

## Income Investors: Get +5% Yields From These 2 Mortgage Lenders

### Description

As an income investor, I'm always on the lookout for high-quality stocks with reliable distributions and, after a thorough search of market, I came across two mortgage lenders with high and safe yields over 5%. Let's take a closer look at each, so you can determine which would fit best in your portfolio.

#### 1. First National Financial Corp.

**First National Financial Corp.** ([TSX:FN](#)) is the parent company of First National Financial LP, which is Canada's largest non-bank mortgage lender, offering both commercial and residential mortgage solutions. It has operations across the country and approximately \$96.6 billion in mortgages under administration as of June 30, 2016.

It pays a monthly dividend of \$0.14167 per share, or \$1.70 per share on an annualized basis, and this gives its stock a very high yield of about 5.7% at today's levels. This yield is also very safe when you consider that its pre-fair market value earnings before interest, taxes, depreciation, and amortization (pre-FMV EBITDA) totaled \$68.2 million, and its dividend payments totaled \$24.7 million in its three-month period ended on June 30, 2016, resulting in a conservative 52% payout ratio on an after-tax pre-FMV basis.

Investors must also make two notes about First National's dividend.

First, it has raised its annual dividend payment for four consecutive years, and its two hikes in the last 12 months, including its 3.3% hike in October 2015 and its 9.7% hike in April of this year, have it on pace for 2016 to mark the fifth consecutive year with an increase.

Second, its very strong operational performance, including its 38.2% year-over-year increase in pre-FMV EBITDA to \$125 million and its 7.2% year-over-year increase in mortgages under administration to a record \$96.6 billion in the first half of 2016, could allow its streak of annual dividend increases to continue for many years to come.

#### 2. Atrium Mortgage Investment Corp.

**Atrium Mortgage Investment Corp.** ([TSX:AI](#)) is one of Canada's largest non-bank mortgage lenders, providing creative financing solutions to borrowers whose financing needs are not being met by larger financial institutions. It operates in Ontario, Saskatchewan, Alberta, and British Columbia and has approximately \$501 million in mortgages receivable as of June 30, 2016.

It pays a monthly dividend of \$0.07167 per share, or \$0.86 per share on an annualized basis, and this gives its stock a very high yield of about 7% at today's levels. This yield is also very safe when you consider that its earnings and total comprehensive income totaled \$12.6 million and its dividend payments totaled \$11.6 million in its six-month period ended on June 30, 2016, resulting in a sound 92.2% payout ratio.

Investors must also make three notes about Atrium's dividend.

First, it has raised its regular annual dividend payment for two consecutive years, and its 2.4% hike in February has it on pace for 2016 to mark the third consecutive year with an increase.

Second, it declares a special dividend in February of each year to ensure that 100% of its earnings during the previous fiscal year ended on December 31 is paid out to its shareholders. Its special payments have totaled \$0.21 per share over the last three years, including \$0.09 per share for 2015, \$0.07 per share for 2014, and \$0.05 per share for 2013.

Third, its very strong operational performance, including its 9.9% year-over-year increase in earnings and total comprehensive income to \$12.6 million and its 14.6% year-over-year increase in mortgages receivable to \$501 million in the first half of 2016, could allow its streak of annual dividend increases and special dividend payments to continue for the next several years.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)

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