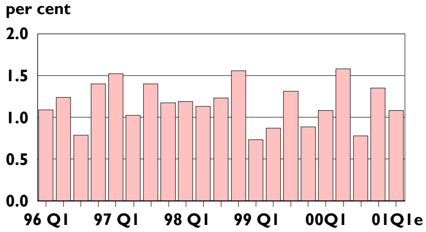
CMHC MORTGAGE MARKET TRENDS

Canada Mortgage and Housing Corporation

Second Quarter, 2001

MORTGAGE LENDING

Residential mortgage credit growth*



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

MARKET SHARE OF RESIDENTIAL MORTGAGE CREDIT (%) *

	1Q00	2Q00	3Q00	4Q00	1Q01e
Banks	67.6	69.1	69.5	69.7	69.8
Trusts	3.0	2.0	1.8	1.8	2.0
Caisse & Co-op	13.9	13.8	13.8	13.8	13.8
Life Ins. Co.	4.6	4.5	4.4	4.4	4.3
Pension Funds	2.2	2.2	2.2	2.3	2.3
Others **	8.8	8.4	8.2	8.1	7.9

* Excludes Special Purpose Vehicles
** Includes non-depository credit intermediaries
e: estimate
Sources: Bank of Canada, CMHC, Statistics Canada MAC 2001

In this Issue:

RESIDENTIAL MORTGAGE CREDIT UP

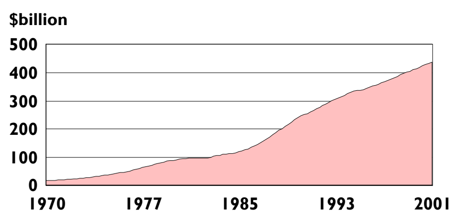
by Ali Manouchehri, Senior Economist - Capital Markets

Residential mortgage credit grew by 4.9 per cent in the first quarter of 2001 compared to the same period last year, to reach $438.9 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 2001.

New house prices rose 2.7 per cent and housing starts were up 1.5 per cent while the value of homes sold through MLS[1] increased by 6.7 per cent in the first quarter of 2001 compared to the same period last year. The broadly based active housing market helped raise mortgage credit outstanding in the opening quarter of 2001 by 4.9 per cent compared to the same period in 2000.

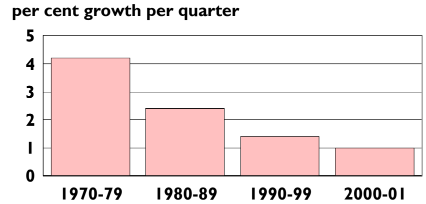
Residential mortgage credit marches on



Sources: CMHC, Bank of Canada, Statistics Canada
CMHC-MAC 2001

The growth rate of residential mortgage debt, at 1.0 per cent per quarter in 2000-01, remains below the historical norm experienced in 1970-1999, and should help ease

Slower residential mortgage credit growth



Sources: CMHC, Bank of Canada, Statistics Canada
CMHC-MAC 2001

Continued on page 3

CMHC SCHL

HOME TO CANADIANS

Canada

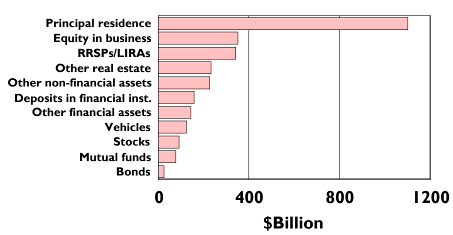
HOMES STILL THE CROWN JEWEL OF FAMILY ASSETS

by Ali Manouchehri, Senior Economist - Capital Markets

According to Statistics Canada's recently released Survey of Financial Security, principal residences continue to dominate family assets despite intense focus on financial assets in the late 1990s. Principal residences accounted for 38 per cent of family assets compared to 29 per cent for all financial assets combined.

Principal residences were valued at over $1.1 trillion in 1999, the largest asset class held by Canadian families.[1] Over 60 per cent of families owned their principal residences. RRSPs were the second largest class of assets, held by 55 per cent of families. By comparison only 14 per cent owned mutual funds, 14 per cent bonds, and 10 per cent stocks, all outside of their RRSPs.

