



Bob Aaron bob@aaron.ca

July 27, 2002

Study shows mortgage renewers a loyal bunch

Majority of repeat buyers stick with original lender

Where do Canadian consumers look to get information about mortgage loans?

Do they make full use of all the available information sources? Do borrowers shop around for mortgage loans or just accept the first proposal they get?

Do today's homebuyers take out mortgages with their current financial institution or do they take their business elsewhere?

Finally, when it comes time for homeowners to renew their mortgages, do they show any loyalty to their existing lender and do they accept the first offer they are given?

These and many other questions about the behaviour of mortgage consumers are answered in a recently released study by the Canadian Institute of Mortgage Brokers and Lenders. The *2001 Mortgage Consumer Survey* provides a fascinating insight into consumer behaviours and attitudes toward sources of mortgages and mortgage information.

Two similar surveys completed in previous years were available to members only upon payment of a subscription fee of \$5,000. This year, with the financial assistance of Canada Mortgage and Housing Corp., the study has been publicly released without charge for the first time.

ComQUEST Research Inc. conducted 850 interviews by telephone and the results are said to be accurate within a range of 3.4 per cent, 19 times out of 20.

The study found that mortgage consumers requiring new mortgage financing to buy a home make up 47 per cent of the active mortgage market across the country. These are split almost evenly between first-time buyers and repeat buyers.

A mortgage consumer is defined as one who has recently obtained or renewed a mortgage or who plans to do so in the near future.

Given the frenzied market in new homes and condominiums in the Greater Toronto Area, my impression is that the 47 per cent figure would be higher in the GTA than the national average. Nationally, the active mortgage market comprises 53 per cent who are mortgage renewers.

Based on the actual number of transactions, renewers account for 68 per cent of mortgage activity, while 32 per cent are new mortgages.

Again, from my own observations, the percentage of new mortgages should be higher in the GTA than the national average.

According to the study, when consumers are looking for information about mortgages, they rely on their existing loans officers (76 per cent for renewers and 61 per cent for purchasers).

Surprisingly, only 30 per cent of consumers look to the Internet for mortgage-related information, although first-time buyers have a somewhat higher tendency to look for information online (41 per cent).

Based on my own law practice, I would guess that this number is higher in the GTA, where Internet penetration is probably higher than in some parts of the country.

People are relying less and less on printed information produced by the financial institutions.

Compared to figures from 2000, this number has dropped from 65 per cent to 41 per cent for purchasers and from 63 per cent to 35 per cent for renewers.

One of the most surprising conclusions of the study was that fewer people are shopping around for a mortgage.

The proportion of consumers who got quotes from different lenders has dropped from 61 per cent in 1999 to only 43 per cent last year.

Among new home buyers, the trend is even more pronounced. Last year only 39 per cent shopped around, down dramatically from 65 per cent the previous year.

More and more buyers are getting mortgage pre-approvals. The figure stands at 75 per cent, up from 66 per cent in 2000.

At the same time, the number of repeat buyers who remain loyal to their current financial institution has dropped to 67 per cent from 80 per cent in 2000.

As for mortgage renewers, almost 90 per cent stayed with their current lender, and a surprising 62 per cent accepted the lender's original renewal offer.

All of this is food for thought as interest rates begin a slow climb upward.

*Bob Aaron is a Toronto real estate lawyer.
He can be reached by e-mail at bob@aaron.ca, or fax (416) 364-3818. Or click on <http://www.aaron.ca>.*

Bob Aaron is a Toronto real estate lawyer. www.aaron.ca ©Aaron & Aaron. All Rights Reserved.