

Financial Services Regulatory Authority of Ontario 2022 Consumer Research: Mortgage Brokering

May 2023 – Report

FSRA
Financial Services Regulatory
Authority of Ontario



**FORUM
RESEARCH**

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Methodology

| | |
|---------------------------------|---|
| Fieldwork dates | January 10 th – January 31 st , 2023 |
| Sample | Ontario residents, aged 18+ who currently have a mortgage |
| Survey collection method | Online survey using computer-assisted web interviewing (CAWI) |
| Sample size | $N = 1,001$ |
| Margin of error | +/- 3.10% |

Notes:

- Respondents were screened to ensure all respondents are Ontario residents aged 18 and over who have a mortgage.
- Because the survey was conducted online, the sample cannot be assumed to be truly random. A random sample of this size would have a margin of error of +/- 3.10%, 19 times out of 20.

Interpreting this Report

TOP2 / BTM2 Groupings

Top 2 (TOP2) and Bottom 2 (BTM2) reference the collected TOP2 positive and BTM2 negative responses, respectively where applicable. For example, a TOP2 grouping referred to as “satisfied” may be the combined result of “very satisfied” and “somewhat satisfied,” whereas a grouping of “not satisfied” (BTM2) may be the combined result of “not very satisfied” and “not at all satisfied.”

Rounding

Due to rounding, numbers presented throughout this document may not add up to the totals provided. For example, in some cases, the sum of all question values may add up to 101% instead of 100%. Similar logic applies to TOP2 and BTM2 groupings.

Multi-mentions

In some cases, more than one answer option is applicable to a respondent. Multiple mention questions allow respondents to select more than one answer category for a question. For questions that ask for multiple mentions (e.g., “*Where do you go to get your financial advice, if at all? Please select all that apply.*”), it is important to note that the percentages typically add to over 100%. This is because the total number of answer categories selected for a question can be greater than the number of respondents who answered the question.

Interpreting this Report

Significance Testing

Throughout the report, statistically significant differences (at the 95% confidence level) between demographic segments (level of vulnerability, age, gender, visible minorities, education, employment, marital status, and household income) are reported on each slide in the Detailed Findings, when statistical differences exist and when appropriate. Statistically significant differences between vulnerability segments have also been shown in vulnerability break out slides.

58%
(A)

Denotes the percentage which is significantly higher (at the 95% confidence level) than the segment with the corresponding letter. Each segment is denoted with letters (e.g., A, B, C, etc.). If the letter “A” appears under the response of a certain segment, this indicates that the response of that segment is significantly higher than the response of the segment denoted with the letter “A”. Note that due to sample sizes, it is possible for one segment to be different from another segment, yet not be statistically significantly different.

Question Framework

The footnote on each page indicates the related question from the survey questionnaire, the sample framework used in the analysis, and the sample size of the related data.

Small sample size

Note that footnotes have been added to small sample sizes (defined as $n < 30$) in the report, and caution should be exercised when interpreting these results. Additionally, significant differences between demographic segments with small sample size are not flagged.

Financial Vulnerability Classification

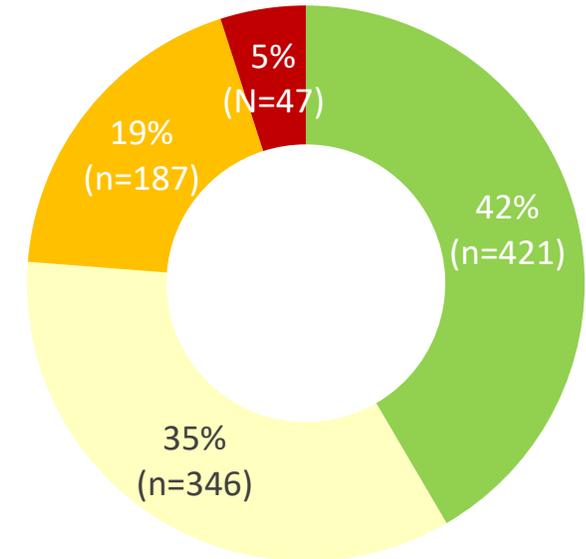
Financial vulnerability classifications were determined based on four categories: health, capability, life events, and resilience. Each of the category has between three to four vulnerability markers that were measured against the results gathered from the survey. This framework is guided by the vulnerability definition set by the UK Financial Conduct Authority issued on February 2021 for organizations on the fair treatment of vulnerable customers.

