Financial Post – August 28, 2023

# More Canadian homeowners extend mortgage amortization periods, Big Bank data reveal

*Stressed customers seeking to bring down monthly payments*

**Bloomberg News**
Stephanie Hughes || Aug 28, 2023


Homeowners are feeling more stress from rising interest rates. PHOTO BY ASHLEY FRASER/POSTMEDIA

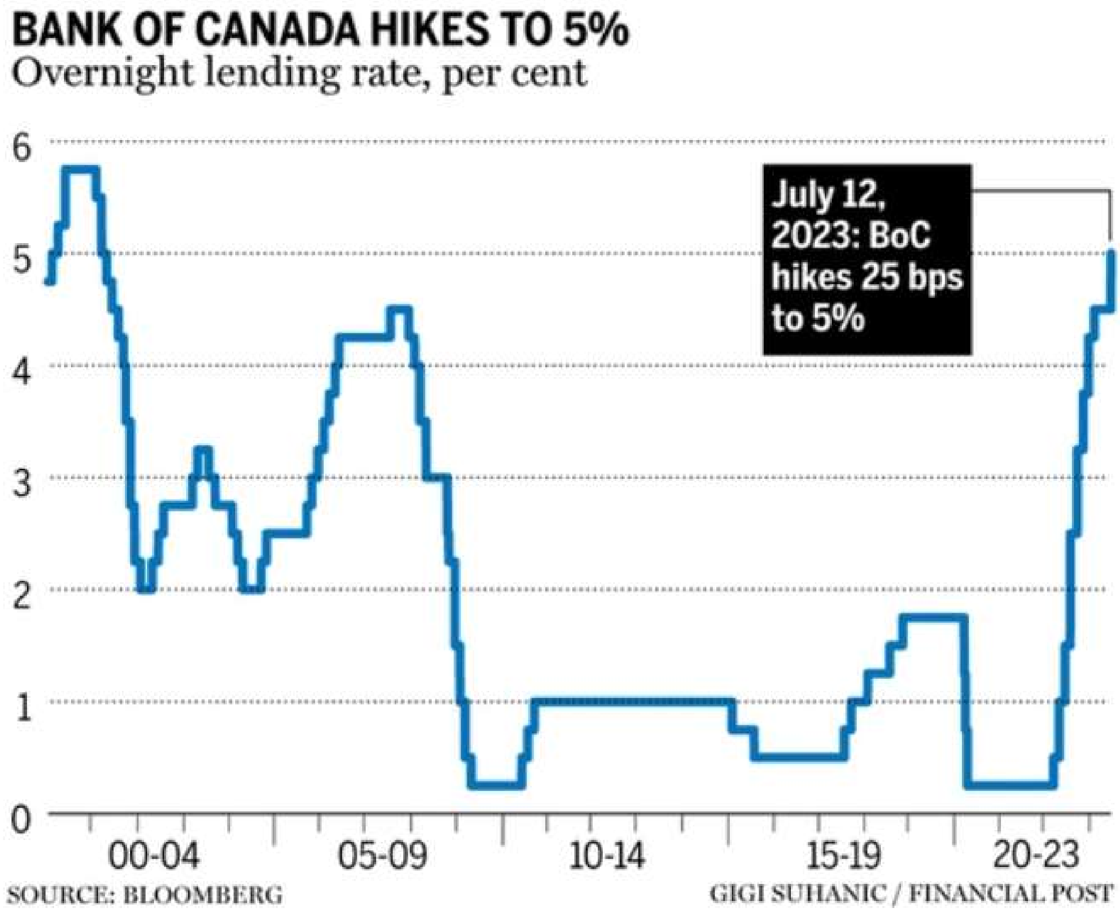
Mortgage data from Canada's two biggest banks are painting a picture of homeowners straining under high borrowing costs.


Royal Bank of Canada, the country's largest lender, disclosed that 43 per cent of its Canadian residential mortgages had an amortization period of longer than 25 years, as of July. That's up from 40 per cent a year earlier, and just 26 per cent in January 2022.

Canadian banks have allowed customers to stretch payments for longer periods to help them bring down their monthly payments after a rapid rise in rates. Unlike in the United States, it's difficult for homeowners to lock in their rates for long periods. Most either have mortgages where the rates are fixed for one to five years, or variable-rate mortgages that reset with every move in the central bank rate.

That has meant higher payments for millions of borrowers after the Bank of Canada lifted its policy rate by 475 basis points in less than 18 months. RBC's posted rate on variable mortgages is now above seven per cent, from around 2.5 per cent before the central bank began tightening.

The situation has also brought about the return of mortgages that are amortized for more than 35 years. At the start of last year, those didn't exist in RBC's Canadian mortgage book; now, such loans represent 23 per cent of the portfolio.




Growth in mortgages, meanwhile, has slowed.

Toronto-Dominion Bank said 48 per cent of its Canadian mortgages had an amortization period of more than 25 years as of July, up from 35 per cent the year prior. Like RBC, it has experienced a surge of loans being extended to more than 35 years.

In a conference call with analysts on Aug. 24, Michael Rhodes, Toronto-Dominion's head of Canadian personal banking, said the bank reached out to stretched borrowers who hit their so-called "trigger rate," or the point where their payments on variable-rate mortgages may no longer cover interest.

Toronto-Dominion offers those customers options such as lump-sum payments, increased term payments and the option to switch to fixed rates.

The Bank of Canada raised its benchmark overnight rate to five per cent in July, the highest level in more than two decades.

*— With assistance from Kevin Orland*