volume by \$6.2 billion to \$33.9 billion in December 2000. NHA MBS accounted for 7.5 per cent of total residential mortgage credit outstanding in Canada in December 2000, up from 6.6 per cent a year earlier. ■

NHA MBS highlights - 2000

New issues:

- ✓ 165 pools amounting to \$11.0 billion
- ✓ pool type 970 accounted for 88 per cent of all issues
- ✓ 73 single family-pools amounting to \$9.8 billion
- ✓ issues of social housing pools were down by 34 per cent to \$0.8 billion

MBS-bond yield spreads:

- ✓ at 30-40 basis points for 5-year terms, spreads remained within 5 basis points of their levels in 1999

Outstanding volume:

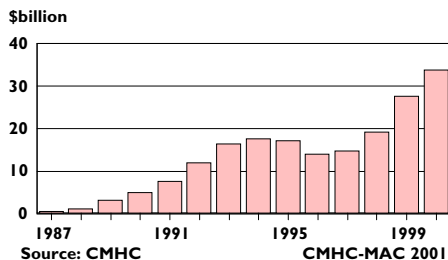
- ✓ some \$33.9 billion outstanding, up from \$27.7 billion in 1999

Other developments:

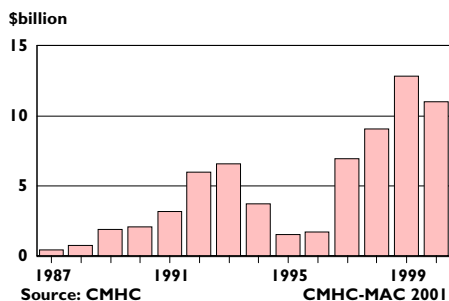
- ✓ CMHC introduced a new "975" NHA MBS pool type to accommodate mortgages with conventional prepayment clauses
- ✓ Launch of Canada Mortgage Bonds featuring semi-annual interest payments, repayment of principal at maturity, and a CMHC guarantee of timely payment of interest and principal

NHA MBS outstanding

end of the period



NHA MBS issues



NHA MBS STATISTICS

NHA MORTGAGE-BACKED SECURITIES

(Average of period except when indicated)

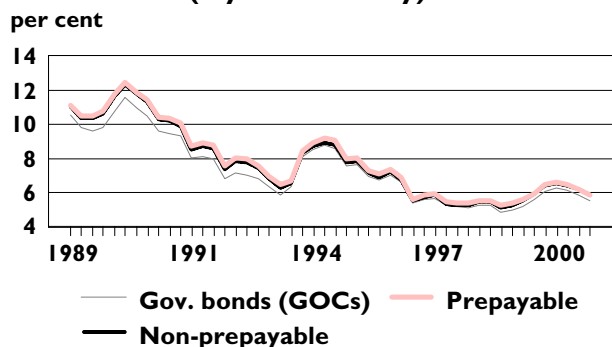
		1999	2000	4Q99	1Q00	2Q00	3Q00	4Q00
OUTSTANDING AMOUNT (End of period)								
TOTAL	\$million	27,691	33,924	27,691	27,709	27,610	34,305	33,924
	Units	1,072	1,005	1,072	1,052	1,043	1,036	1,005
Residential, single (with PIP)	\$million	2,208	1,976	2,208	2,171	2,097	2,013	1,976
	Units	323	254	323	301	285	266	254
Residential, single (no PIP)	\$million	1,169	918	1,169	1,142	1,071	990	918
	Units	201	175	201	199	193	184	175
Residential, single (no PIP with indemnity)	\$million	17,721	24,325	17,721	17,701	17,621	24,505	24,325
	Units	188	236	188	193	204	232	236
Residential, multiple	\$million	1,579	1,467	1,579	1,565	1,563	1,482	1,467
	Units	109	110	109	111	115	114	110
Social Housing	\$million	3,693	3,809	3,693	3,782	3,902	3,933	3,809
	Units	150	122	150	146	141	134	122
Mixed	\$million	1,321	1,430	1,321	1,348	1,356	1,383	1,430
	Units	101	108	101	102	105	106	108
ISSUES (Total of period)								
TOTAL	\$million	12,854	11,014	4,144	755	967	8,321	971
	Units	165	120	39	26	26	48	20
Residential, single (with PIP)	\$million	1,172	150	63	39	28	35	48
	Units	24	13	5	4	2	4	3
Residential, single (no PIP)	\$million	142	16	28	16	0	0	0
	Units	19	4	5	4	0	0	0
Residential, single (no PIP with indemnity)	\$million	9,473	9,664	3,687	381	566	7,939	778
	Units	45	56	13	5	11	32	8
Residential, multiple	\$million	385	245	86	15	83	67	80
	Units	22	19	7	4	6	4	5
Social Housing	\$million	1,188	780	207	262	270	242	7
	Units	24	16	4	6	4	5	1
Mixed	\$million	493	159	74	42	21	38	58
	Units	31	12	5	3	3	3	3
YIELDS (5-year maturity,%)								
MBS Prepayable (with PIP)		5.86	6.30	6.47	6.61	6.49	6.23	5.88
MBS Prepayable (no PIP)		5.92	6.36	6.52	6.67	6.54	6.29	5.94
MBS Non-prepayable		5.76	6.27	6.42	6.56	6.42	6.22	5.88
MBS MMUF		5.81	6.33	6.47	6.61	6.48	6.28	5.94
Mortgage rates		7.56	8.35	8.25	8.48	8.52	8.25	8.15
GOCs		5.47	5.96	6.10	6.27	6.13	5.89	5.55
SPREADS OVER GOC (5-year maturity,%)								
Prepayable (with PIP)		0.40	0.35	0.37	0.35	0.36	0.34	0.34
Prepayable (no PIP)		0.45	0.40	0.43	0.40	0.42	0.39	0.39
Non-prepayable		0.30	0.31	0.33	0.29	0.30	0.33	0.34
MMUF		0.35	0.37	0.37	0.35	0.35	0.38	0.39
Mortgage rates		2.09	2.39	2.15	2.22	2.39	2.36	2.60

* PIP stands for Penalty Interest Payments. Not seasonally adjusted.