| | | | | |
|--------------------|--|--|---|--|
| Health | At least one physical or mental health condition | An additional physical or mental health condition beyond the first | Physical or mental health condition(s) with a “somewhat significant” or “very significant” impact | |
| Capability | “Somewhat unconfident” or “completely unconfident” with numbers | “Somewhat unconfident” or “completely unconfident” with using computers and the internet | Low financial literacy (correctly answered 2 or fewer of 4 financial literacy questions) | |
| Life events | If they are providing help/financial support to someone in their household | If they are providing help/financial support to someone not in their household | Experienced an impactful life event this year | |
| Resilience | Feel that keeping up with household expenses is a “heavy burden” | Household Income that is under \$40k or is highly variable | Feel that their non-mortgage debt is a heavy burden | Only enough savings to last less than a week if main source of income was lost |

Vulnerability Classification

Respondents were classified based on level of vulnerability defined by the number of markers garnered from each category. Classifying respondents based on their level of vulnerability allows for better insights on interpreting the results of the study. Further details on the vulnerability questions can be found in the Vulnerability section of this report.

| | Overall Vulnerability |
|------------------------|--|
| High Vulnerability | 7 or more markers across all four categories |
| Moderate Vulnerability | 4 to 6 markers |
| Slight Vulnerability | 2 or 3 markers |
| Low/No Vulnerability | One or zero markers |



- Low/No Vulnerability
- Slight vulnerability
- Moderate vulnerability
- High vulnerability

KEY FINDINGS

Key Findings

The most common mortgaged property is an individual's current home.

- Overall, over 9 in 10 have a mortgage for their current home. *(Slide 12)*
- For those who have multiple mortgaged properties, the majority have their current home as their most recent mortgaged property followed by a rental property. *(Slide 13)*

The most common source to get a mortgage is at a financial institution.

- The majority relies on financial institutions (e.g., banks, credit unions, trust companies) to get their mortgages, followed by alternative lenders, and private lending companies. *(Slide 14)*
- Those with low/no financial vulnerability and slight financial vulnerability are significantly more likely to use financial institutions for their mortgages compared to those with high financial vulnerability. *(Slide 14)*
- Around 6 in 10 respondents who used a financial institution did not consider using a private lender for their mortgages. Meanwhile, for those who did not use a financial institution for their mortgages, 46% mentioned that private lending was their only option to get a mortgage. *(Slide 15-16)*

Key Findings

Half of the respondents used a broker to help them get a mortgage while the other half did not or did not know if they used one. *(Slide 18)*