Homes dominate family assets



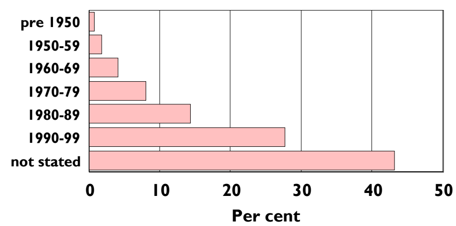
Sources: Statistics Canada, CMHC CMHC-MAC 2001

Homeownership desire strongly evident in the 1990s

Over one-quarter of homeowner families participating in the Survey of Financial Security in 1999 stated that they purchased their homes in the 1990s, almost twice as high as the proportion indicating they purchased their homes in the 1980s.

The average value of principal residences was estimated at $149,700 while the median was $125,000. Single family homes were the most desired type, accounting for 55 per cent of housing units held by families.

Over 25 per cent of families purchased their homes in the 1990s



Sources: Statistics Canada, CMHC CMHC-MAC 2001

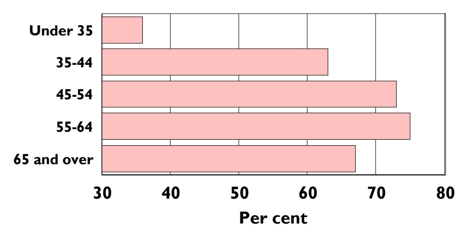
Mortgages remain among the safest household debt class

Purchasing a home is often the largest single transaction an average family undertakes. Loans on principal residences accounted for 66 per cent of debts incurred by family units as of 1999. The average mortgage outstanding on principal residences was $76,100 with the median outstanding mortgage balance at $67,000. The ratio of mortgage loans to home values rose from 37.5 per cent in 1961 to over 50 per cent in 1999, reflecting higher financial leverage.[2] Despite the rising share of debt financing in home values, mortgages remain among the safest debt class with every dollar in mortgages backed by almost two dollars in the underlying asset.

Portfolio mix by age group

Homownership was less prevalent among younger families. Nearly three-quarter of those between 45-64 years old owned their principal residence compared to 63 per cent of those in the 35-44 years age group and 36 per cent for those younger than 35 years.

Younger Canadians less keen on homeownership



Sources: Statistics Canada, CMHC CMHC-MAC 2001

Younger Canadians were more likely to invest in financial assets, such as RRSPs, than homes. Nearly 55 per cent of those aged 25-34 had RRSPs compared to 43 per cent who held homes in their portfolios. Approximately 24 per cent of those under 25 years of age had RRSPs compared to 12 per cent who owned their homes. ■

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[1] Statistics Canada, Survey of Financial Security, 2001

[2] Statistics Canada, Balance sheet accounts, Persons and unincorporated businesses

Continued from page 1

concerns over residential mortgage debt load, especially in the context of disposable income rising at the rate of 1.4 per cent per quarter in 2000-01.

Stable mortgage market structure

There was little change in market share by institution type, with chartered banks accounting for approximately 70 per cent of the mortgage loans outstanding in the first quarter of 2001. Credit unions retained their second place position, accounting for 13.8 per cent of residential mortgage loans outstanding. A combination of mortgage credit outstanding in the primary market and mortgages issued and securitized by the lender through NHA MBS is used to calculate the market share for each type of lender. It approximates as closely as possible residential mortgage market share by lender on the basis of origination. ■

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

MORTGAGE RATES LOWER IN 2001 COMPARED TO LAST YEAR

by Ali Manouchehri, Senior Economist - Capital Markets

The near-term outlook for mortgage rates remains favourable due to interest rate cuts.

Despite already relaxed monetary conditions, further interest rate cuts are expected this year. The main factors pointing to lower mortgage rates include:

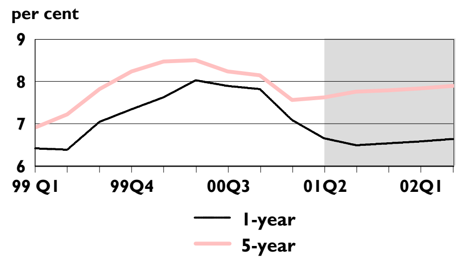
- equity market weakness and its potential impact on consumer spending;
- slower earning and employment growth in high tech and manufacturing; and
- lower interest rates in the U.S. and positive Canada-U.S. interest rate spreads despite our lower inflation rate.

