Alberta's Mortgage Deferral Rates Are an Insanely High 21%

Description

Canadians worry about the next round of financial hardship. Most of the mortgage deferral terms are ending in September and October. On a per province basis, deferrals are highest in Alberta. Around 21% of mortgages are in deferral as of July 2020.

Evan Siddall, CEO of Canada Mortgage and Housing Corp. (CMHC), volunteers the information through a tweet. The provinces of Saskatchewan and Newfoundland follow in second place with identical 14.8%. Siddall adds the elevated rate in Alberta is not surprising since it's an oil-producing region. Quebec posted 5.6%, the lowest rate among all.

Anxiety rising

Before the pandemic, insolvencies in Alberta were already high. The one-two punch (energy industry slump and the pandemic) is making the situation worse. Local mortgage brokers fear a financial turmoil is on the horizon.

Market observers say some borrowers took the deferral option not out of need, but for safety. They used the deferral offer as a financial backup in case the pandemic's impact is severe. Also, about 443,000 Albertans are postponing payments on bills, taxes, and credit cards.

According to Donna Carson, a licensed insolvency trustee with MNP Ltd., workers in more than 50% of Alberta households is still jobless. Ipsos survey results show that 53% are still experiencing disruption, either to their work or to another in the same home.

Vicious cycle

The grim scenario for Ms. Carson is when people will borrow against future paycheques. It will leave a gaping hole in the subsequent paycheque. If it becomes a cycle, it would not be easy to climb out of the sinkhole.

Similarly, historic low interest rates give a false sense of security. It could lead one to borrow more. Furthermore, the eviction ban is ending soon. Canadians who are vulnerable to evictions might turn to high-interest credit.

Meanwhile, the fight against COVID-19 continues. Alberta Health Minister Tyler Shandro announced on September 28, 2020, the province tested 1,001,638 people for COVID-19. Its health system has conducted more tests per capita than B.C., Ontario, and Quebec.

Retail monopoly

For risk-averse investors looking for pandemic-proof investments, the **North West Company** (TSX:NWC) is an excellent choice. This $1.79 billion company that operates retail stores in Canada's far north enjoys a retail monopoly. It also serves customers in Alaska and the Caribbean.

Providing essential products and services, ranging from food to health care in extreme geography, gives North West a competitive advantage. The company also sells durable goods and other discretionary general merchandise. There's hardly a competition that even the e-commerce business isn't a threat.

The company benefitted from the shift of customers towards in-community and at-home spending in Q2 2020. Sales increased by 23% to $648.5 million versus Q2 2019. Likewise, net earnings climbed by 40% from $44.6 million to $62.6 million.

On the **TSX,** the consumer-defensive stock is one of the top-performing names in the consumer staples sector. The year-to-date gain is 38.76%, while the dividend yield is 3.88%.

Potential crisis

Widespread default is possible if household finances can't support resuming mortgage payments. We'll know how serious the risk of default is in the months ahead. So far, across the major financial institutions, defaults are very low.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

PARTNER-FEEDS

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