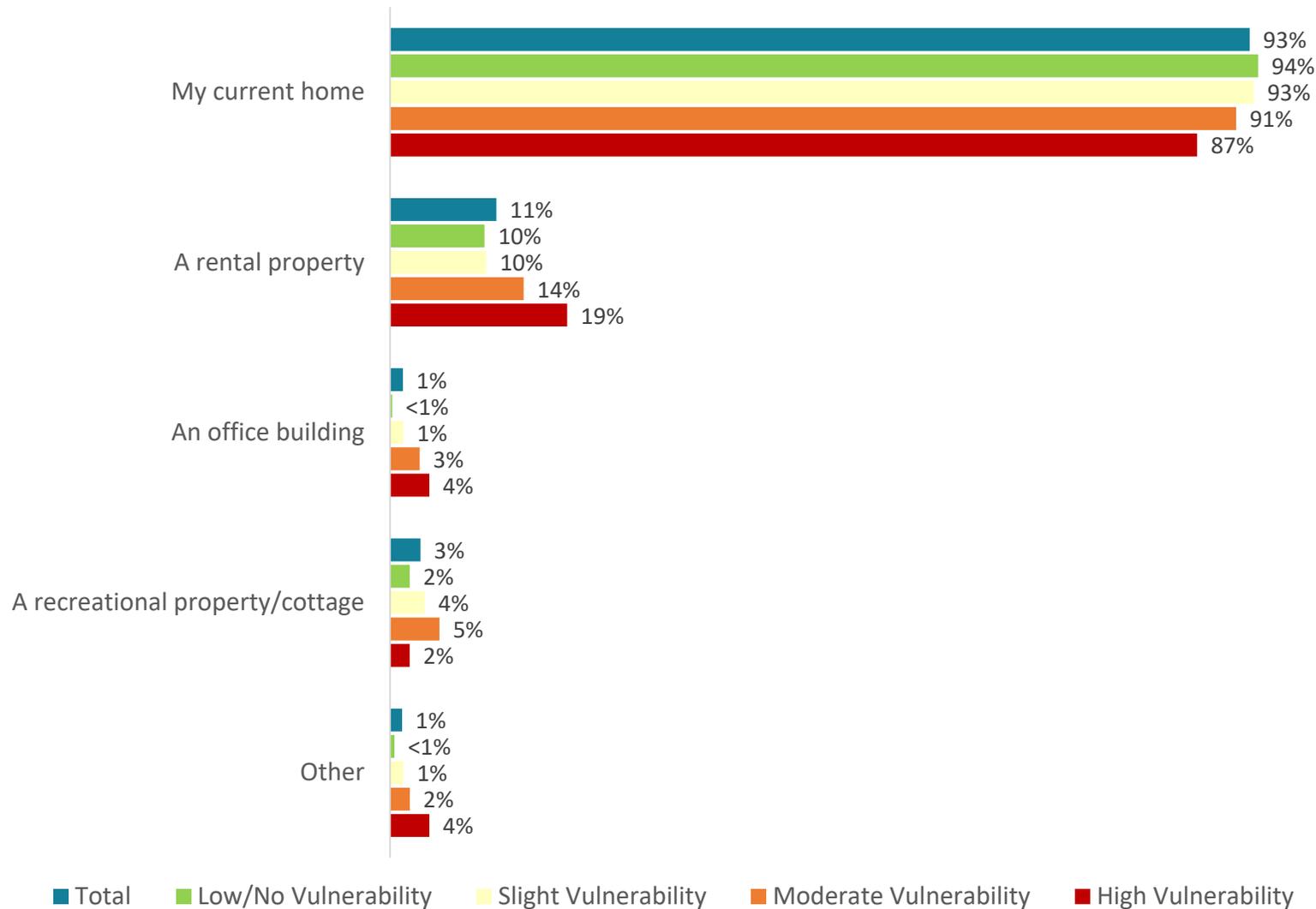
- Those with moderate and high financial vulnerability are significantly more likely to use a broker compared to those with low/no or slight financial vulnerability. *(Slide 18)*
- For those who used a broker to help with mortgages, majority of them reported their brokers were helpful and asked them questions to understand their financial situation, discussed different mortgage options, and explained their mortgage features, terms, and risks. *(Slide 19, 20, & 21)*
- At the time of signing their mortgage, those who used a broker also reported that their brokers explained how their recommended mortgages met their needs, explained the commitment and disclosure documents, and explained how their mortgage payments are calculated. *(Slides 22, 23, & 26)*

Two in five respondents who used private lending have a plan or exit strategy in place to help them go back to a more traditional mortgage

- Of those who used a private lending company or an individual private lender, 43% of them mentioned that they have an exit strategy in place to help them go back to a more traditional mortgage while 40% said they do not have any exit strategy. *(Slide 28)*
- The majority of those who used or considered using a private lender and also used a broker for their mortgage mentioned that their brokers suggested a plan or exit strategy to move back to a more traditional mortgage. *(Slide 29)*