While open and variable rate mortgages closely track the lenders' prime rate, fixed rate mortgages move in tandem with the bond market. As the prime rate, money market, and short-term bond yields continue to fall in the immediate future, so will short-term mortgage rates.

The outlook for mortgage rates is favourable with the one, three and five-year mortgage rates in the 6.50-7.50, 7.00-8.00, and 7.25-8.25 per cent range respectively over the next twelve months.

Mortgage rate discounts ranging from 0.5 to 1.5 percentage points will remain an important competitive instrument over the forecast horizon.

Lower mortgage rates in 2001



Sources: CMHC, Bank of Canada CMHC-MAC 2001
* 2001 data are CMHC forecast

Risks to the forecast

Interest and mortgage rates could move lower if the manufacturing sector weakens further, labour market and consumer spending weakness intensifies, or new sources of financial stress emerge in the U.S. and Canada. On the other hand, interest and mortgage rates could fall less than our base scenario if the Canadian dollar faced severe downward pressure, inflation escalated, or economic growth in Canada accelerated. ■

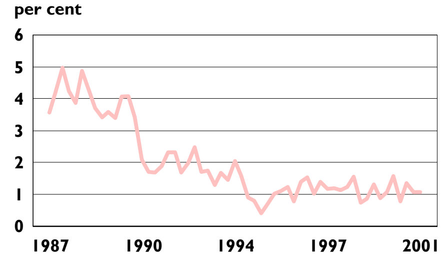
INDICATORS OF MORTGAGE LENDING ACTIVITY

MORTGAGE CREDIT OUTSTANDING ($MILLIONS)*

	1998	1999	2000	1Q00	2Q00	3Q00	4Q00	1Q01e
TOTAL	390,489	407,695	426,549	418,471	425,099	428,422	434,206	438,920
% change	5.0	4.4	4.6	1.1	1.6	0.8	1.3	1.1
Banks **	239,679	252,350	280,346	269,580	279,332	283,755	288,719	292,376
Trusts **	24,441	22,363	8,721	11,850	8,033	7,524	7,477	8,174
Caisse & Co-op **	53,145	54,176	56,188	55,316	55,866	56,460	57,109	57,755
Life Ins. Co. **	20,795	18,811	18,172	18,218	18,230	18,136	18,105	18,194
Pension Funds **	7,857	7,948	8,976	8,611	8,869	9,089	9,336	9,623
Others **, ***	35,623	35,360	33,992	34,922	33,921	33,470	33,655	33,037

*Seasonally adjusted data
e: estimate
** Excludes Special Purpose Vehicles
*** Includes non-depository credit intermediaries
Sources: Bank of Canada, CMHC, Statistics Canada CMHC-MAC 2001

Quarterly residential mortgage credit growth



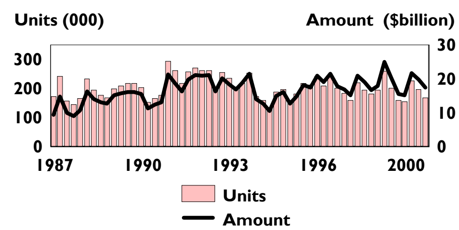
Sources: CMHC, Bank of Canada, Statistics Canada
CMHC-MAC 2001

MORTGAGE LOANS APPROVED*

		1999	2000	4Q99	1Q00	2Q00	3Q00	4Q00
TOTAL	$ millions	78,321	73,964	15,377	15,146	21,644	19,828	17,346
	Units	814,934	738,357	159,455	156,397	228,110	197,762	169,388
By Type of Lender								
Banks	$ millions	60,229	54,404	11,915	11,169	15,800	14,810	12,625
	Units	599,583	519,418	117,790	109,153	151,898	142,658	115,709
Trusts	$ millions	4,662	4,211	791	895	1,332	1,169	814
	Units	52,429	42,643	9,080	9,302	12,603	11,389	9,349
Life Ins. Co.	$ millions	1,082	1,475	161	298	376	358	443
	Units	19,939	24,919	3,200	4,095	7,178	5,988	7,658
Others	$ millions	12,349	13,874	2,510	2,784	4,136	3,492	3,463
	Units	142,983	151,377	29,385	33,847	43,131	37,727	36,672

