Banking on Growth: 2 Lending Stocks That Are Hot Buys Today

Description

Financial stocks have been struggling for a while now as concerns about mortgages and loans have weighed on the banking industry. However, there are some very attractive opportunities as a result of that bearishness that could produce some terrific returns for investors.

With the Canadian government recently introducing a way to help first-time home buyers by picking up part of the tab under some circumstances, it could help drive some much-needed mortgage growth.

With lending stocks not being very expensive today, getting a boost in mortgage growth could be just what's needed to help them rise in value. Below, I'll look at two stocks in particular that have gotten my attention and that could be great investments today.

First National Financial Corp (TSX:FN) hasn't had a bad year so far, as its share price has risen by more than 15% year to date. However, the company is coming off a quarter that saw its mortgages under administration grow by just 5% year over year; First National's profits dipped as well.

Although the stock has recovered since initially seeing a big sell-off after releasing the results, there's definitely potential for the stock to rise higher than where it is today. Trading at less than 13 times earnings at writing, First National is still a fairly priced stock that up until 2018 was showing good, stable growth.

It will likely need a boost from new mortgages if it aims to return to that growth, which is why the government's move to help first-time home buyers could prove significant in stimulating sales for First National.

What makes the stock an even more appealing buy is its dividend, which, at around 6% is one of the better payouts you'll find for a financial stock on the **TSX.** Not only has the company increased its monthly dividend payments over the years, but it has also issued special cash dividends as well. Whether for dividends or growth, First National could be a great option for many types of investors.

Home Capital Group Inc (TSX:HCG) has quietly been soaring in 2019, rising more than 30% since the start of the year. However, it's still nowhere near where it was before its epic decline back in 2017.

It's been a slow and steady road to recovery for the stock ever since. And although it has made progress, it still trades well below its book value, at a multiple of just 0.7.

With the issues now behind the company and Home Capital now showing consistently posting strong profits and revenues, the stock looks like it could be a very formidable value investment today. It too could benefit from an increase in mortgages, as it also saw growth of just 5% in its most recent quarter. A good quarter by Home Capital could be enough to send the stock on a stronger trajectory, and possibly much closer to its book value.

Home Capital is likely still a concern for investors who may not want to invest in the company given its history. However, for those that can look past that, there is potential to earn some significant returns from the stock today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

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