



Consumer Mindset

CAAMP 2013 Spring Survey

May 24th, 2013



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Background and Objectives

background

- CAAMP conducts a semi-annual study of Canadians to understand trends and current sentiment regarding the housing market and the mortgage industry.

objectives

- Updated view of current mortgage situation
- Understand non-mortgage debt
- Measure current mortgage channel penetration and shopping behaviour
- Determine differences among first-time home buyers
- Pulse on impact of changes to mortgage rules



Research Details and Methodology

what

- Online survey

who

- Canadian adults (18+) from an online panel

when

- April, 2013

how many

- 1,995 surveys completed.
- Results weighted to match Canadian population by age, gender and mortgage status.

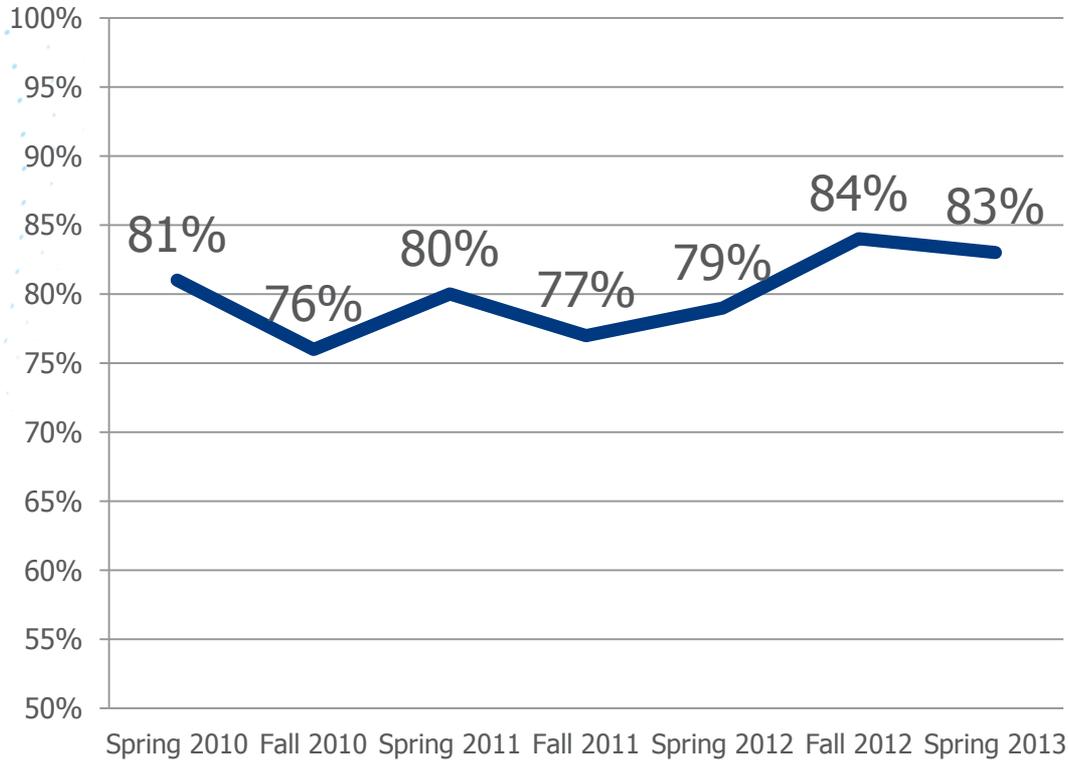




Personal Situation and Outlook

Comfort with loan to value ratio on primary residence

- Eight-in-ten respondents indicate they are comfortable with their loan to value ratio, fairly consistent over the past three years.



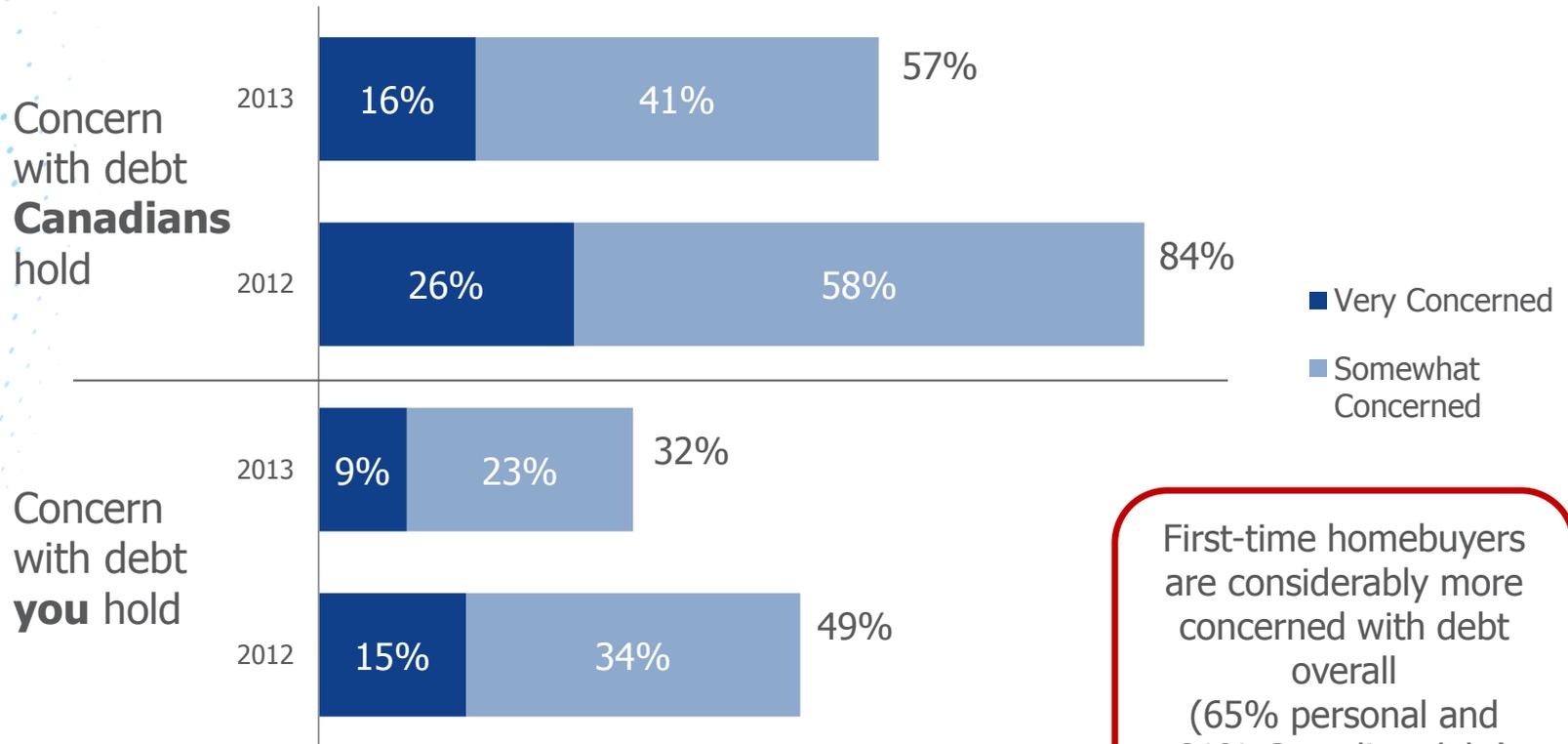
83% comfortable

40A. Using the scale below, please tell us how comfortable you are with the loan to value ratio on your primary residence. By this we mean how much you owe on your property vs. how much it is worth.

Base: Homeowners with a mortgage (n=1,140)

Level of concern with debt

- Canadians remain more concerned with their 'neighbours' debt level than with their own, but concern has lessened versus 2012.



First-time homebuyers are considerably more concerned with debt overall (65% personal and 81% Canadian debt)

51. Please indicate your level of concern with the level of debt that Canadians hold, as a whole?

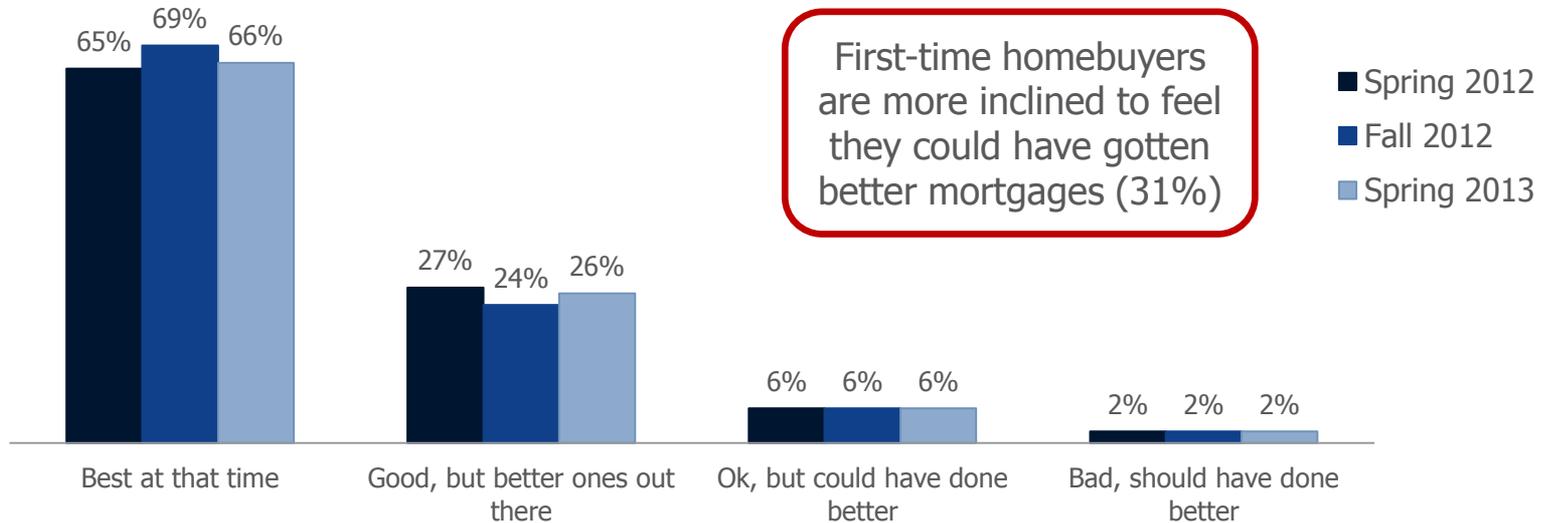
Base: Total Respondents (n=1,995)

52. Please indicate your level of concern with the overall level of debt that you hold?

Base: Total Respondents (n=1,995)

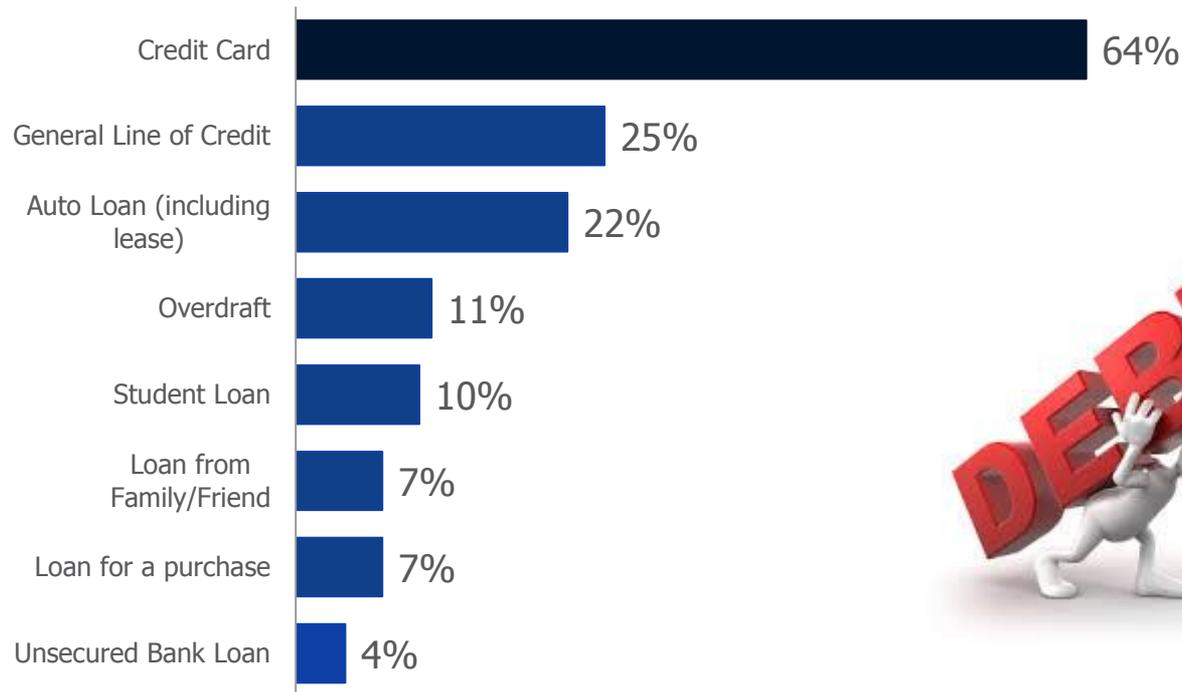
Feelings towards current mortgage

- A large majority of mortgage-holders are confident that they got the 'best' or a 'good' deal on their mortgage.