* Not seasonally adjusted
Source: CMHC CMHC-MAC 2001

Mortgage loans approved



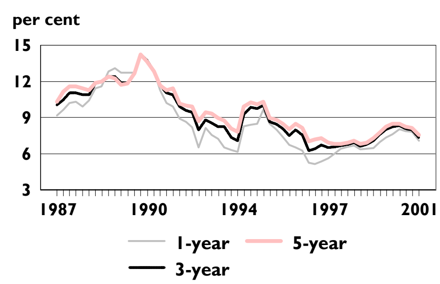
Source: CMHC CMHC-MAC 2001

MORTGAGE RATES (%)*

	1998	1999	2000	1Q00	2Q00	3Q00	4Q00	1Q01
1-year	6.50	6.80	7.85	7.63	8.03	7.90	7.83	7.10
3-year	6.77	7.37	8.17	8.25	8.33	8.10	8.00	7.35
5-year	6.93	7.56	8.35	8.48	8.52	8.25	8.15	7.58

* Average of period
Sources: Bank of Canada, CMHC CMHC-MAC 2001

Mortgage rates



Sources: CMHC, Bank of Canada CMHC-MAC 2001

NHA MBS ISSUES REACH $1.7 BILLION IN THE FIRST QUARTER OF 2001

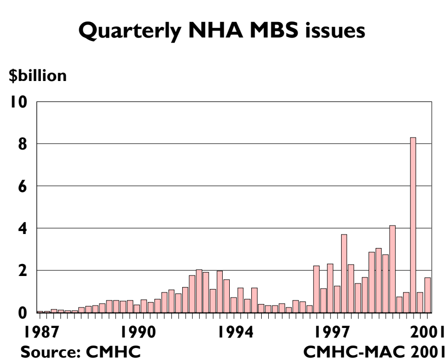
by Ali Manouchehri, Senior Economist - Capital Markets

The NHA MBS market started the year with $1.7 billion in new issues in the first quarter, up 70.7 per cent from the previous quarter.

NHA MBS issues rose in the first quarter of 2001, with 22 new pools issued totalling $1.658 billion. This was up 70.7 per cent from the previous quarter, but lower than the $8.3 billion record issues in the third quarter of 2000.

A number of factors contributed to fostering a favourable environment for NHA MBS to grow in the opening months of 2001. These factors included:

- growing housing markets and strong demand for mortgages;
- portfolio management considerations by financial institutions; and
- CMHC's initiatives to introduce new pool types to accommodate a wider array of products, improve issuing process, and reduce issue costs.



Single-family pools were the bright spot

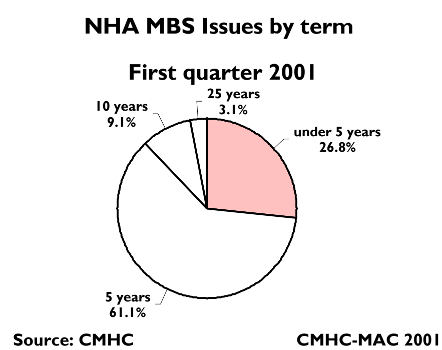
Single-family mortgage pool types led the way in the first quarter of 2001 with the issue of 13 new pools amounting to $1.4 billion. The single-family indemnity pool type 970 continued to remain popular, with $403 million in new issues. Four pools amounting to $971 million were issued in the recently introduced pool type 975.

Social housing and mixed pools were up too

New issues of social housing and mixed pools at $171.2 and $74.8 million respectively in the first quarter of 2001 were up from the previous quarter.

Longer term issues dominant

While the 5-year term is the largest component of NHA MBS issues, longer terms accounted for 12.2 per cent of the new issues in the first quarter of 2001.



Chartered banks led issuers

Chartered banks accounted for 90.8 per cent of new NHA MBS issues in the first quarter of 2001. Trusts, credit unions, and life insurance companies accounted for 6.2, 1.9 and 1.0 per cent of the new issues respectively during the quarter.

