



## Big Banks Hike Payouts, but 2 Non-Bank Lenders Pay Higher Dividends

### Description

Canada's Big Six banks announced dividend increases of at least 10% when they presented their Q4 and fiscal 2021 results in late November and early December 2021. The dividend bonanza was welcome news to investors looking to earn [passive income](#) in 2022.

The **Bank of Nova Scotia** and **Canadian Imperial Bank of Commerce** would still have the highest yields among the banking industry giants. However, if you want to soak up on dividends and receive higher cash flow streams, two non-bank lenders offer [fantastic dividends](#).

Timbercreek Financial ([TSX:TF](#)) pays a generous 7.2% dividend, while MCAN Mortgage Corporation ([TSX:MKP](#)) offers 7.68%. Furthermore, the share prices are [under \\$20](#). A combined investment of \$10,000 will produce higher dividends than investing \$15,000 in BNS or CIBC.

### Ultra-conservative lending

Timbercreek Financial continues to demonstrate stability and durability amid the challenging pandemic environment. Its CEO Blair Tamblyn said it's the hallmark of the company's investment style. This \$781.23 million non-bank lender focuses on providing or extending shorter-duration, structured financing solutions to commercial real estate professionals.

The lending approach is sophisticated, if not unique. Borrowers patronize this service-oriented lender because of faster execution and more flexible terms than the Big Banks and other financial institutions. Besides the loan tenors of less than five years, the loan-to-value ratio is conservative. Also, it lends primarily against income-producing commercial real estate.

In the nine months ended September 30, 2021, the bottom line grew 15.7% to \$38.89 million versus the same period in 2020. At the end of Q3 2021, Timbercreek had a conservative portfolio risk position. The weighted average loan-to-value was 69.6% and 90.2% of the mortgage investment portfolio are first mortgages. Notably, 87.1% of the latter are in cash-flowing properties.

Tamblyn said, "Looking ahead, we have an expanded capital base and the financial flexibility to

achieve steady growth of the total portfolio.” Timbercreek trades at only \$9.49 per share.

## Ultra-conservative lending

Like banks and insurance companies, MCAN Mortgage Corporation is a federally regulated loan company. Management must abide by the guidelines and regulations of the Office of the Superintendent of Financial Institutions (OSFI). Also, as a mortgage investment corporation (MIC), the \$489.34 million loan company falls under Canada’s Income Tax Act.

MCAN generates reliable income streams by investing in a diversified portfolio of mortgages. The portfolio consists of single-family residential, residential construction, non-residential construction, and commercial loans. XMC Mortgage Corporation, a wholly-owned subsidiary, originates single-family residential mortgage products.

In Q3 2021, MCAN’s net income fell to \$13 million versus Q3 2020. Management said the decrease in equity income (mortgage origination and processing fees) was why earnings dropped 42.7% year-over-year. Nevertheless, it’s still a good year overall.

MCAN’s year-to-date (nine months ended September 30, 2021) net income of \$48.3 million was 132% higher than the same period in 2020. The loan company won the Canadian Mortgage Professional’s 5-star Mortgage Products Award in the Alternative Lending Category.

Since MCAN is an MIC, it can deduct dividend payouts to shareholders from its taxable income. The current share price is \$17.35 if you invest today.

## Excellent second-liners

Timbercreek Financial and MCAN are excellent second-liners if your core holdings are Big Bank stocks.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:MKP (MCAN Mortgage Corporation)
2. TSX:TF (Timbercreek Financial Corporation)

### PARTNER-FEEDS

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