



500,000 Canadians Deferred Their Mortgage Payments

Description

The mortgage payment deferrals extended by the big banks in Canada to households at the onset of the COVID-19 pandemic have elapsed. There are over 500,000 mortgages on payment deferral at the Big Six banks in the country. Payments are resuming and the level has dropped by one-fifth in the most recent quarter.

In the report by Canada Mortgage and Household Corp. (CHMC), more than 75% of a million Canadian homeowners have either deferred or skipped a mortgage payment. The total amount per month is about \$1 billion. CHMC's [report](#) also reveals that more people are taking out more loans.

Significant impact on mortgages

The big lenders announced the sweeping mortgage deferral programs in March 2020 to give [borrowers](#) some breathing room. Since incomes were falling, the banks allowed households to skip some payments on their mortgages. The big wave of deferred payments indicates the significant impact of the pandemic on Canadian mortgages.

All the payment deferrals in the six banks are expiring, as tens of thousands of borrowers are starting payments again. At the end of the third quarter, the number of mortgages on payment deferral is 510,530, or 17.53%, lower from the preceding quarter. The total amount likewise dropped 15.38% to \$136.27 billion from the second quarter.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) has the most number of accounts (138,830) on payment deferrals, while **Toronto-Dominion Bank** is second with 107,000 accounts. Interestingly, the **Bank of Nova Scotia** saw a 5.3% increase in payment deferrals or 99,000 mortgages in the third quarter. The length of the deferrals varies from one to six months.

Dream investment

It's not surprising to learn that RBC has the most mortgages on payment deferrals. With a market

capitalization of \$139.3 billion, it's the largest banking institution. For the same reason, RBC is the top investment choice of income investors and retirees' dream investment.

RBC was founded in 1864 and started paying dividends six years later. The 150-year dividend track record is what attracts investors, because it has been paying dividends for the vast majority of its corporate existence. Likewise, it tells you that you can buy and hold the stock for decades.

When you're investing for the long term, the choice must be a company that can weather economic downturns. Your pick should be well positioned to ride out the pandemic. According to RBC's president and CEO Dave McKay, the bank is navigating these uncertain times on a position of strength and stability.

In Q3 fiscal 2020 (quarter ended July 31, 2020), RBC reported \$3.2 billion in net income — a 2% year-on-year drop. The capital markets segment posted record earnings (+45%), while the insurance business turned in stable profits (+6%).

The push to grow its U.S. business continues after RBC hired a Merrill Lynch Wealth Management team and a UBS wirehouse advisor. For prospective investors, RBC pays a 4.41% dividend, despite the low-rate environment.

Expected declines

The big banks expect the reductions in mortgages on payment deferrals. However, the real number of distressed households should be known soon.

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