NHA MBS highlights

First quarter 2001

New issues:

- 22 pools amounting to $1.7 billion
- 13 single family-pools amounting to $1.4 billion or 85 per cent of all issues
- pool type 975 accounted for 58 per cent of all issues
- issues of social housing and mixed pools at $171.2 and $74.8 million were up

MBS-bond yield spreads:

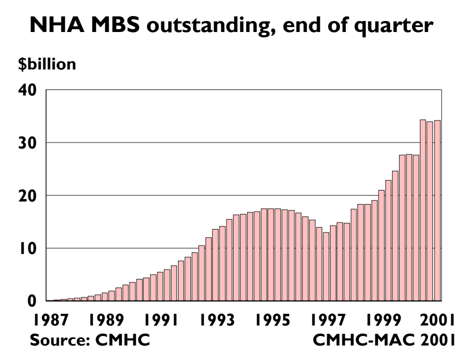
- at 30-40 basis points for 5-year terms, spreads narrowed by 1-5 basis points from their levels in the previous quarter

Outstanding volume:

- some $34.2 billion outstanding, up from $33.9 billion in the previous quarter

NHA MBS outstanding

Large issues of NHA MBS in the past four years helped raise outstanding volume to $34.2 billion by the first quarter of 2001, up from $33.9 billion in the previous quarter. ■



WHAT IS RESIDENTIAL MORTGAGE SECURITIZATION?

by Ali Manouchehri, Senior Economist - Capital Markets

Two main avenues used in residential mortgage securitization in Canada are National Housing Act Mortgage-Backed Securities (NHA MBS) and Special Purpose Vehicles (SPVs). A new avenue being introduced this year by CMHC is Canada Mortgage Bonds.

Residential mortgage securitization involves the repackaging, enhancement, and sale of residential mortgages in pools attractive to investors. This process allows a lender to remove mortgage assets from its books and reduce its capital requirements. It also provides an alternative funding source, allowing the lender to fund new mortgages from the sale proceeds.

Residential mortgages are among the safest classes of assets to securitize, thanks to loan-to-value restrictions and low default rates. Credit enhancements make residential mortgages even more desirable for securitization. In the case of NHA MBS, the three key safety factors are modified pass-through, mortgage insurance, and CMHC's timely payment guarantee.

Two main avenues used in residential mortgage securitization in Canada are National Housing Act Mortgage-Backed Securities (NHA MBS) and Special Purpose Vehicles (SPVs). These two avenues accounted for 12.2 per cent of total residential mortgage credit in the first quarter of this year. A new avenue being introduced this year by CMHC is Canada Mortgage Bonds. ■

CANADA MORTGAGE BONDS HIGHLIGHTS

- Announced in March of this year, the Canada Mortgage Bonds (CMB) Program is Canada Mortgage and Housing Corporation's newest housing finance initiative aimed at providing the mortgage market with an alternative and competitive source of funds, which will help lower mortgage financing costs to Canadians.
- With the Government of Canada guarantee, high liquidity and competitive yields, CMB will improve the supply of low cost funds available for mortgage lending in Canada and will become an important source of funding for Canada's mortgage market.
- CMBs are issued through Canada Housing Trust ™ (CHT). The bonds are semi-annual coupon, fixed rate, bullet maturity bonds.
- Through CMHC, the Government of Canada guarantees the timely payment of interest and principal on Canada Mortgage Bonds issued by CHT. CMBs carry Canada's AAA/Aa1 credit rating and a 0% capital weighting under the Bank for International Settlements (BIS) guidelines.
- CMB issues will be large, highly liquid, and issued on a regular basis. The June 2001 inaugural issue of Canada Mortgage Bonds exceeded $2.2 billion and traded at a modest yield premium to Government of Canada bond issues. ■

SPECIAL PURPOSE VEHICLES (SPVs)

An SPV is a conduit, normally a single purpose trust, which purchases financial assets, such as residential mortgages, from financial institutions or other corporations. The conduit pays for the assets by issuing its own debt. Special Purpose Vehicles, introduced in 1992, have grown substantially since 1996. The outstanding volume of residential mortgages securitized through SPVs reached $19.7 billion by the first quarter of 2001. ■