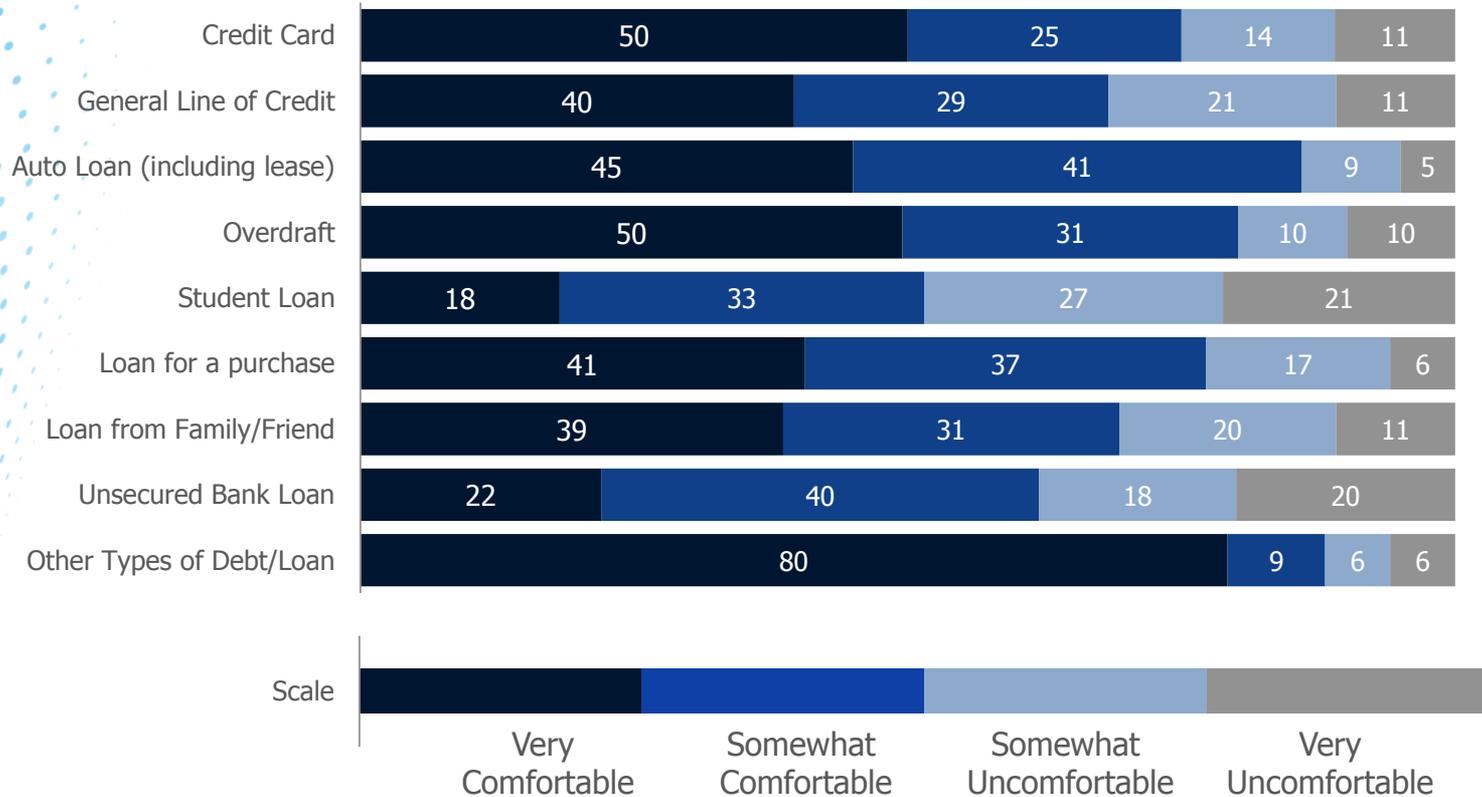
Non-mortgage debt carried

- Not surprising, the most common debt carried by Canadians is Credit Card debt.



Comfort with non-mortgage debt

- Canadians are comfortable with majority of their current debt.
- However, student loan debt is most likely to make those who carry it uncomfortable.



Line of credit details

- On average, respondents are approved for a line of credit worth \$35,000 but tend to draw on less than half of it.



42%

Amount of approved Line of Credit used

\$35,000

Average amount approved for

\$14,700

Average amount of Line of Credit used

55% used

First-time home buyers:
Approved for \$24,000

Drawn \$13,000

11. You mentioned the current debt outstanding on your general line of credit is [PIPE IN RESPONSE FROM Q10=3]. What is the total amount you are approved for on your line of credit? If you are unsure, please give your best estimate.

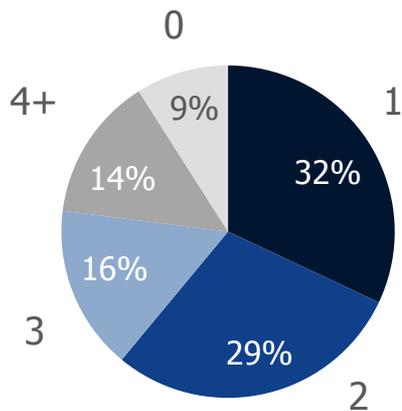
Base: Respondents who have a line of credit (n=537)



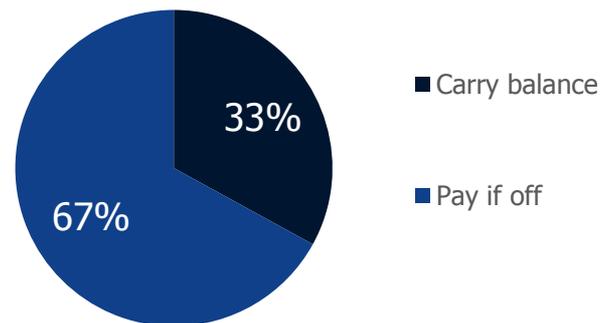
Credit card behaviour

- More than half indicate they own 2 or more credit cards with an average balance of approximately \$3,500.
- Prudently, two-thirds pay off their balance every month.

Number of Credit Cards



Credit Card Balance



Average Balance on Credit Card

\$3,526

12. How many credit cards do you hold?

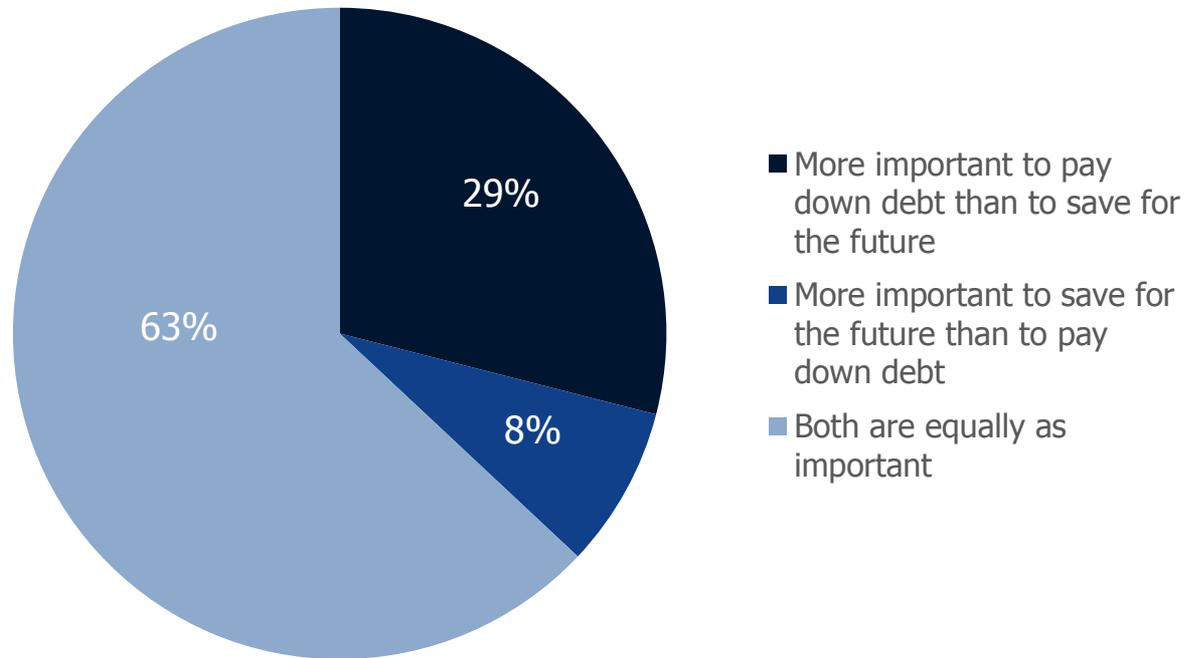
Base: Total Respondents (n=1,995)

14. In general, do you carry a balance forward on your primary credit card or do you pay your balance off monthly?

Base: Respondents who own a credit card (n=1,845)

Attitude towards debt

- Most Canadians have a strong view to paying down debt with only 8% saying saving for the future is singularly more important.

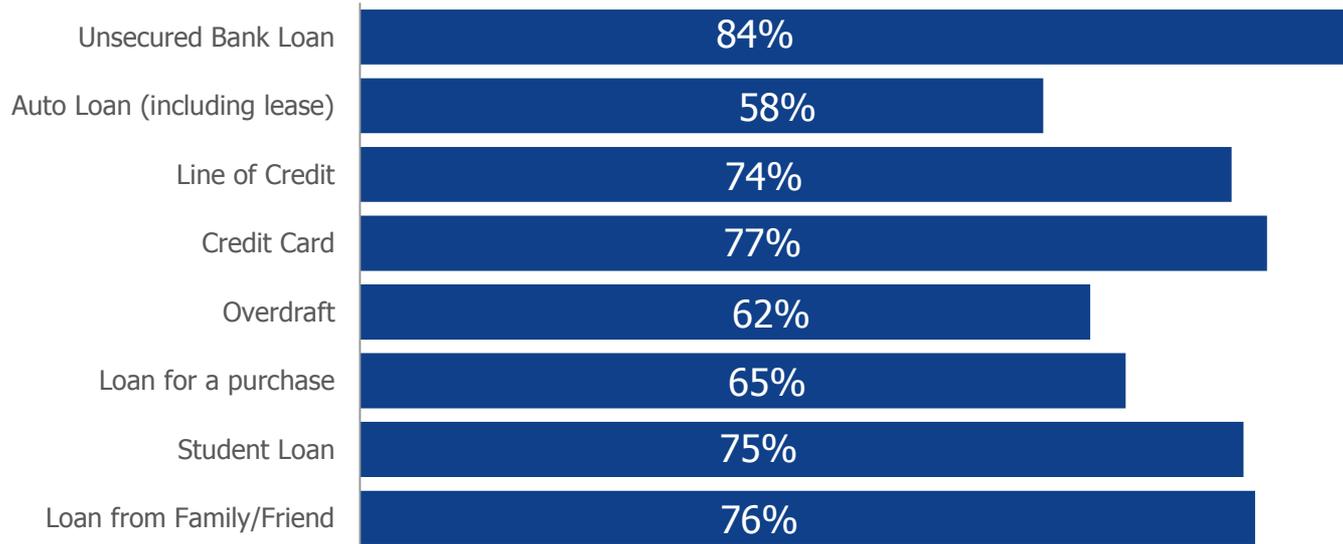


Proportion who have non-mortgage debt strategy

- Regardless of type of debt, majority of Canadians indicate having a strategy in place to pay down debt.



Yes, I have a strategy to pay down this debt...



53. Please indicate if you have a strategy in place for paying down the following types of non-mortgage debt that you hold. By strategy, we mean a plan beyond making any minimum monthly payments.

Base: Respondents with debt held (n=1,995)