DETAILED FINDINGS

Mortgaged Property



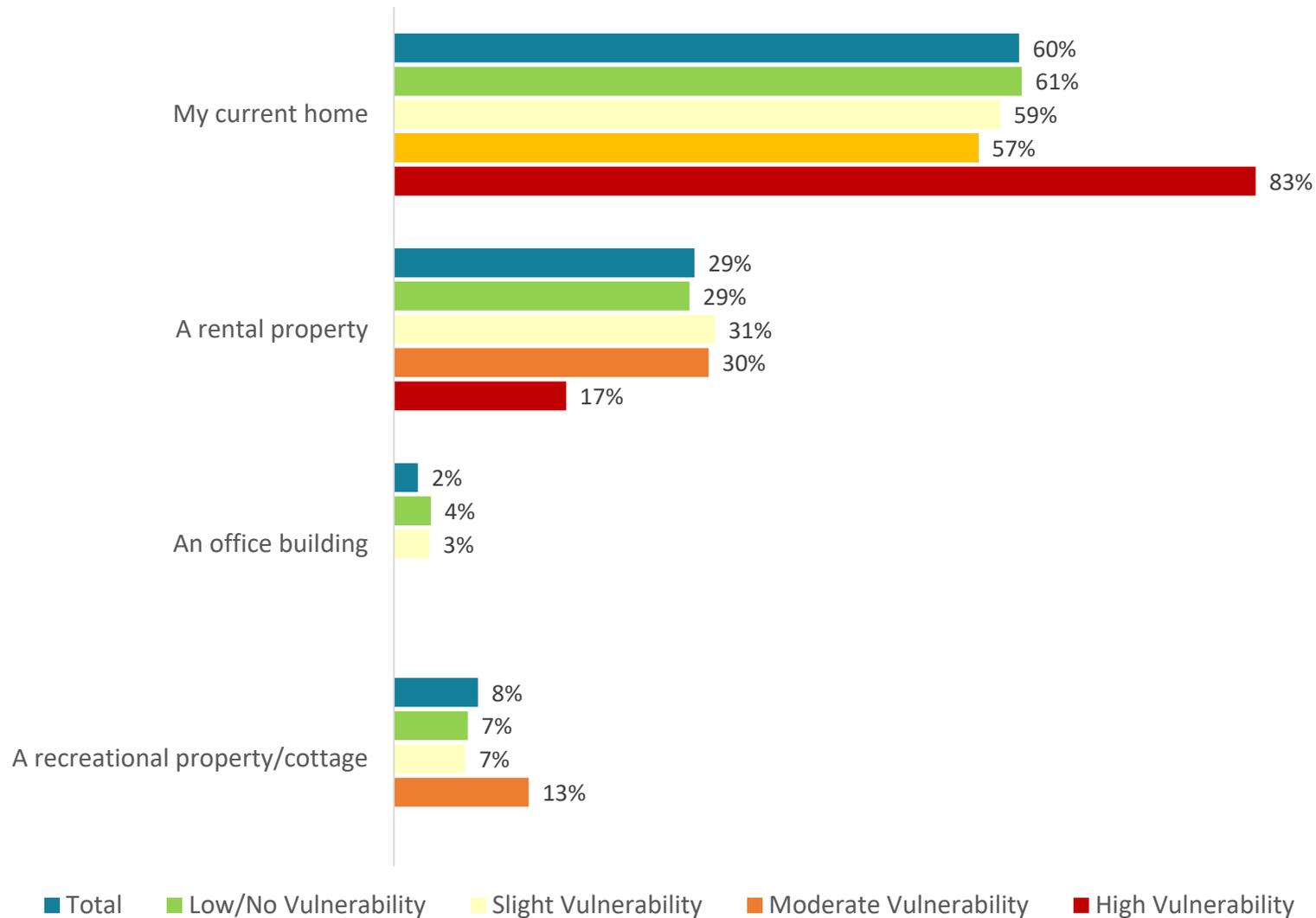
- Overall, over 9 in 10 respondents (93%) currently have a mortgage for their current home.
 - Those aged 18-24 (83%) are significantly less likely to have a mortgage on their current home compared to older age groups (94%-95%).
- This is followed by 1 in 10 respondents (11%) who have a mortgage for a rental property. The following are significantly more likely to have a mortgage for a rental property:
 - Those aged 45-54 (15%) compared to those aged 25-34 (7%) and 75 and above (4%).
 - Visible minorities (16%) compared to non-visible minorities (9%).

M1c. For which of the following types of properties do you currently have a mortgage? Please select all that apply.