NHA MORTGAGE-BACKED SECURITIES

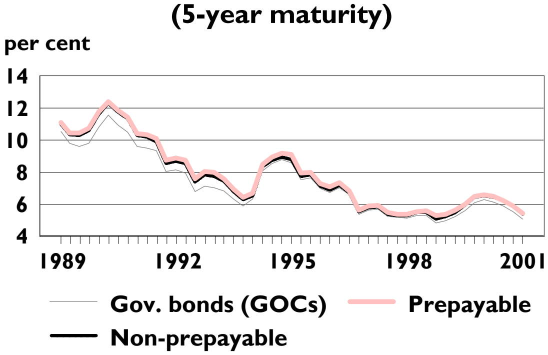
(Average of period except when indicated)

		1999	2000	1Q00	2Q00	3Q00	4Q00	1Q01
OUTSTANDING AMOUNT (End of period)								
TOTAL	$million	27,691	33,924	27,709	27,610	34,305	33,924	34,217
	Units	1,072	1,005	1,052	1,043	1,036	1,005	993
Residential, single (with PIP)	$million	2,208	1,976	2,171	2,097	2,013	1,976	1,898
	Units	323	254	301	285	266	254	246
Residential, single (no PIP)	$million	1,169	918	1,142	1,071	990	918	849
	Units	201	175	199	193	184	175	169
Residential, single (no PIP with indemnity)	$million	17,721	24,325	17,701	17,621	24,505	24,325	23,748
	Units	188	236	193	204	232	236	234
Residential, single (no PIP with indemnity, 5-year)	$million	0	0	0	0	0	0	958
	Units	0	0	0	0	0	0	4
Residential, multiple	$million	1,579	1,467	1,565	1,563	1,482	1,467	1,434
	Units	109	110	111	115	114	110	109
Social Housing	$million	3,693	3,809	3,782	3,902	3,933	3,809	3,843
	Units	150	122	146	141	134	122	119
Mixed	$million	1,321	1,430	1,348	1,356	1,383	1,430	1,488
	Units	101	108	102	105	106	108	112
ISSUES (Total of period)								
TOTAL	$million	12,854	11,014	755	967	8,321	971	1,658
	Units	165	120	26	26	48	20	22
Residential, single (with PIP)	$million	1,172	150	39	28	35	48	35
	Units	24	13	4	2	4	3	3
Residential, single (no PIP)	$million	142	16	16	0	0	0	0
	Units	19	4	4	0	0	0	0
Residential, single (no PIP with indemnity)	$million	9,473	9,664	381	566	7,939	778	403
	Units	45	56	5	11	32	8	6
Residential, single (no PIP with indemnity, 5-year)	$million	0	0	0	0	0	0	971
	Units	0	0	0	0	0	0	4
Residential, multiple	$million	385	245	15	83	67	80	4
	Units	22	19	4	6	4	5	1
Social Housing	$million	1,188	780	262	270	242	7	171
	Units	24	16	6	4	5	1	3
Mixed	$million	493	159	42	21	38	58	75
	Units	31	12	3	3	3	3	5
YIELDS (5-year maturity,%)								
MBS Prepayable (with PIP)		5.86	6.30	6.61	6.49	6.23	5.88	5.41
MBS Prepayable (no PIP)		5.92	6.36	6.67	6.54	6.29	5.94	5.47
MBS Non-prepayable		5.76	6.27	6.56	6.42	6.22	5.88	5.37
MBS MMUF		5.81	6.33	6.61	6.48	6.28	5.94	5.43
Mortgage rates		7.56	8.35	8.48	8.52	8.25	8.15	7.58
GOCs		5.47	5.96	6.27	6.13	5.89	5.55	5.09
SPREADS OVER GOC (5-year maturity,%)								
Prepayable (with PIP)		0.40	0.35	0.35	0.36	0.34	0.34	0.32
Prepayable (no PIP)		0.45	0.40	0.40	0.42	0.39	0.39	0.38
Non-prepayable		0.30	0.31	0.29	0.30	0.33	0.34	0.29
MMUF		0.35	0.37	0.35	0.35	0.38	0.39	0.34
Mortgage rates		2.09	2.39	2.22	2.39	2.36	2.60	2.50

* PIP stands for Penalty Interest Payments. Not seasonally adjusted.
Sources: CMHC, Bank of Canada

