



A National Public Mortgage Database

October 16, 2019

Recap of Industry Feedback

- ❖ The Bank of Canada (BoC), on behalf of the Canadian Fixed-Income Forum, has spent the last year discussing with both originators and investors the merits and means of creating a public mortgage database
- ❖ Key takeaways suggest that enhanced transparency of Canadian mortgages would:
 - a) allow stakeholders to monitor the domestic mortgage market; and
 - b) support the potential development of a liquid RMBS market
- ❖ Last month the BoC followed up with each of the Big 6 banks to understand any potential constraints or concerns they may have with sharing data for a public mortgage repository

Note: summaries of past meetings can be found [here](#)

Overview of Big 6 Bank Visits

- ❖ A strong majority of banks supported the public data initiative and indicated that it:
 - was the “right thing to do” for the Canadian mortgage market
 - would permit a better understanding of the mortgage market and related funding
 - would leverage data that is for the most part already being collected (by OSFI/CMHC)
 - would require some variable standardization (to support data “slicing and dicing”)
 - would need to address borrower privacy and confidentiality considerations

- ❖ One concern with the public database initiative is that its cost (in terms of dedicated time and resources) might not justify its benefits; some also noted that the database should avoid a level of disaggregation which could reveal or undermine a lender’s competitive position (in a given region or market)

Next Steps

- ❖ We propose to: (i) establish a working group (WG) to flesh out the mortgage database and (ii) continue working towards a clear consensus on the initiative from all key stakeholders
- ❖ As this would require a commitment of time from WG participants, a terms of reference for the WG should be drafted to ensure expectations are aligned
 - The WG would be comprised of mortgage data and systems experts, with the objective of recommending a workplan which would identify: (a) how the database would function and its parameters, and (b) timelines/milestones for the project
- ❖ Members of the working group would include the BoC and CMHC (as co-chairs), each of the Big 6, the CBA (to represent smaller FIs) and selected non-CBA lenders
- ❖ The working group would present its plan to CFIF for feedback and advice at the next meeting

Do CFIF members agree with the proposed approach?



Appendix

Benefits of a Public Mortgage Database

- 1) Allow the public to monitor the health of the Canadian mortgage market:
 - By capturing mortgage performance data, including arrears and delinquencies, the repository could boost market confidence in the strength of Canadian markets; and
 - to the extent that investors underestimate the resiliency of Canadian mortgages, possibly lower funding costs for all Canadian FIs through added transparency

- 2) Support the potential development of an RMBS market, by providing a benchmark against which to compare RMBS transactions:
 - An active RMBS market would help diversify funding sources for originators (a positive financial stability outcome) and provide additional securities for market participants to invest or trade in

Potential Database Features

Based on industry feedback received to date, a public mortgage database could take the following form:

- ❖ offer information on both insured and uninsured mortgages
 - aggregated across all Canadian mortgage originators
- ❖ capture borrower, mortgage and property information, as well as loan performance over time
 - populated on a go-forward monthly basis at the loan level
- ❖ offer the ability to analyze aggregate data across various criteria (i.e. geography, vintage, credit score), without compromising individuals' or specific FIs' privacy
 - 'slicing and dicing' via a customized spreadsheet-friendly option
 - only aggregate data would be available to stakeholders
- ❖ leverage existing data collection efforts of the official sector (in particular by CMHC and OSFI)
- ❖ be managed by the government or the official sector

Potential List of Data to be Supplied by FIs

Loan Characteristics	Borrower Features	Property-related	Performance Indicators
Interest Rate Type	Credit score	Location	Days in arrears
Term & Amortization	Income	Type (detached, row, condo)	Amount in arrears
Maturity Dates	GDS, TDS	Occupancy (owner, investor, etc.)	Principal balance in default
LTV	Employment type	Original appraised value	Foreclosure (starting/closing date)
Servicer, Originator, Insurer	Residency status		Loan recovery amount
	First-time homebuyer		Total realized losses

❖ The above variables were compiled from various sources and based on industry feedback.

Possible Dimensions to “Slice and Dice” the data

- ❖ Data could be stratified along the following dimensions: mortgage loan balance, LTV ratio, mortgage interest rate, borrower credit score, location, property type, term or amortization, GDS or TDS ratio, etc.

- ❖ Examples of “slicing and dicing”:
 - users could call up the performance characteristics of a set of aggregate mortgages in a specific region with an LTV of 60% or more, and credit scores of 650 or more
 - or, of floating-rate mortgages of greater than \$1 million with LTVs greater than 70%, based in Ontario