Sample size: n=1001

Framework: Total sample

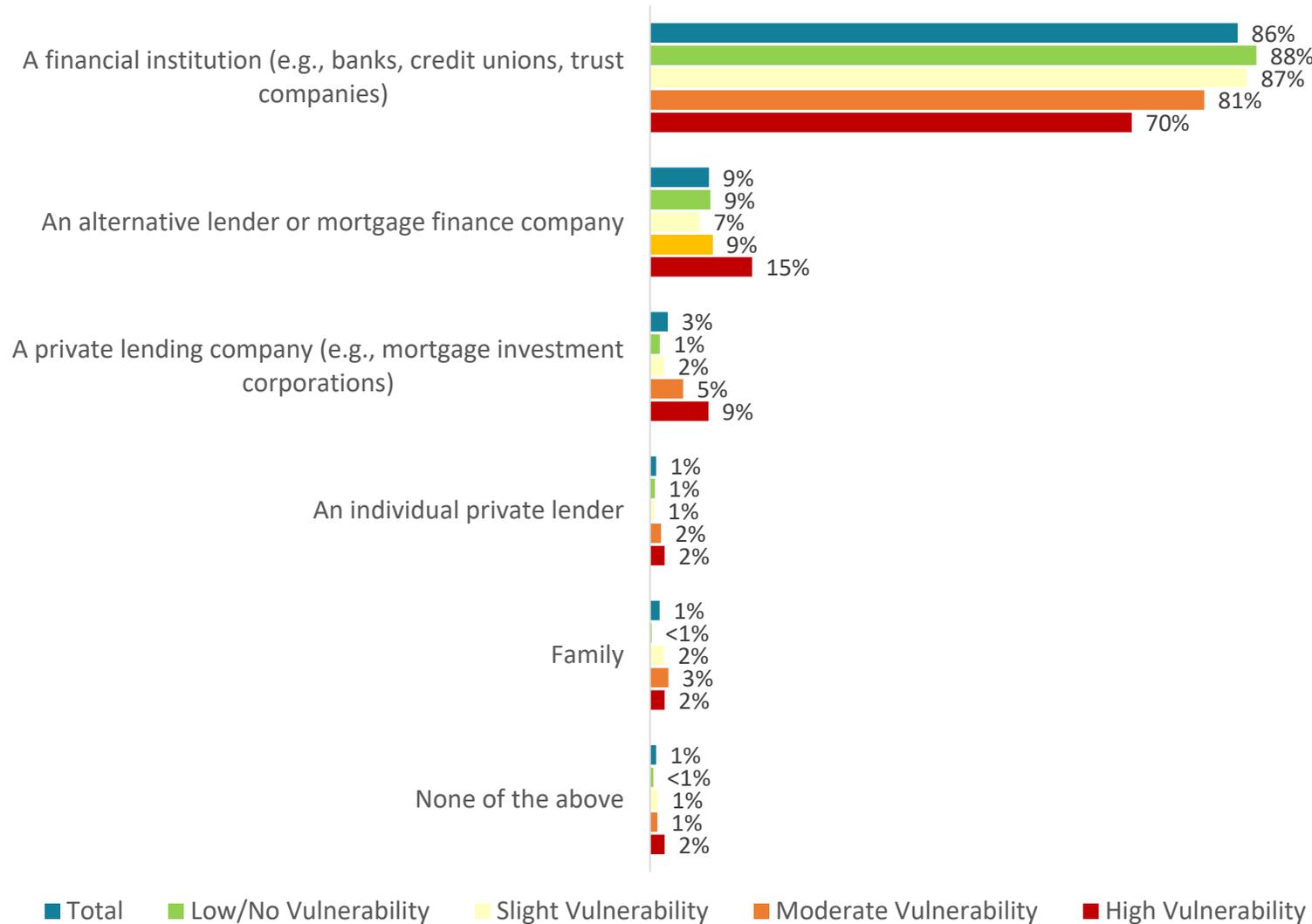
Recent Mortgaged Property



- Overall, for those who have multiple mortgaged properties, about 6 in 10 (61%) most recently got a mortgage for their current home.