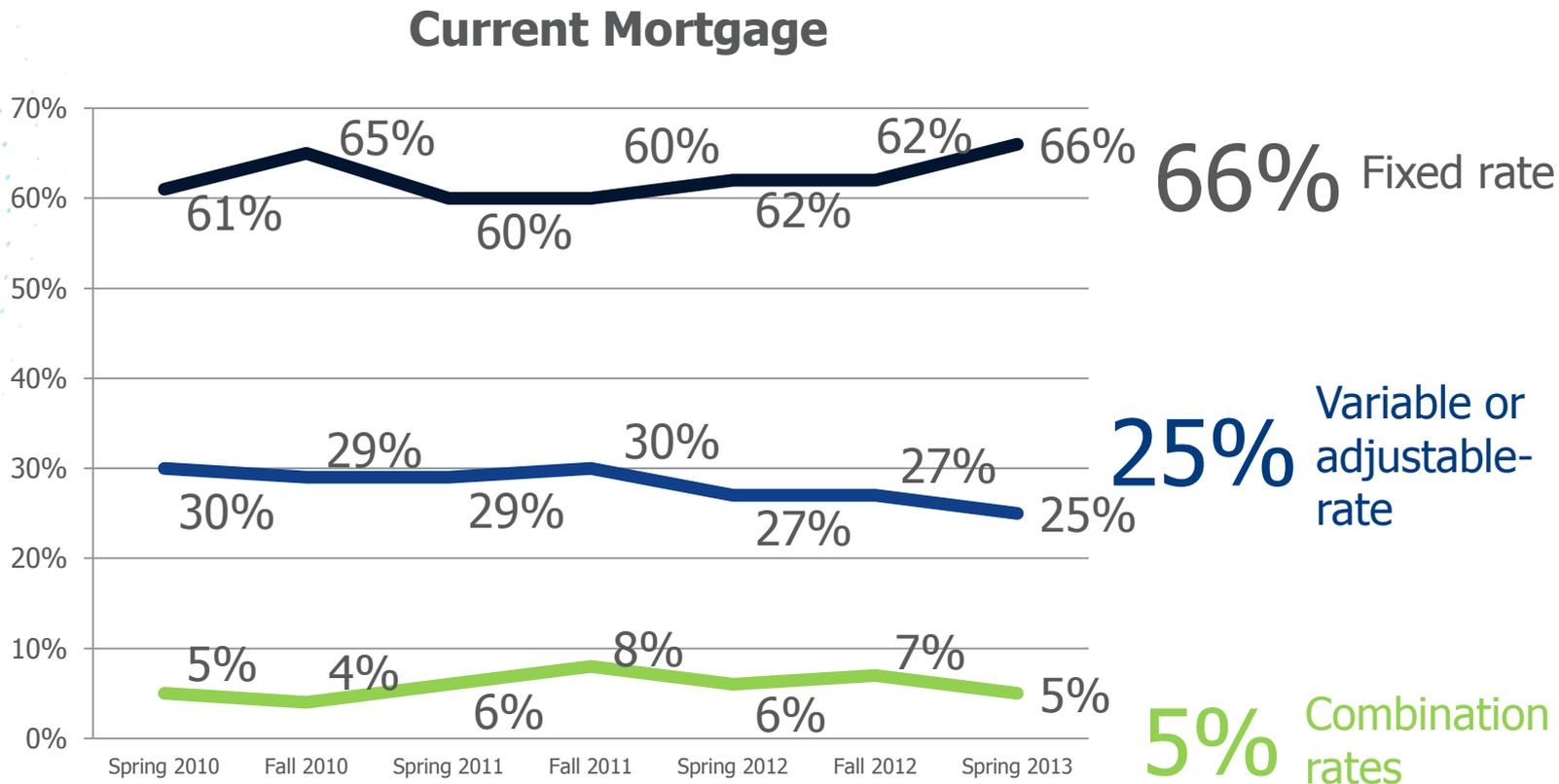




Current Mortgage Status

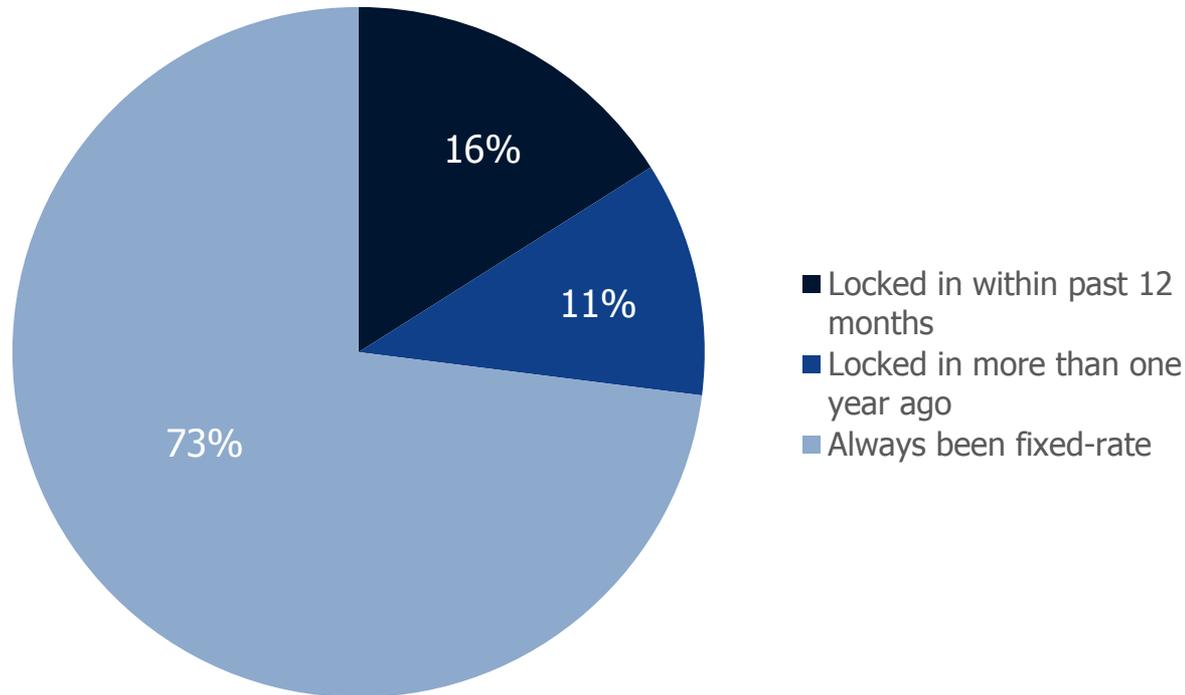
Type of interest – all outstanding mortgages

- Fixed-rate mortgages continue to outnumber variable rate mortgages.



Fixed-rate mortgage behaviour

- Nearly three-in-four respondents indicate having always had a fixed-rate mortgage.
- Almost three-quarters say they have always had a fixed-rate mortgage.

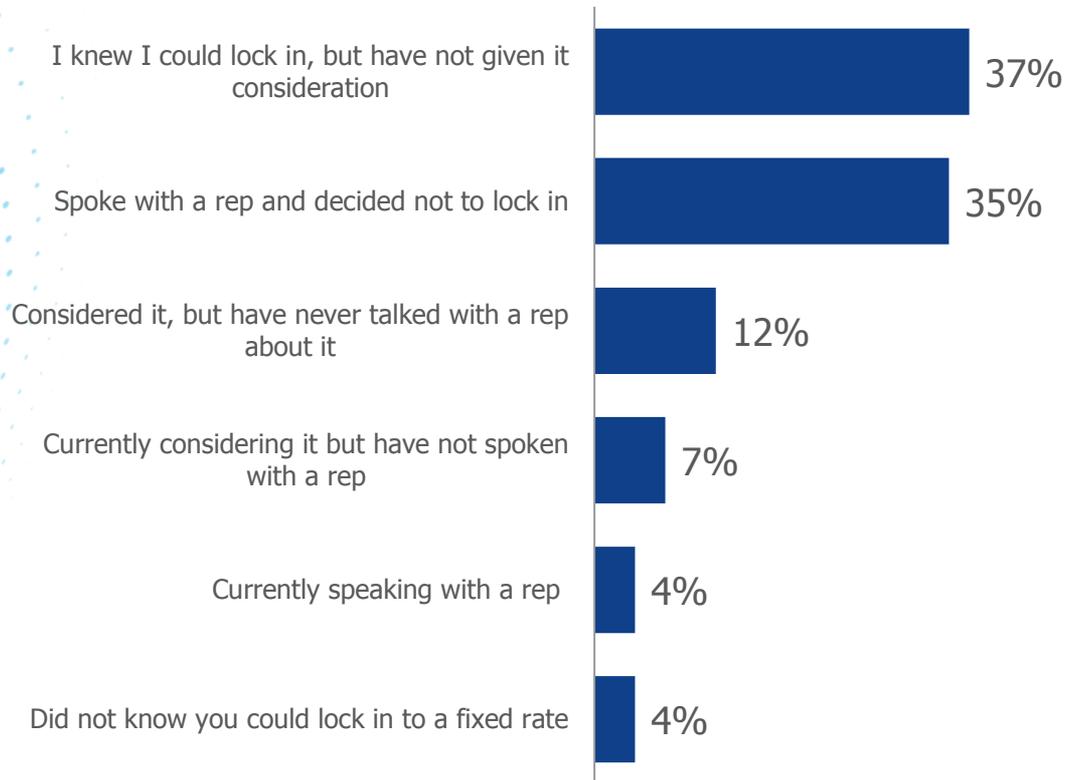


28. You mentioned you have a fixed-rate mortgage. Was this a variable-rate mortgage that you turned into fixed (or "locked in"). Or was it a fixed rate mortgage when you obtained it or last renewed it?

Base: Homeowners with a fixed rate mortgage (n=748)

Locking into a fixed-rate mortgage

- Seven-in-ten variable rate respondents have consciously decided not to lock in.



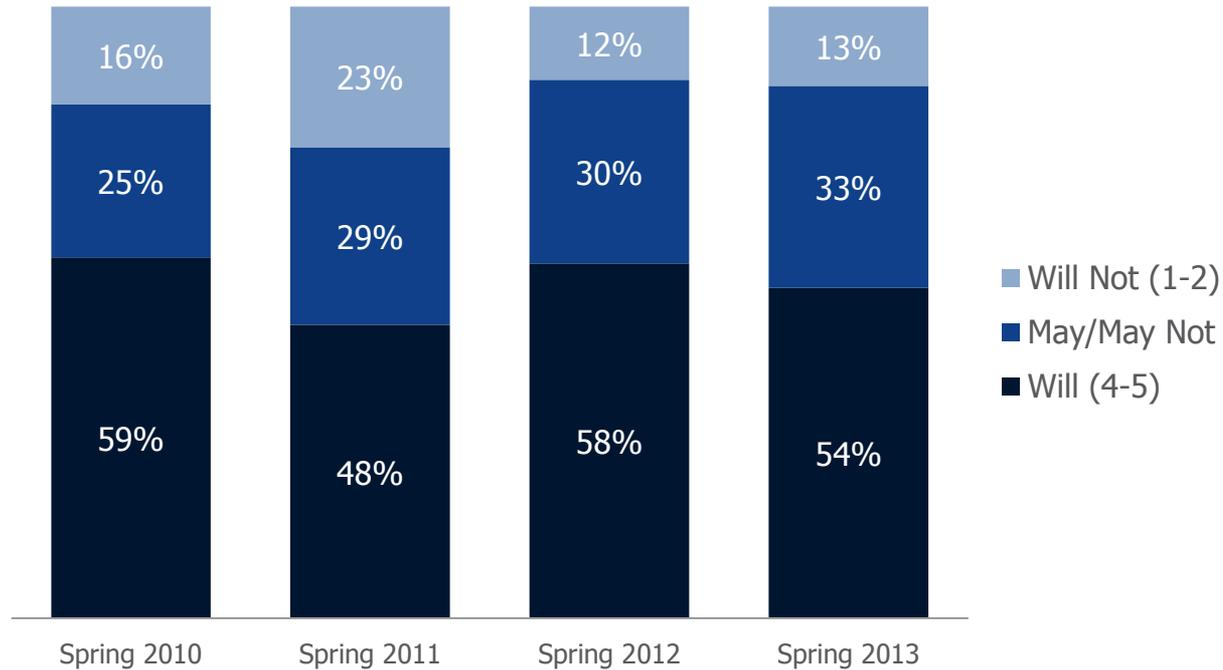
29. You mentioned you have a variable-rate mortgage. Have you, or are you considering locking in to a fixed rate? Please choose the answer below that best describes your situation.

Base: Homeowners with a variable or adjustable-rate mortgage (n=280)



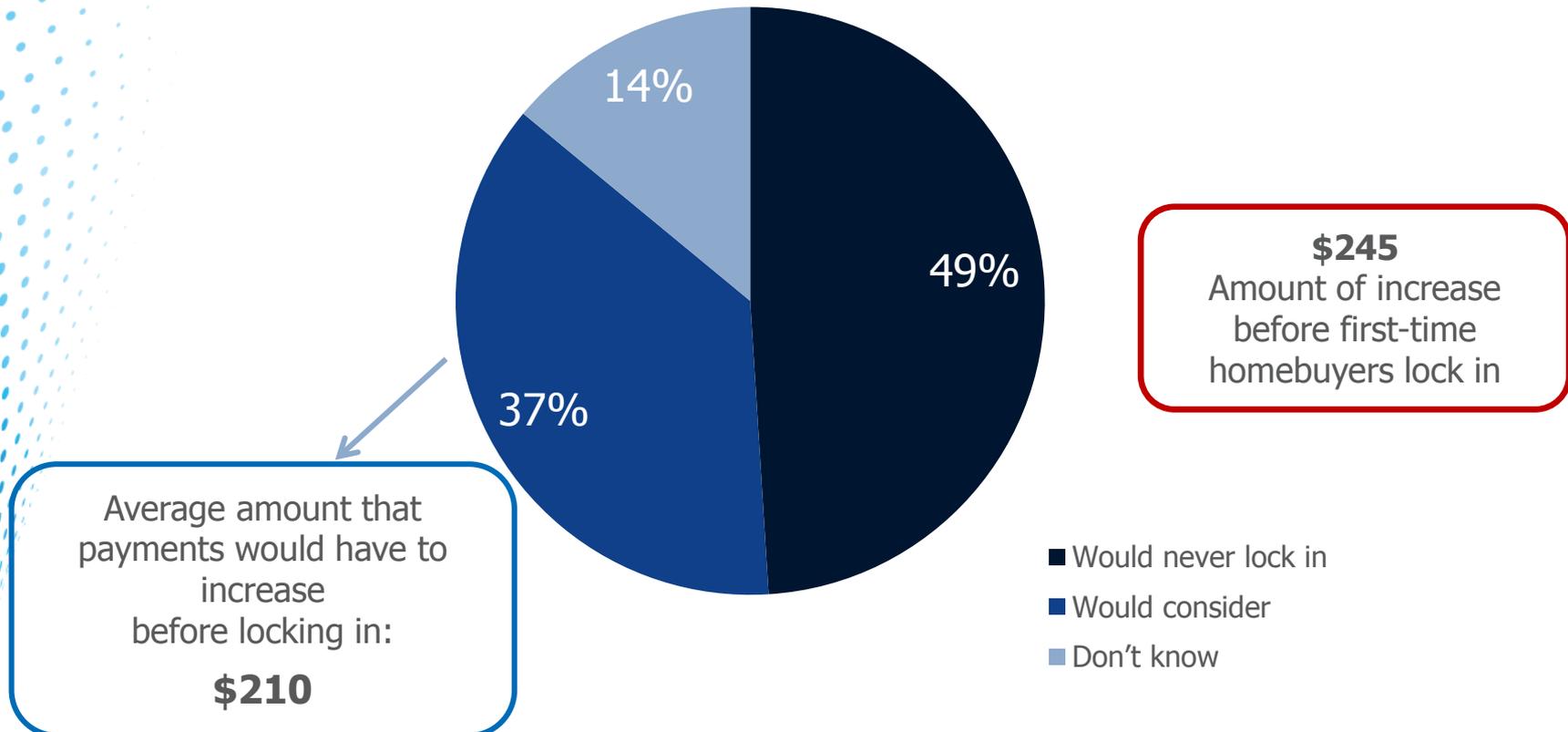
Likelihood to lock in if rates rise

- But rising rates would drive over one-half to consider locking in.