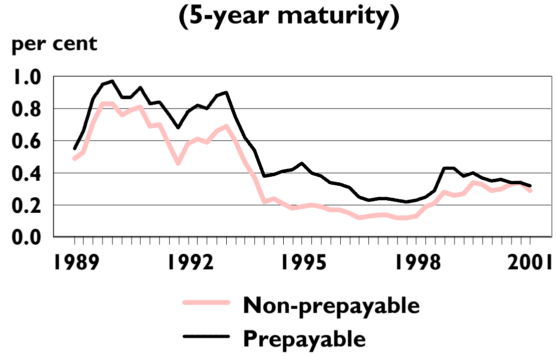
CMHC - MAC 2001

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

JANUARY TO MARCH 2001 ISSUES

POOL NO.	ISSUER	VALUE ($)	COUPON RATE (%)	DUE DATE	WEIGHTED AVERAGE INTEREST(%)	WEIGHTED AVERAGE AMORTIZATION (YRS)
Month of Issue: February 2001						
NHA-Insured Market Residential Pools (Single Units)						
96-413-638	Alberta Motor Assoc.Insur.Comp	3,169,690.41	5.700	2011-02-01	8.55	22.48
NHA-Insured Market Residential Pools (Mixed)						
96-501-432	Equitable Trust Company (The)	16,111,978.87	5.450	2006-02-01	6.68	18.56
96-501-440	Equitable Trust Company (The)	10,493,311.26	5.850	2011-02-01	6.86	24.27
96-501-457	Peoples Trust Company	19,449,930.33	5.800	2011-02-01	6.56	22.40
NHA-Insured Market Residential Pools (NO PIP WITH 3 YEAR INDEMNITY)						
97-002-513	M.R.S. Trust Company	7,485,887.90	5.500	2006-02-01	7.03	22.78
97-002-521	La Capitale MFQ Insurance Inc.	13,601,863.58	5.250	2006-02-01	7.17	22.13
Social Housing Pools						
99-008-328	Bank of Nova Scotia	8,434,349.00	5.150	2006-02-01	5.68	35.00
Month of Issue: March 2001						
NHA-Insured Market Residential Pools (Single Units)						
96-413-646	Alberta Motor Assoc.Insur.Comp	15,050,673.94	5.500	2006-03-01	7.42	23.16
96-413-661	Vancouver City Savings CU	17,221,478.22	6.000	2006-02-01	7.17	21.55
NHA-Insured Market Residential Pools (Mixed)						
96-501-473	Peoples Trust Company	22,871,992.58	5.125	2006-03-01	6.16	21.50
96-501-481	Peoples Trust Company	5,844,314.82	5.500	2011-03-01	6.45	22.10
NHA-Insured Market Residential Pools (Multiple Units)						
96-601-596	Toronto-Dominion Bank	3,727,278.56	5.125	2006-03-01	5.99	25.00
NHA-Insured Market Residential Pools (NO PIP WITH 3 YEAR INDEMNITY)						
97-002-539	National Bank of Canada	174,767,918.68	5.250	2006-01-01	7.52	21.27
97-002-547	Home Trust Company	14,546,901.97	5.000	2006-01-01	8.23	23.00
97-002-554	M.R.S. Trust Company	6,588,112.16	5.400	2006-03-01	6.86	22.15
97-002-562	Bank of Montreal	185,518,741.37	5.000	2006-03-01	7.21	21.80
NHA-Insured Market Residential Pools (NO PIP WITH 5 YEAR INDEMNITY)						
97-500-011	Toronto-Dominion Bank	175,582,727.33	5.000	2006-01-01	8.25	21.65
97-500-029	Toronto-Dominion Bank	281,385,325.96	5.000	2005-08-01	7.39	20.94
97-500-037	Toronto-Dominion Bank	162,461,276.58	5.000	2005-08-01	8.36	21.12
97-500-045	Toronto-Dominion Bank	351,216,148.56	5.000	2006-02-01	7.33	21.35
Social Housing Pools						
99-008-344	Toronto-Dominion Bank	111,776,444.37	5.500	2011-03-01	6.12	24.43
99-008-351	Toronto-Dominion Bank	50,987,019.74	6.000	2026-03-01	6.51	27.57

*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

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