New Mortgage Rules Mean New Investment Opportunities

Description

After reading about how much volume declined in the Canadian real estate market over the past (on a year-over-year comparison), it is hard not to stop and ask where the opportunities in this market now lie. Investors could have a major opportunity to make money in this market.

Although many Canadians continue to want to own their own homes, the reality is that it is becoming increasingly difficult to qualify for a mortgage under new rules, which were brought into place by the federal government in 2018. Essentially, many A-quality borrowers have become B-type borrowers to the Big Five banks, as the criteria to achieve the highest category has become much stricter.

For investors who are willing to take on a higher amount of risk, there are a number of options available. The first option (and most lucrative) for dividend investors is none other than **First National Financial Corp.** (TSX:FN), which pays a monthly dividend to shareholders in the amount of $0.154167 per share. The annualized yield is no less than 6.67% at current prices.

Although this company is not well known by many investors, the truth is that it offers many A-quality borrowers an alternative to the big banks. The big plus for consumers is that First National is willing to work with mortgage brokers as well.

The second name on the list is **Equitable Group Inc.** (TSX:EQB), which, at a current price of $62 per share, trades at a discount to book value. In addition to buying a loonie for less than 100 cents, investors will receive a reasonable dividend yield in excess of 1.5% at current levels. As a reminder, it was not Equitable Group or First National that took the lead in the bad press category. That award goes to the last name on the list.

The highest risk/reward name is **Home Capital Group Inc.** (TSX:HCG). At a current price around the $16 mark, Home Capital Group offers investors a substantial discount to tangible book value, but no dividend. After a run on the company’s deposits was dealt with over the past year, Warren Buffett took a major equity position and has been a backstop for the company ever since.

Although the company’s brand and profitability has taken a hit over the past year, the truth remains that when a consumer needs to obtain a mortgage or give up their dream home, the power is in the hands of the borrower.

With three names slated to move higher, as their total amount of lending increases, shareholders have the opportunity to benefit from a clear shift in the way that many consumers obtain mortgages. These institutions are in a position to drive revenues higher from an increase in lending.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:FN (First National Financial Corporation)
3. TSX:HCG (Home Capital Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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