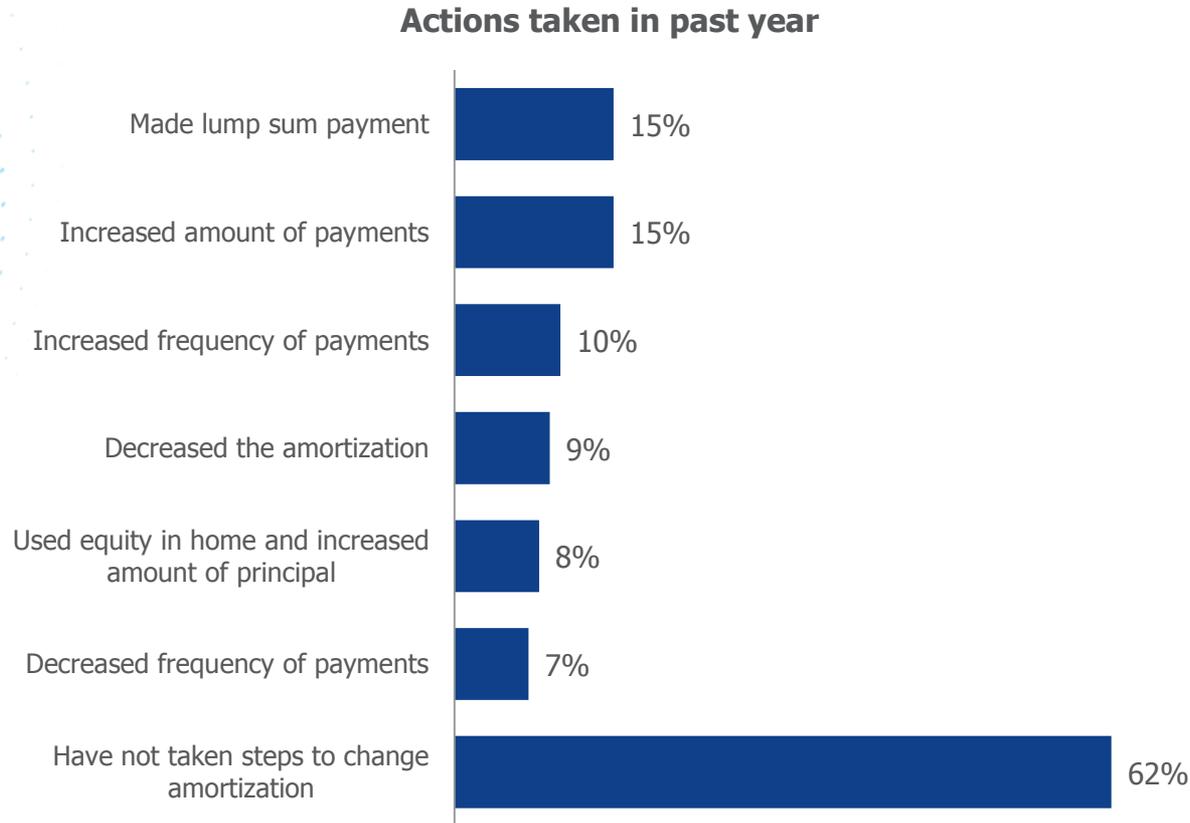
Amount of increase before locking in

- One-half of variable rate mortgage holders are committed to this mortgage type, saying they would 'never' lock in.
- Among those who would, the average would sustain a \$200 increase before locking in. Higher among first-time home-buyers.



Steps taken to pay off mortgage

- Two-in-five mortgage-holders have taken steps in the past year to reduce their amortization period.



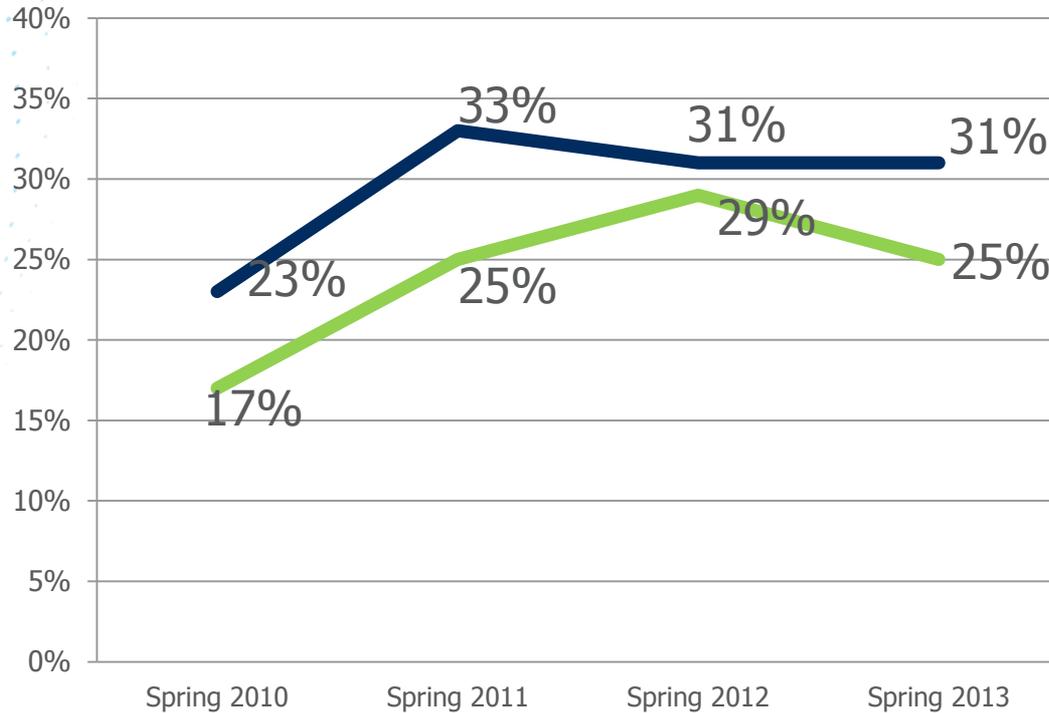
32. And, since you first obtained your mortgage (or your last mortgage if you have paid your mortgage off). Have you taken any steps to change the number of years it will take you to pay off your mortgage?

Base: Homeowners with a mortgage and homeowners who paid off a mortgage (n=1,439)



Likelihood of increasing mortgage payment

- One-in-four respondents indicate that they are likely to increase their mortgage payments.



31% Pay a lump sum

25% Increase amount of payments

First-time homebuyers more likely to pay down their mortgage with additional payments

Increasing amortization

- Although more likely to decrease their amortization, approximately one-in-ten have borrowed against their home in the past year.



11%
Have ever increased
amortization

Increased amortization in
past year:
8%

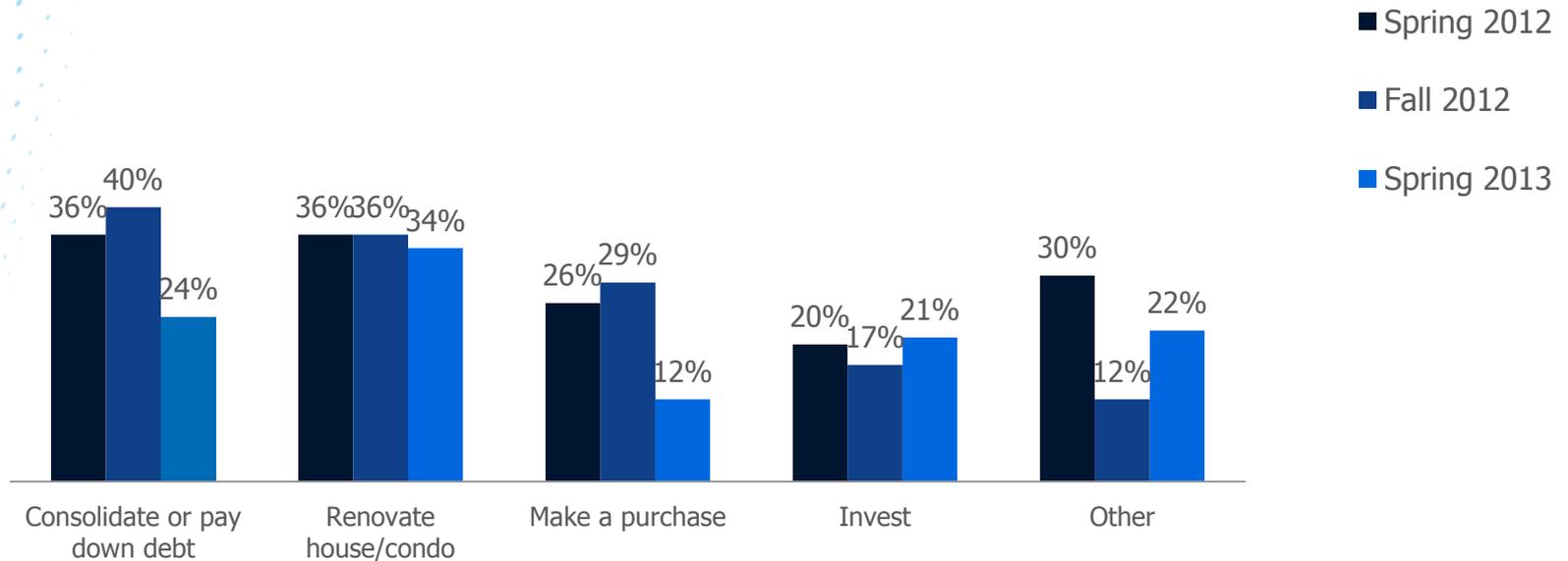
32. And, since you first obtained your mortgage (or your last mortgage if you have paid your mortgage off). Have you taken any steps to change the number of years it will take you to pay off your mortgage?

Base: Homeowners with a mortgage and homeowners who paid off a mortgage (n=1,439)



Home equity fund uses

- A majority are using their refinancing funds to renovate versus paying down debt as the case was in the fall.

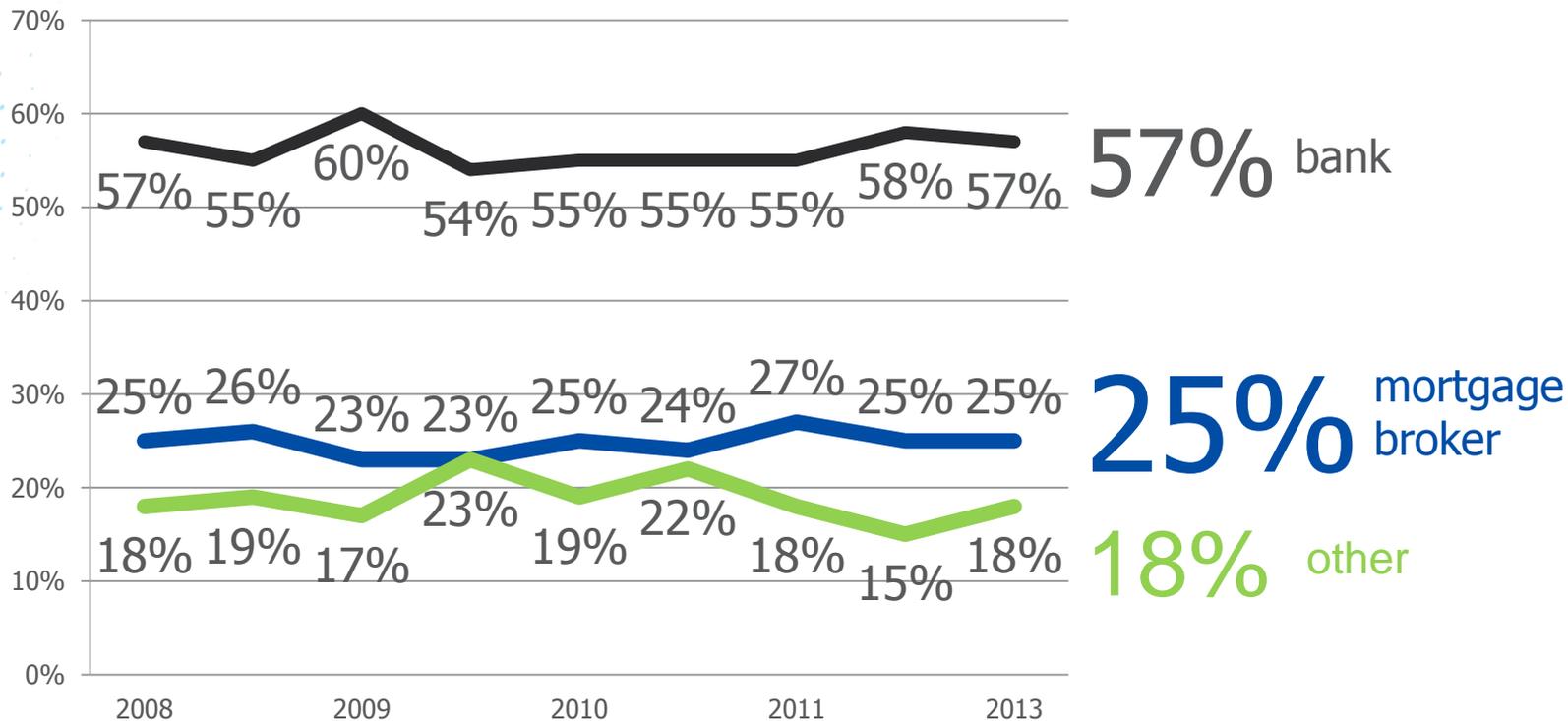




Penetration and Shopping Behaviour

Channel penetration – all outstanding mortgages

- Broker channel share remains relatively stable with one-quarter choosing a broker.

