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### Press: Research shows Canadian mortgage market can manage risks

New data collected by CAAMP indicates homeowners are borrowing less, not more, than they can afford to borrow

Toronto, Ont. (January 14, 2010) – New research using data collected by the Canadian Association of Accredited Mortgage Professionals (CAAMP) from its corporate members strongly suggests that Canadian mortgage lenders and borrowers, including first time home buyers, are being extremely prudent with their borrowing and lending.

Last month, CAAMP surveyed members who issued more than 40,000 mortgage loans totalling \$10 billion, which were funded during 2009 (the data is for home purchases only and excludes renewals or refinances of existing mortgages). The dataset represents about one-sixth of total mortgage activity for home purchases in Canada. The research is published in a report titled Revisiting the Mortgage Market – risk is small and contained.

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Key findings include:

- 86 per cent of these home buyers chose fixed rate mortgages. This share fell late in the year as variable rates became more attractive (at 2.25 percent compared to 4 percent for fixed rates)
- Among borrowers who chose fixed rates, a significant number opted for longer terms – less than 5 per cent chose terms of two years or less. 20 percent took three year terms, 5 per cent four years, leaving 70 percent with a fixed rate for five years or more
- The vast majority of people who took out their first mortgage last year borrowed less than they could afford to, as their Gross Debt Service (“GDS”) ratios are far below allowed maximums, even at the higher interest rates that are used to qualifying them for their mortgage
- The high share of fixed rate mortgages and low GDS ratios for home buyers are contrary to perceptions that consumers and financial institutions are taking on more risk

“This new research shows that Canadians are assessing their abilities and vulnerabilities,” said Jim Murphy, AMP, President and CEO of CAAMP. “They are being prudent and the vast majority of Canadian mortgage borrowers are not taking on undue risks. They have factored rising interest rates in to their mortgage decisions.”

Will Dunning, CAAMP Chief Economist and author of this new report said that a small minority of homebuyers are cutting it close when it comes to affordability. He stressed that “this dataset is primarily focused on first-time homebuyers who are considered to be most at risk. Each year, about 2.5 to 3 per cent of Canadian households make a first-time home purchase. Our data shows that only a small percentage of them are pushing-the-envelope – about 4,000 households which amounts to a tiny fraction of the 13.25 million homeowners in Canada. For those who borrowed in prior years, risks are even lower.”

Speaking to the stress tests conducted by CAAMP, Dunning said that “the bottom line from the simulations is that even though mortgage payments will probably rise for most borrowers, the increase in their incomes will more than offset the higher payments. All in all, the degree of risk from rising mortgage rates appears to be small and manageable.”

For a copy of the report *Revisiting the Mortgage Market – risk is small and contained*, please visit: [www.caamp.org](http://www.caamp.org).

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