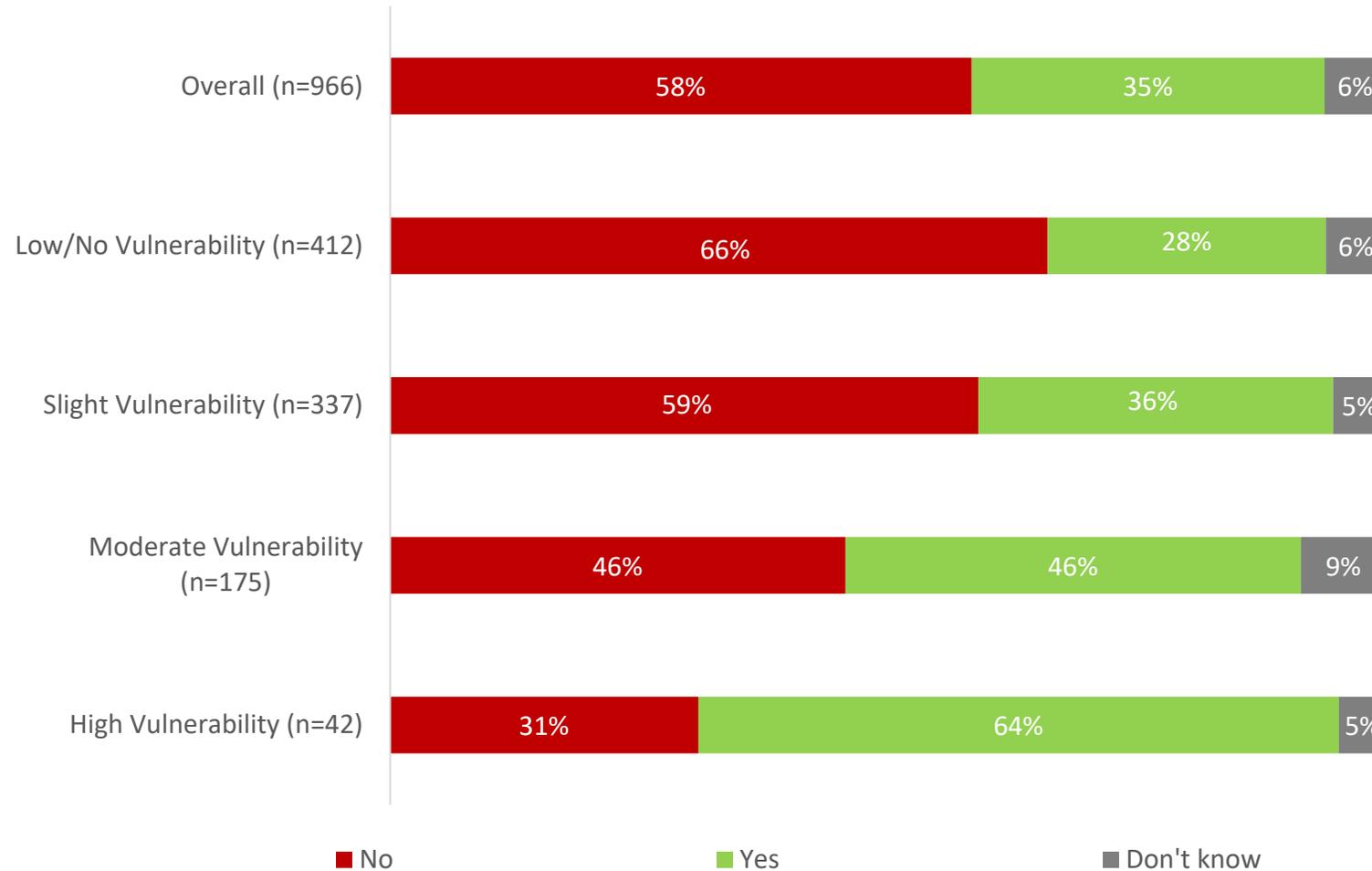
M1d. And for which property did you most recently get a mortgage?
 Sample size: n=86
 Framework: Respondents who have more than one selection for M1C