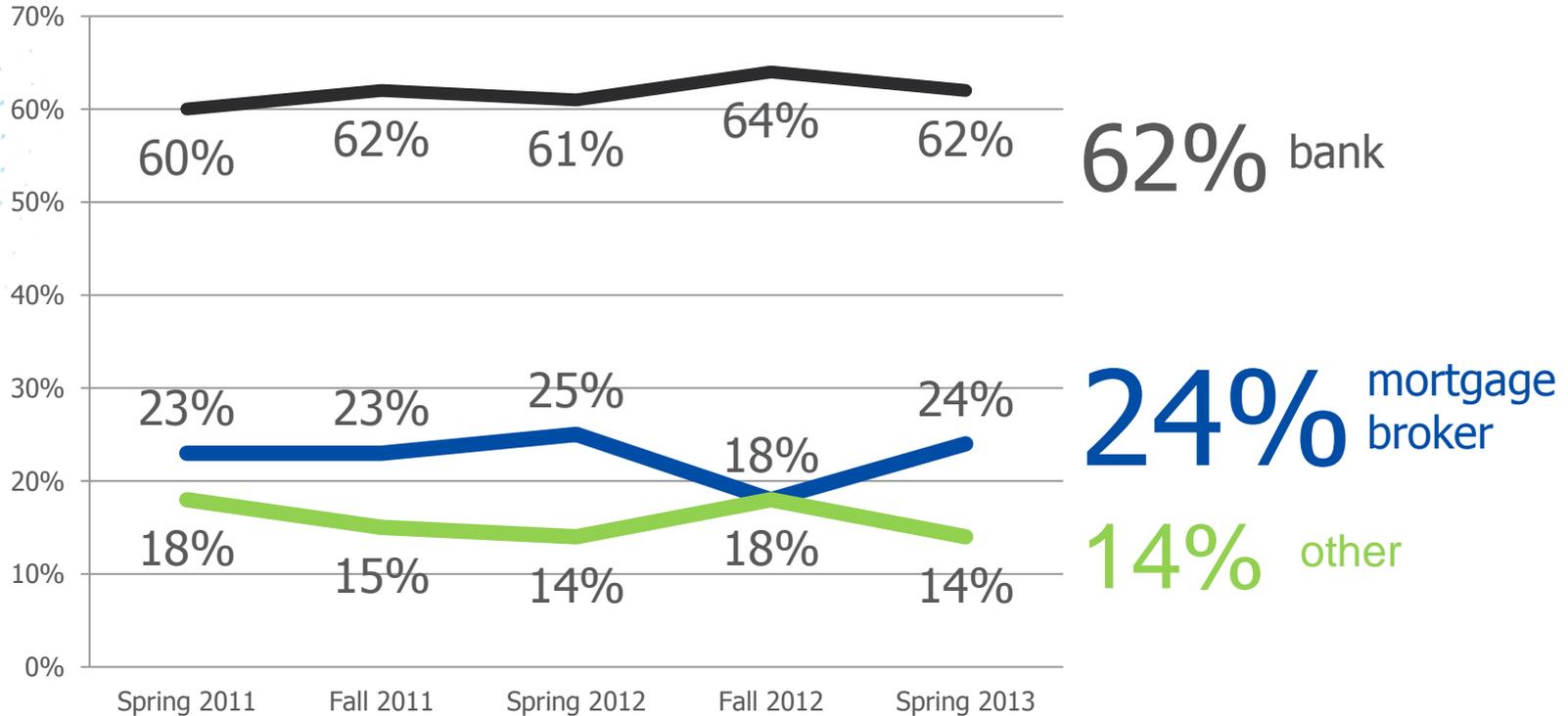


22. When you obtained the current mortgage on your primary residence (could be a new mortgage, renewal/renegotiation, or transfer), which of the following did you consult with, and through which did you ultimately obtain your mortgage?

Base: Homeowners with a mortgage (n= 1140)

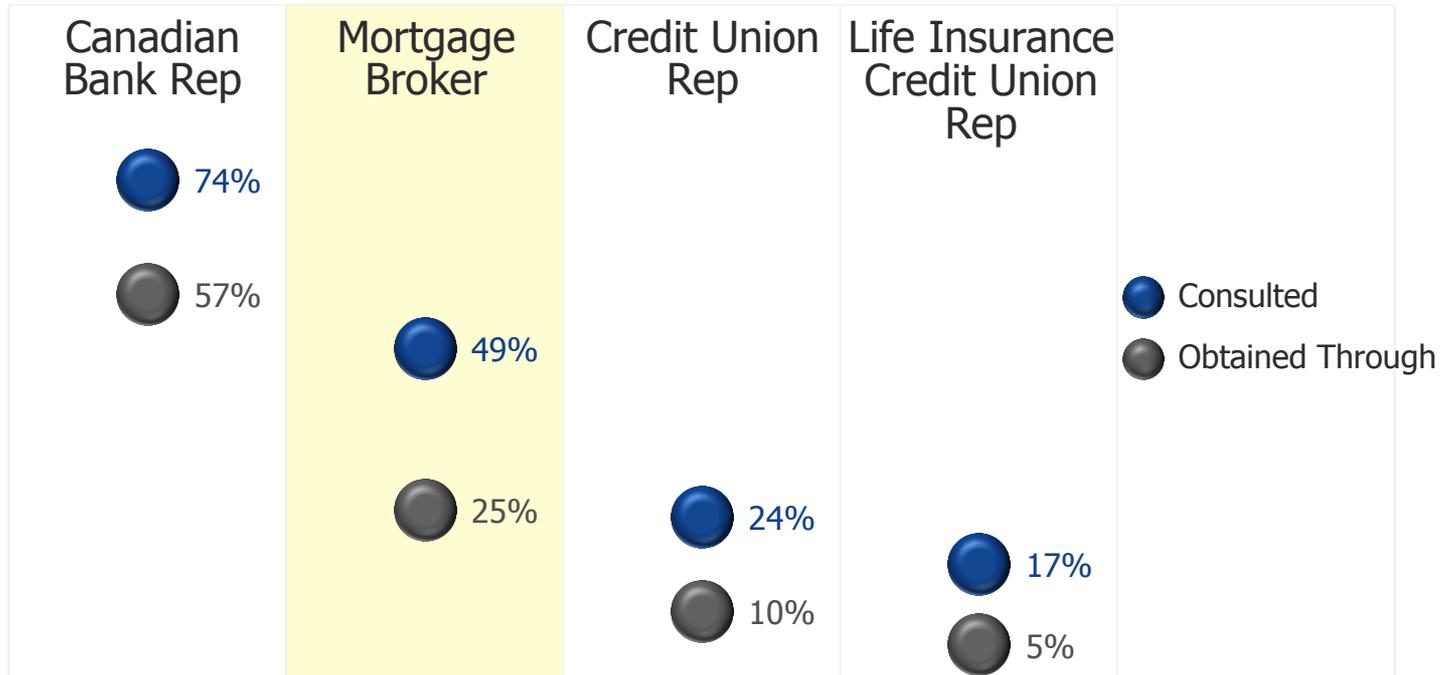
Channel penetration - originations

- On originations, three-in-five choose to secure their mortgage through a bank, taking share primarily from 'other' channels.



Channel consulted versus purchased through

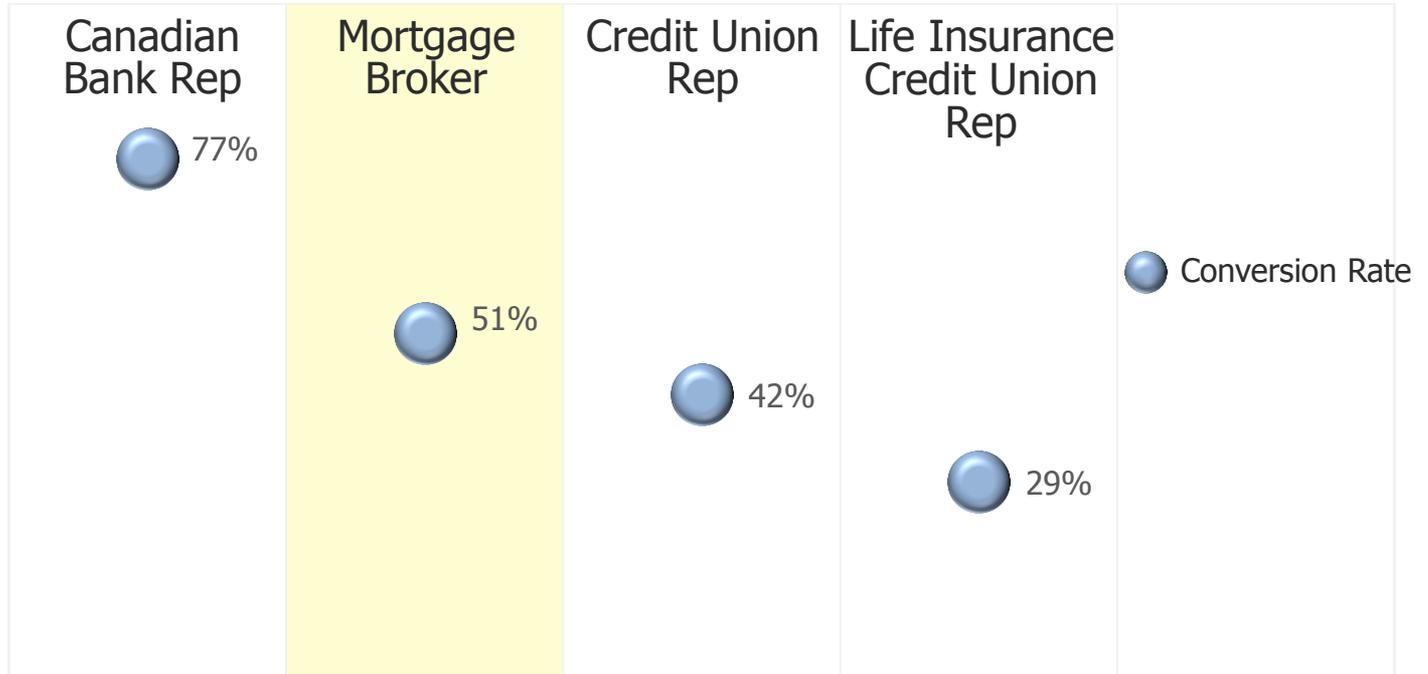
- One-half consulted a broker when they last secured their mortgage, compared to three-quarters doing the same at banks.



22. When you obtained the current mortgage on your primary residence (could be a new mortgage, renewal/renegotiation, or transfer), which of the following did you consult with, and through which did you ultimately obtain your mortgage?
 Base: Homeowners with a mortgage (n=1,140)

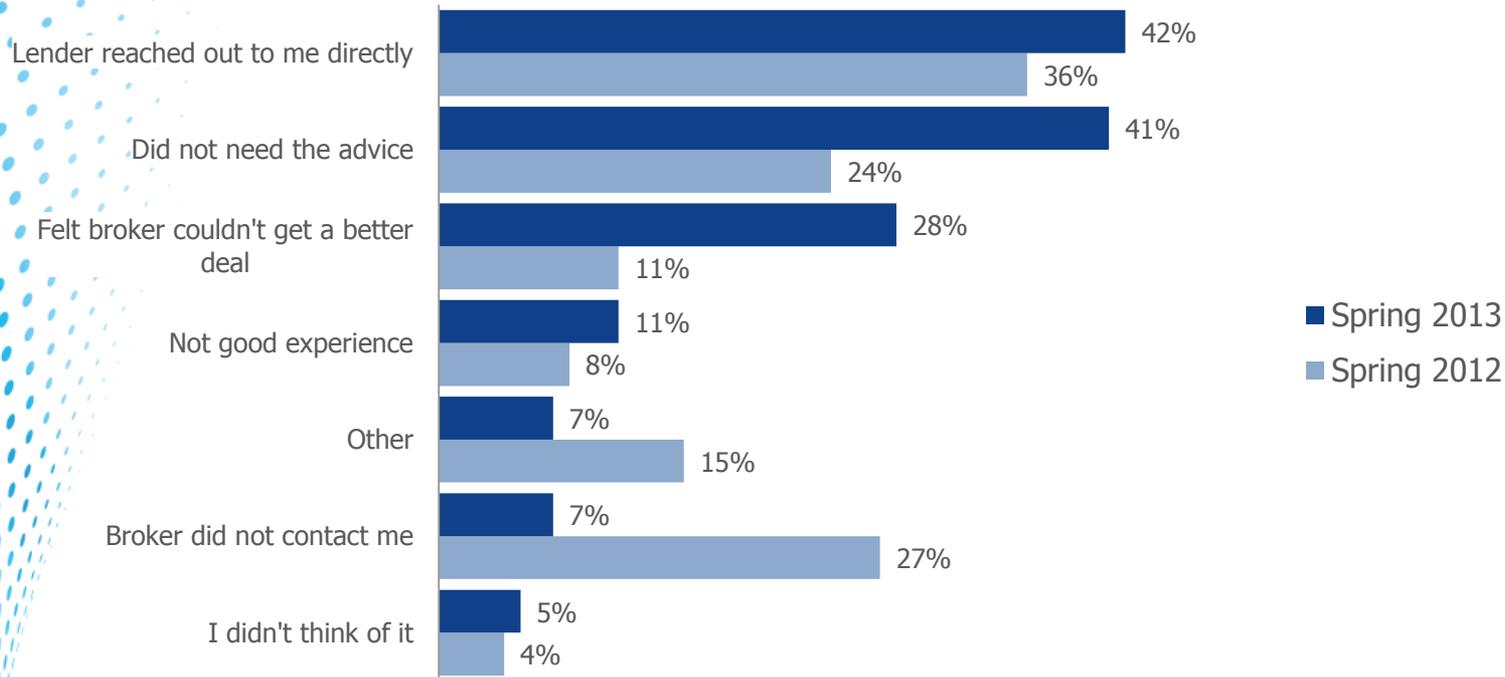
Channel conversion rates

- Banks are more successful at converting consultations into sales than other channels.