Sources: CMHC, Bank of Canada

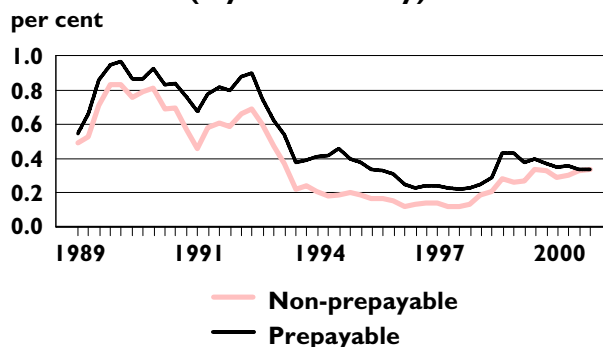
CMHC - MAC 2001

**Selected interest rates
(5-year maturity)**



Sources: CMHC, Bank of Canada, Nesbitt Burns
CMHC-MAC 2001

**Spreads over GOCs
(5-year maturity)**



Sources: CMHC, Bank of Canada, Nesbitt Burns
CMHC-MAC 2001

NHA MORTGAGE-BACKED SECURITIES

OCTOBER TO DECEMBER 2000 ISSUES

POOL NO.	ISSUER	VALUE (\$)	COUPON RATE (%)	DUE DATE	WEIGHTED AVERAGE INTEREST(%)	AMORTIZATION (YRS)
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Month of Issue: October 2000

NHA-Insured Market Residential Pools (Single Units)

96-413-596	Alberta Motor Assoc.Insur.Comp	18,545,309.73	5.80	2005-10-01	8.09	23.17
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NHA-Insured Market Residential Pools (Mixed)

96-501-408	Equitable Trust Company (The)	22,998,557.60	6.00	2005-10-01	6.83	22.15
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NHA-Insured Market Residential Pools (Multiple Units)

96-601-539	Peoples Trust Company	14,857,897.21	5.25	2005-10-01	6.77	21.50
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96-601-547	Peoples Trust Company	14,872,736.27	6.25	2010-10-01	6.84	22.81
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NHA-Insured Market Residential Pools (NO PIP WITH 3 YEAR INDEMNITY)

97-002-430	Bank of Montreal	86,306,099.20	5.38	2005-10-01	7.55	11.83
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97-002-448	M.R.S. Trust Company	6,996,930.16	6.20	2005-10-01	7.56	23.15
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97-002-455	Bank of Montreal	70,393,960.61	5.00	2003-10-01	7.48	21.37
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97-002-463	Bank of Montreal	323,045,156.89	5.38	2005-10-01	7.53	22.00
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Month of Issue: November 2000

NHA-Insured Market Residential Pools (Mixed)

96-501-416	Equitable Trust Company (The)	5,366,128.45	6.50	2010-09-01	7.28	23.69
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NHA-Insured Market Residential Pools (NO PIP WITH 3 YEAR INDEMNITY)

97-002-471	National Bank of Canada	266,107,561.70	5.88	2005-09-01	7.61	21.54
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97-002-489	M.R.S. Trust Company	6,209,283.92	6.25	2005-11-01	7.43	22.91
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Month of Issue: December 2000

NHA-Insured Market Residential Pools (Single Units)

96-413-612	Alberta Motor Assoc.Insur.Comp	16,327,788.18	5.60	2005-12-01	7.98	22.94
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96-413-620	Vancouver City Savings CU	13,478,786.63	6.20	2005-10-01	7.37	21.63
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NHA-Insured Market Residential Pools (Mixed)

96-501-424	Equitable Trust Company (The)	29,909,695.65	5.80	2005-12-01	6.70	13.86
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NHA-Insured Market Residential Pools (Multiple Units)

96-601-554	Bank of Nova Scotia	8,379,159.68	6.00	2006-02-01	6.57	20.01
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96-601-562	Peoples Trust Company	23,468,466.45	5.60	2005-12-01	6.82	21.79
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96-601-570	Peoples Trust Company	18,171,963.43	5.60	2010-12-01	6.89	21.66
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NHA MORTGAGE-BACKED SECURITIES

OCTOBER TO DECEMBER 2000 ISSUES

POOL NO.	ISSUER	VALUE (\$)	COUPON RATE (%)	DUE DATE	WEIGHTED AVERAGE INTEREST(%)	AMORTIZATION (YRS)
Month of Issue: December 2000						
NHA-Insured Market Residential Pools (NO PIP WITH 3 YEAR INDEMNITY)						
97-002-497	Home Trust Company	12,422,409.94	5.75	2005-11-01	8.56	22.83
97-002-505	M.R.S. Trust Company	6,472,374.17	6.10	2005-12-01	7.35	23.54
Social Housing Pools						
99-008-310	Peoples Trust Company	6,938,828.85	5.75	2019-05-01	6.85	18.42

*PIP stands for Penalty Interest Payments

Source: CMHC

CMHC - MAC 2001

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
- 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

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

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Product # 61496 - 2000-Q01