Sources of Mortgages Used



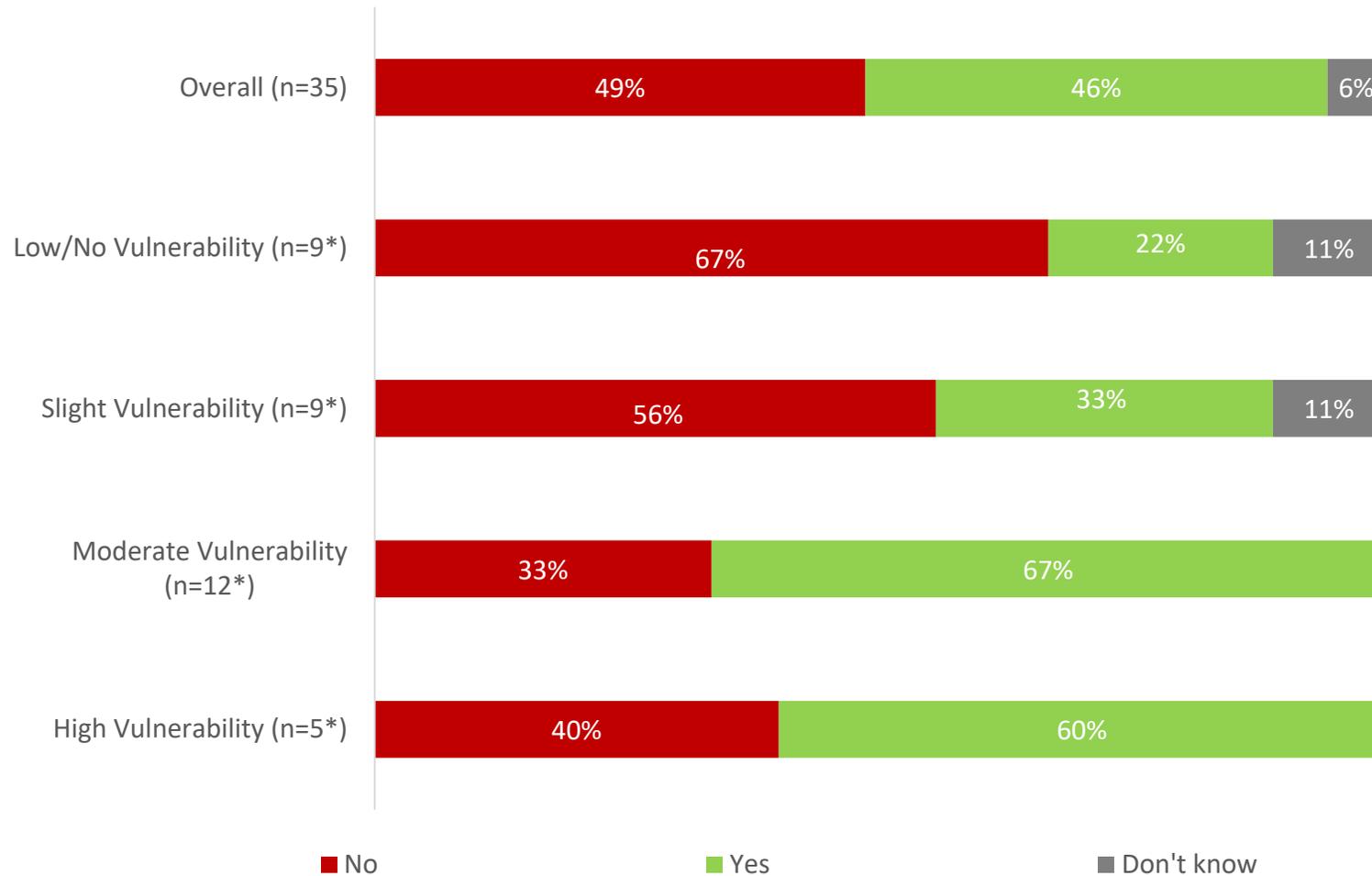
- Overall, 6 in 7 (86%) used financial institutions (e.g., banks, credit unions, trust companies) to get their mortgages. The following respondents are significantly more likely to use financial institutions:
 - Those with low/no financial vulnerability (88%) and slight financial vulnerability (87%) compared to people with high financial vulnerability (70%).
 - Those with a bachelor’s degree (89%) and those who have a professional degree (89%) compared to those with certificate or diploma below bachelor’s degree (81%).
 - Those who are employed full-time (86%) and people who are employed part-time (88%) compared to those with other forms of employment (65%).

Consideration of Using Private Lender



- Around 1 in 3 (35%) who used a financial institution to get their mortgage considered using a private lender at some point. The following respondents are significantly more likely to say they considered using a private lender:
 - Those with slight (36%), moderate (46%), and high (64%) vulnerability compared to those with low/no vulnerability (28%).
 - Males (39%) compared to females (32%).

Private Lending as Only Option



*small sample size; interpret with caution

M2. Was going with a private lender your only option to get a mortgage?