Why former broker customers did not consult broker at last renewal*

- Brokers are often being left out of the process, either by proactive lenders or because customers do not see them as adding the right level of value.



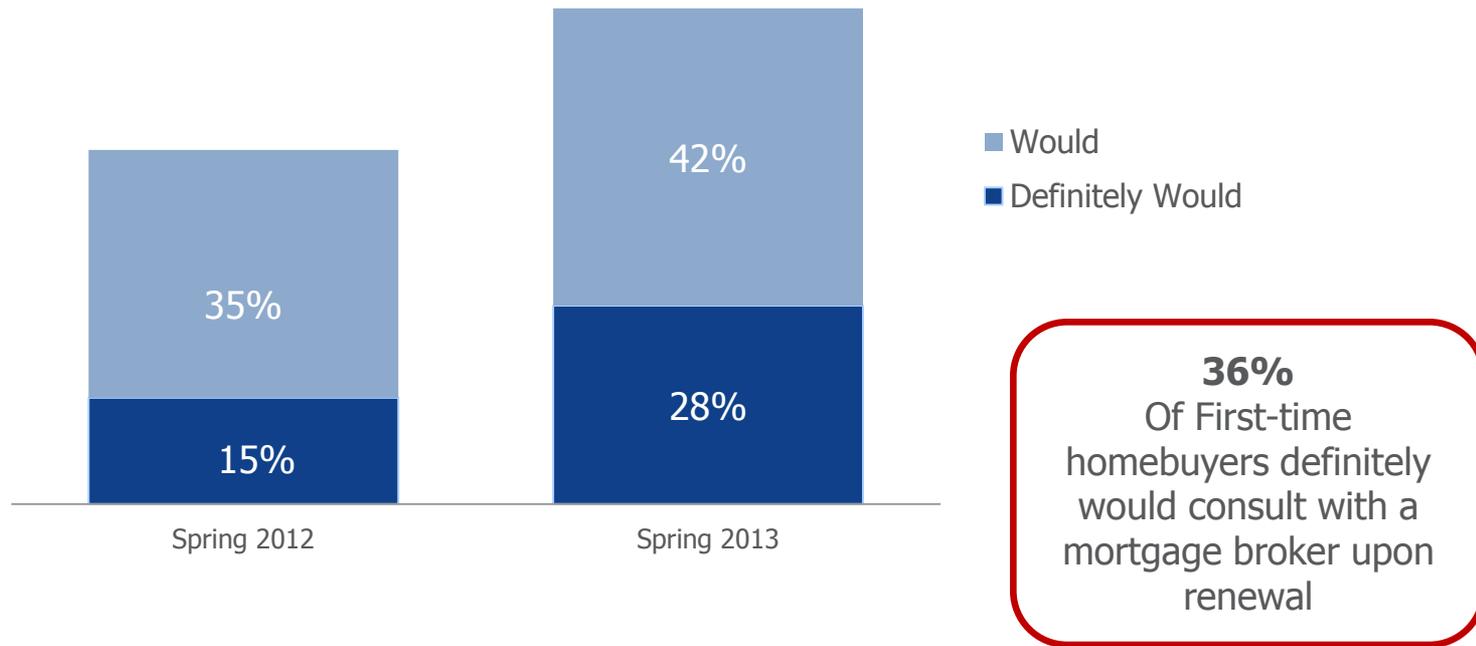
25. You mentioned you obtained your mortgage initially from a Broker, but did not consult a Broker when it came time to renew or renegotiate. Why did you not consult with a Broker?

Base: Homeowners with a mortgage who originally obtained mortgage through a broker but did not consult with or obtain renewal through broker (n=29)

* Note: reduced base (n<30).

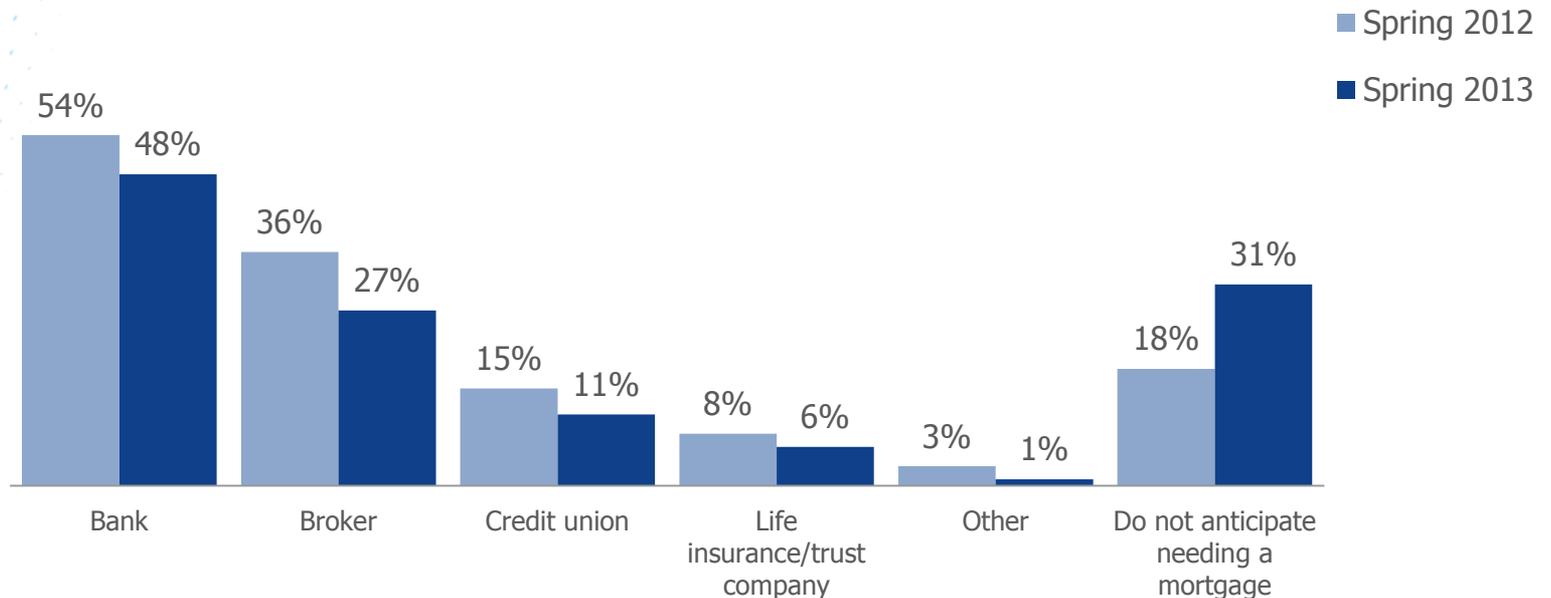
Likelihood to consult mortgage broker at next renewal

- Seven-in-ten mortgage holders indicate likelihood to consult a broker at next renewal.
- Conversion strategies should be considered and encouraged.



Channels consulted if search were to begin tomorrow

- For non-homeowners, banks are the most likely source consulted for mortgage information, but the proportion saying they would do so is lower than their current channel share.
- For brokers, proportion likely to consult is in line with their current share of outstanding mortgages.



Shopping behaviour when last secured mortgage

- On average, respondents consulted two mortgage professionals when they last secured their mortgage.
- Broker customers are slightly more inclined to shop around than bank customers.

	# People Consulted		# Quotes Received	
	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>
Total	2.2	2.0	2.2	1.9
Bank customers	2.2	1.8	2.4	1.7
Broker customers	2.5	2.1	2.7	2.3

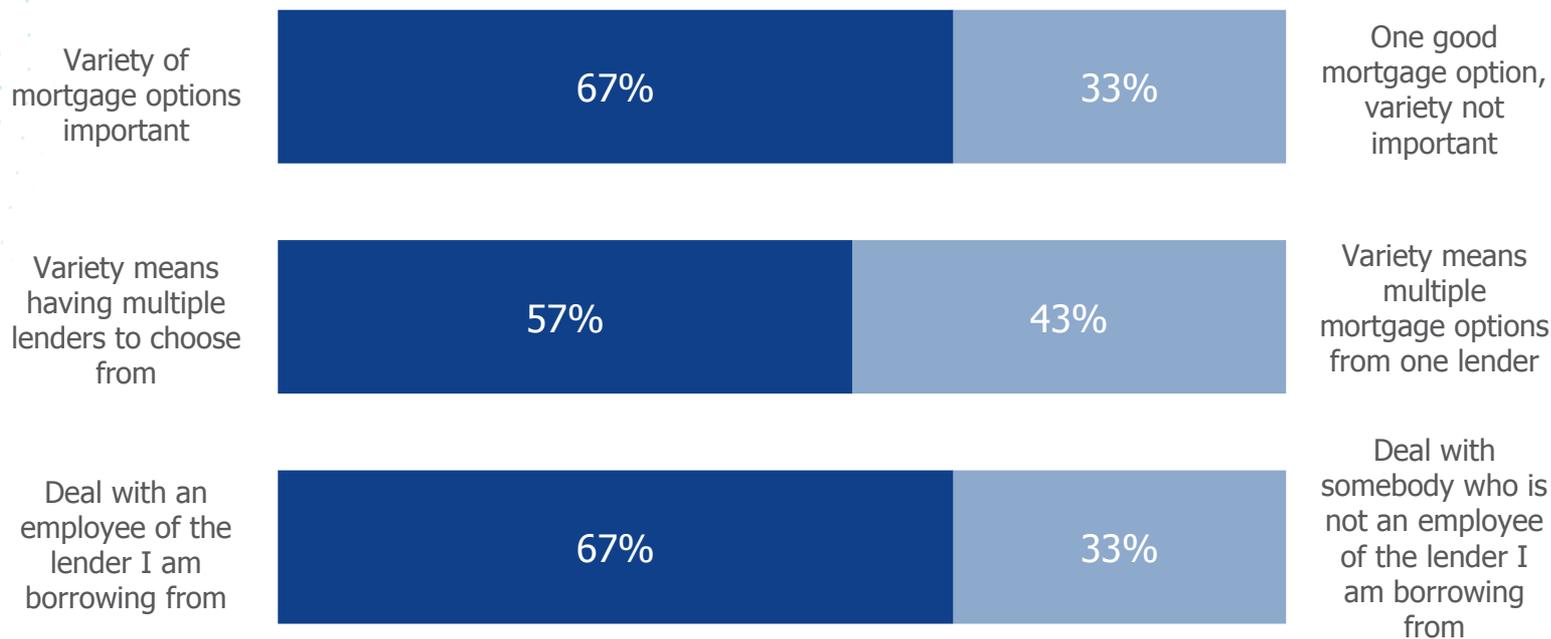
26. Please provide your best estimates to the following questions: How many people did you consult with when you [INSERT HERE] your current mortgage. How many different mortgage quotes did you receive?

Base: Homeowners with a mortgage (n=1,140)



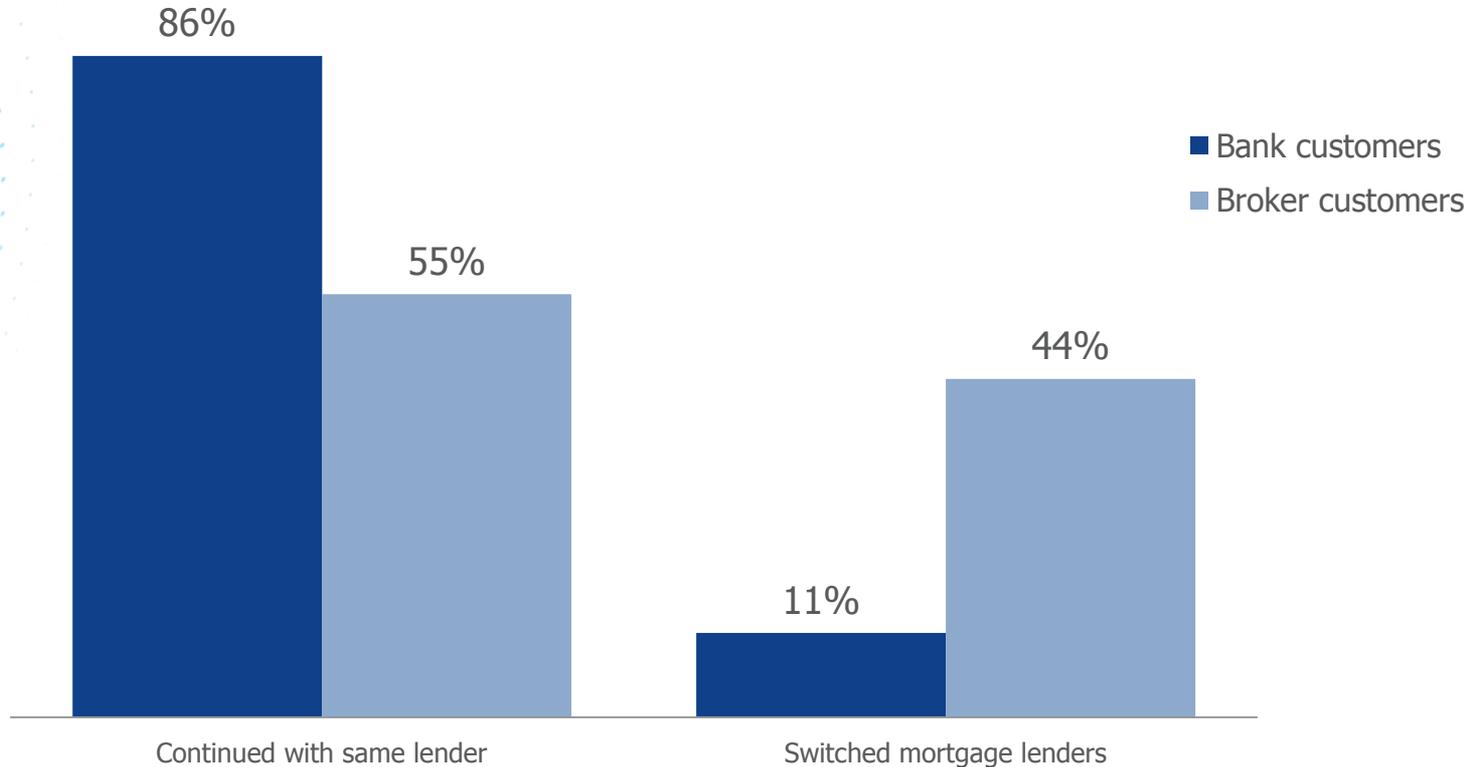
Attitudes towards variety when securing mortgage

- Variety is preferred when securing a mortgage, but two-thirds say they would prefer to deal directly with someone at the lending organization.



Lender switching behaviour

- Not surprising, more lender switching occurs among broker customers than bank customers.

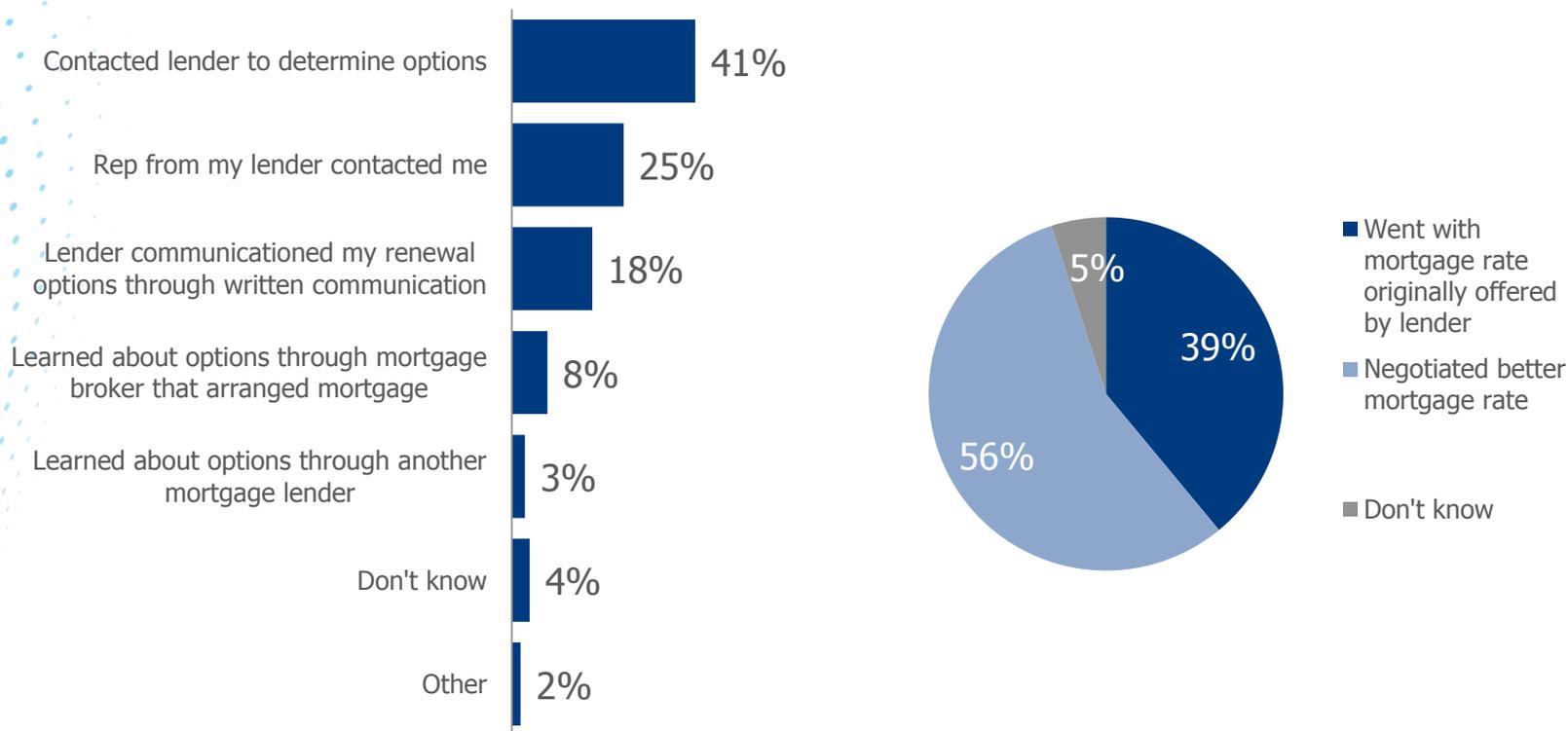


39. When you last renewed or renegotiated your mortgage, did you use the same lender as before, or switch? Lender is the company that provided you the funds for your mortgage.

Base: Homeowners with a renewed mortgage (n=346)

Among those who continued with the same lender

- Four-in-ten indicate that they were proactive at renewal by contacting their lender themselves.
- And more than half says they negotiated their rate.

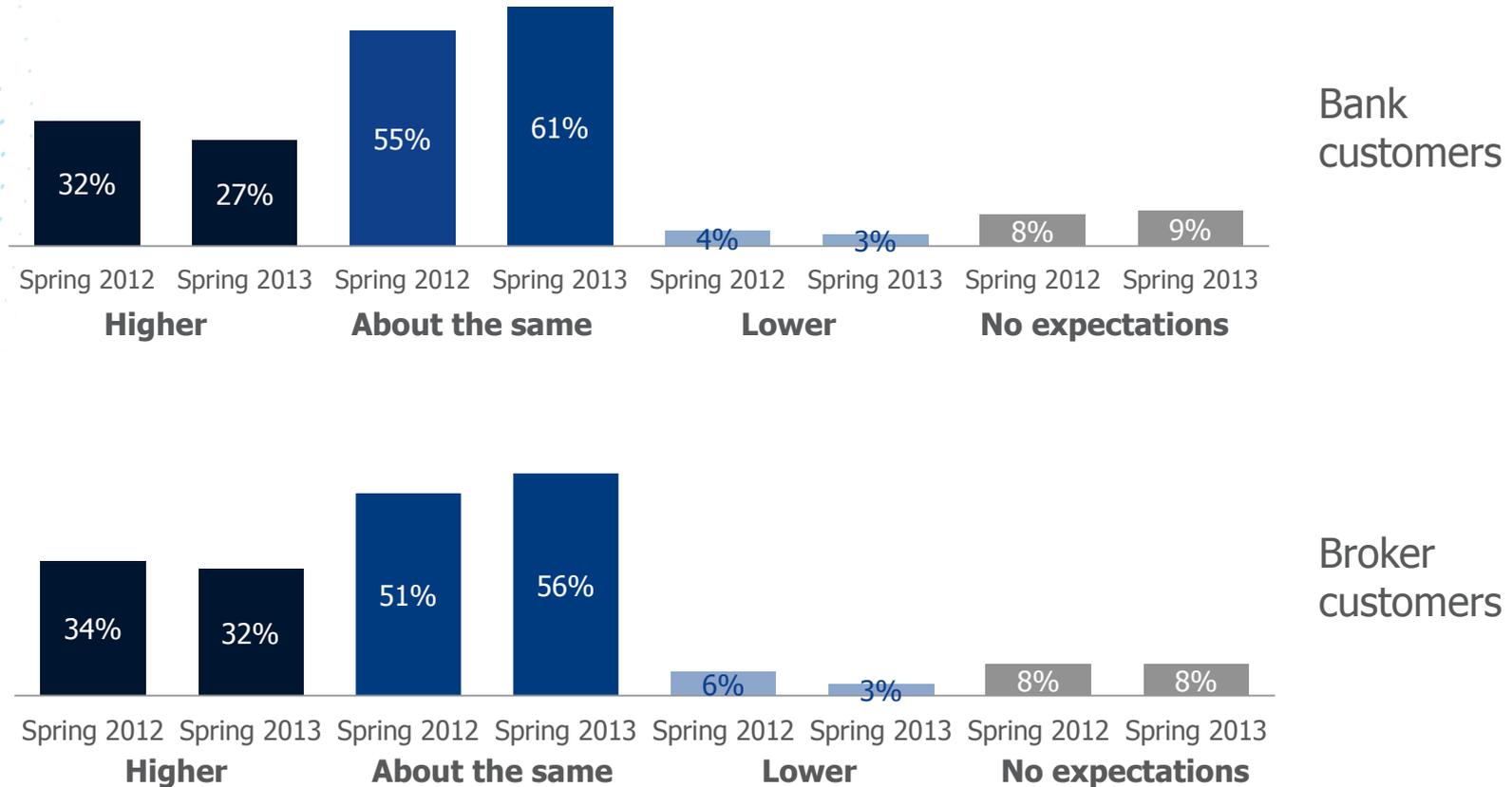


40. You mentioned you renewed your mortgage with the same lender you were with previously. There are several ways people handle their renewals. From the sets of options presented below, please choose the options that best describe how you renewed your mortgage.

Base: Homeowners who have renewed a mortgage with same lender (n=432)

How closing costs and fees compared with expectations

- One-third of respondents indicate that costs were higher than they had been expecting.
- Little variation between broker and bank customers.

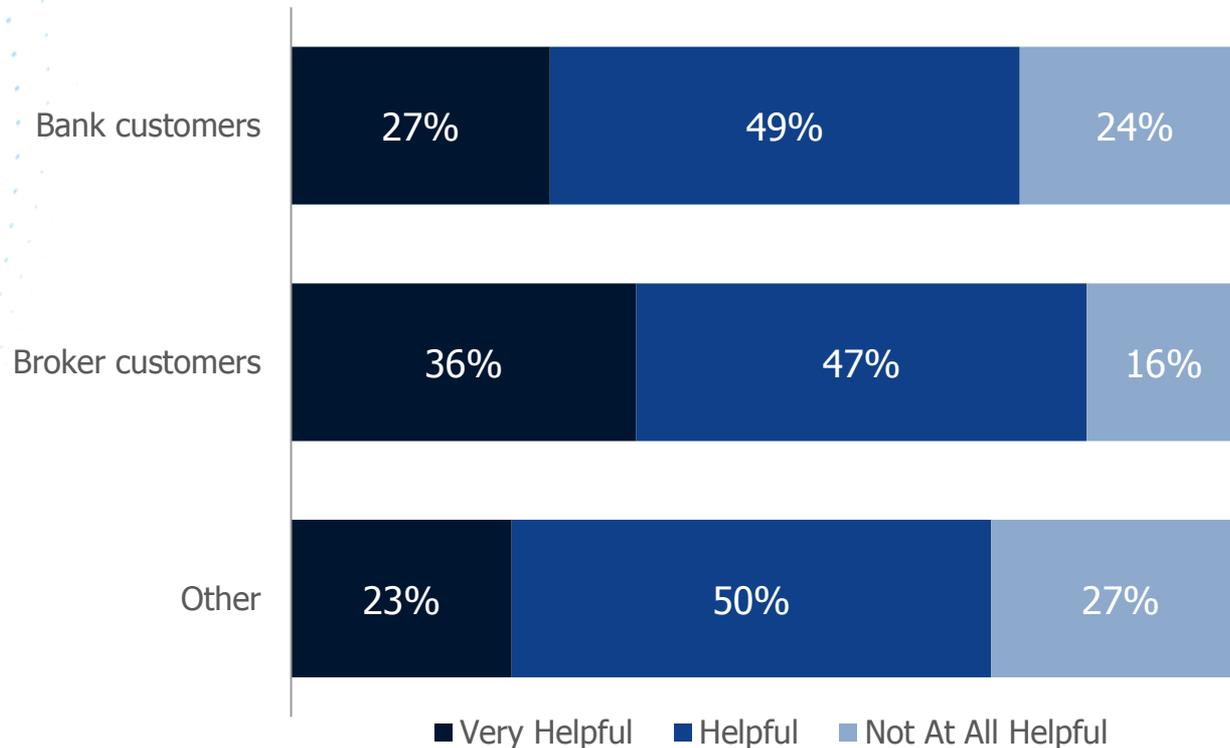


46. When you last moved or purchased a home, which of the following best describes how the cost and fees compared with what you were expecting (this could include legal fees, land or property transfer taxes, title insurance, and other costs?)

Base: Homeowners (n=1,595)

Helpfulness of mortgage professional during home-buying process

- Those who obtained their mortgage through a Broker found their mortgage professional to be most helpful.

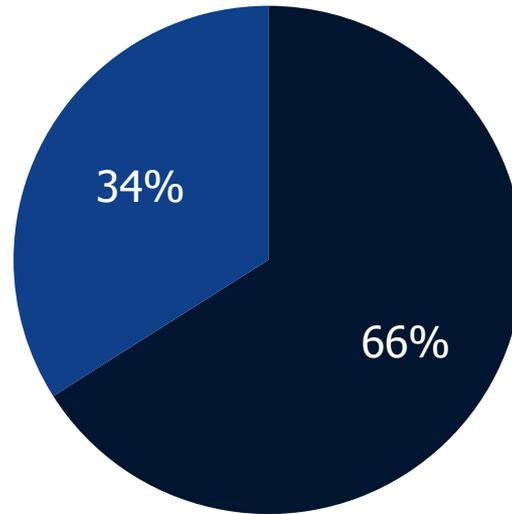




First-Time Home Buyers

Proportion of first-time home buyers

- Two-thirds of respondents who indicate having a new mortgage are first-time home buyers.

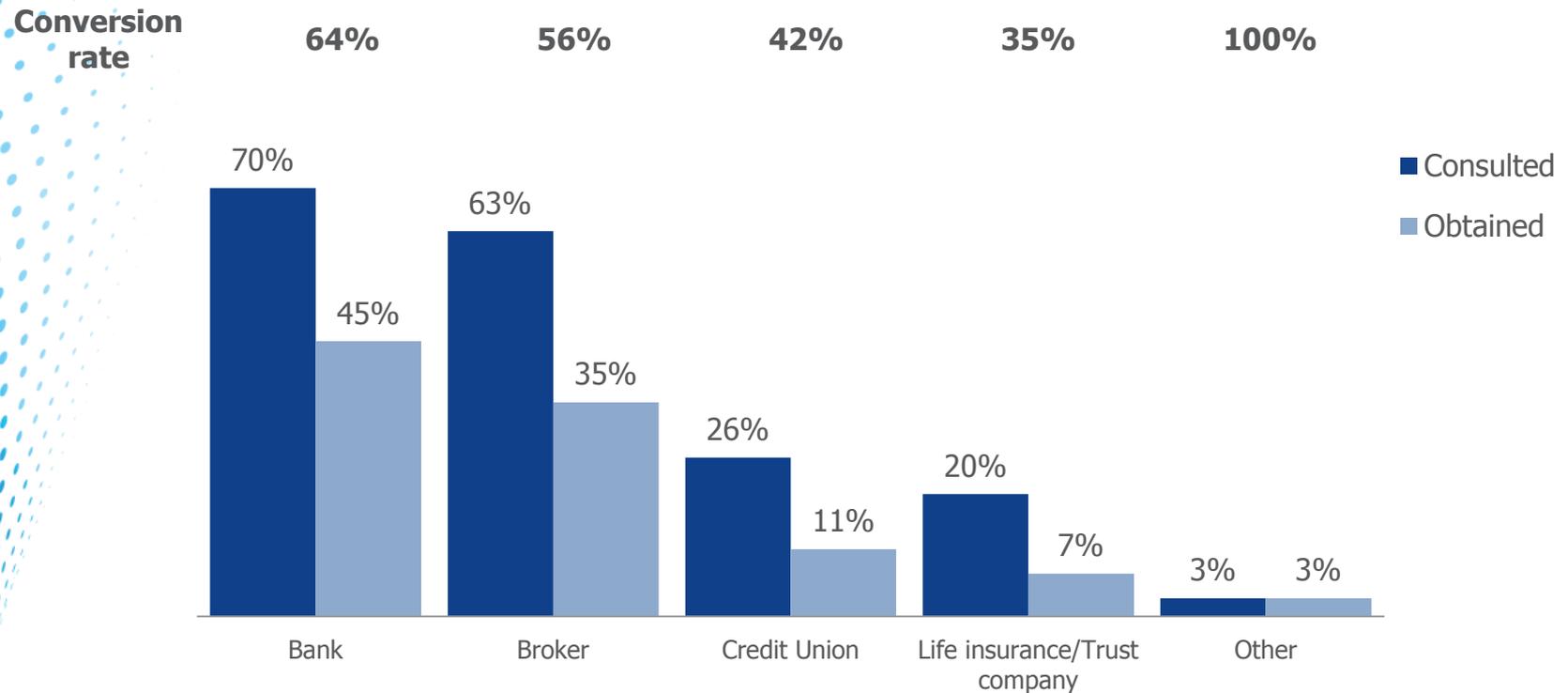


■ Yes
■ No



Channel penetration – first-time home buyers

- Among first-time home buyers, broker channel share is greater as are conversion rates.
- A challenge remains to keep this momentum at renewal time.



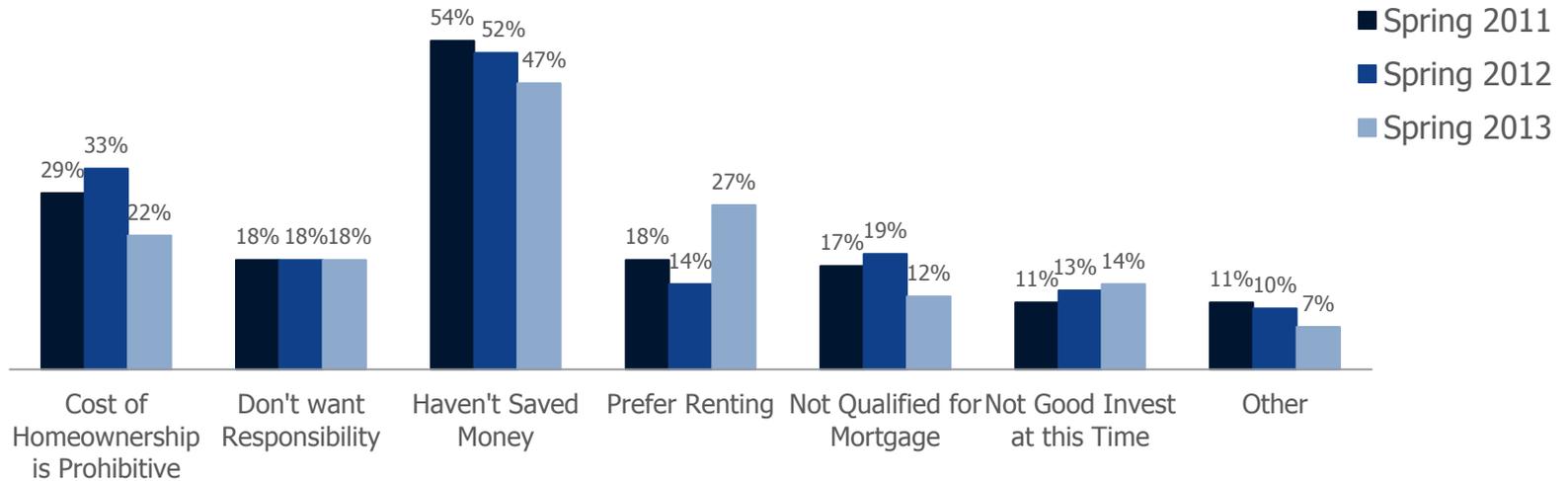
22. When you obtained the current mortgage on your primary residence (could be a new mortgage, renewal/renegotiation, or transfer), which of the following did you consult with, and through which did you ultimately obtain your mortgage?

Base: Homeowners with a mortgage (n=326)

Reasons non-home owners have not purchased

- Barriers to home ownership continue to be cost-related.

One-quarter of respondents are renters

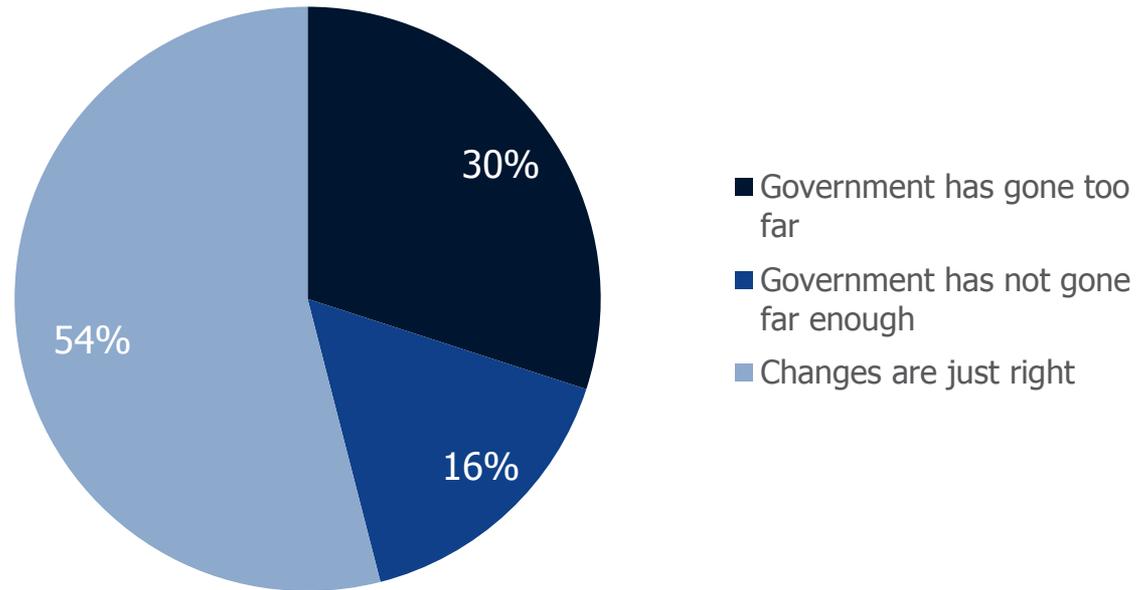




Government Changes

Views towards government changes

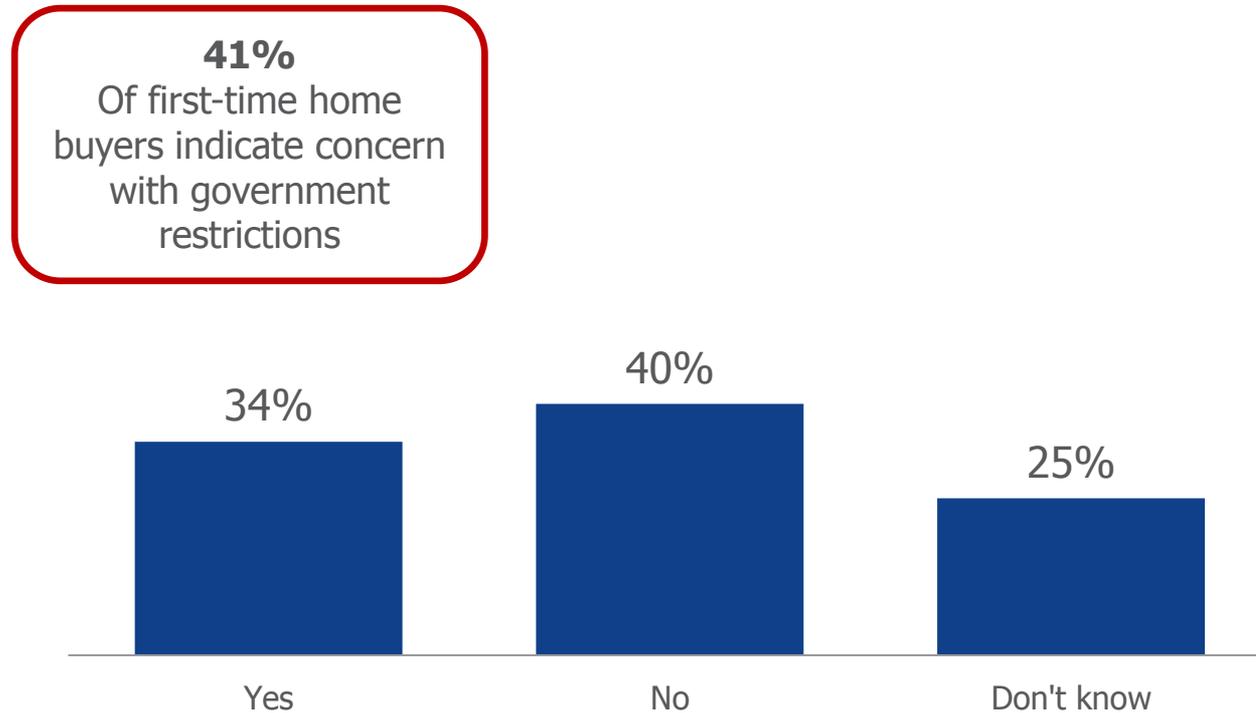
- Three-in-ten respondents indicate that the Government has gone too far.



44. Last summer the government made changes to mortgage rules including: eliminating amortization periods over 25 years. Some people say the Canadian government [has gone too far] with these changes. Other people say the Canadian government [has not gone far enough]. Still others say these changes are just right. Please indicate which of these views best represents your own:
Base: Total Respondents (n=1,995)

Concern that housing market driven downwards changes

- One-third are concerned that the Canadian housing market will be driven downwards by government restrictions.





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