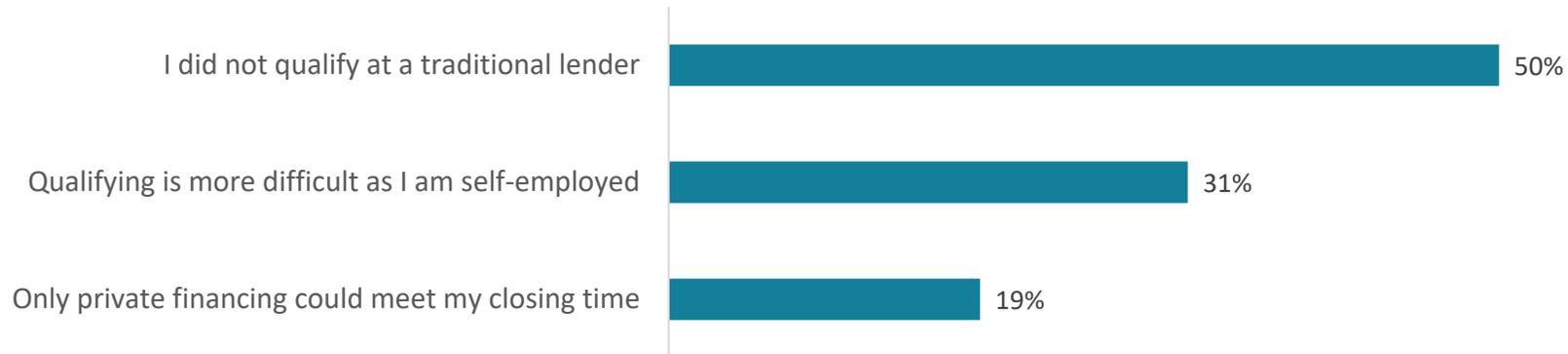
Sample size: Shown in chart above

Framework: Respondents who did not use a financial institution finance company.

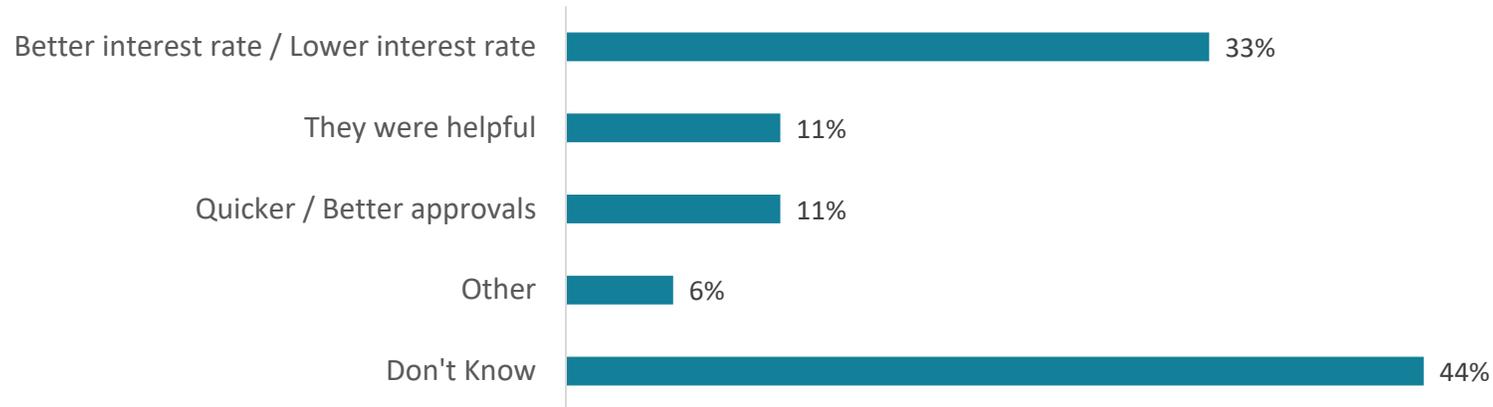
- Those who did not use a financial institution to get their mortgage are split when it comes to other options to get a mortgage other than a private lender. Almost half (49%) had other options to get a mortgage while 46% said going with a private lender was their only option to get a mortgage.

Using a Private Lender

Reasons why private lender was their only option (n=16*)



Stated reasons (unaided) for opting for a private lender when there are other options (n=18*)



- 1 in 2 (50%) said going with a private lender was their only option because they did not qualify at a traditional lender.
- For those who indicated that they had other options aside from going with a private lender but still opted to get their mortgage with a private lender, their reasons are as follows:
 - They offer better interest rate / lower interest rate (33%)
 - Private lenders are helpful (11%)
 - They have quicker / better approvals (11%).

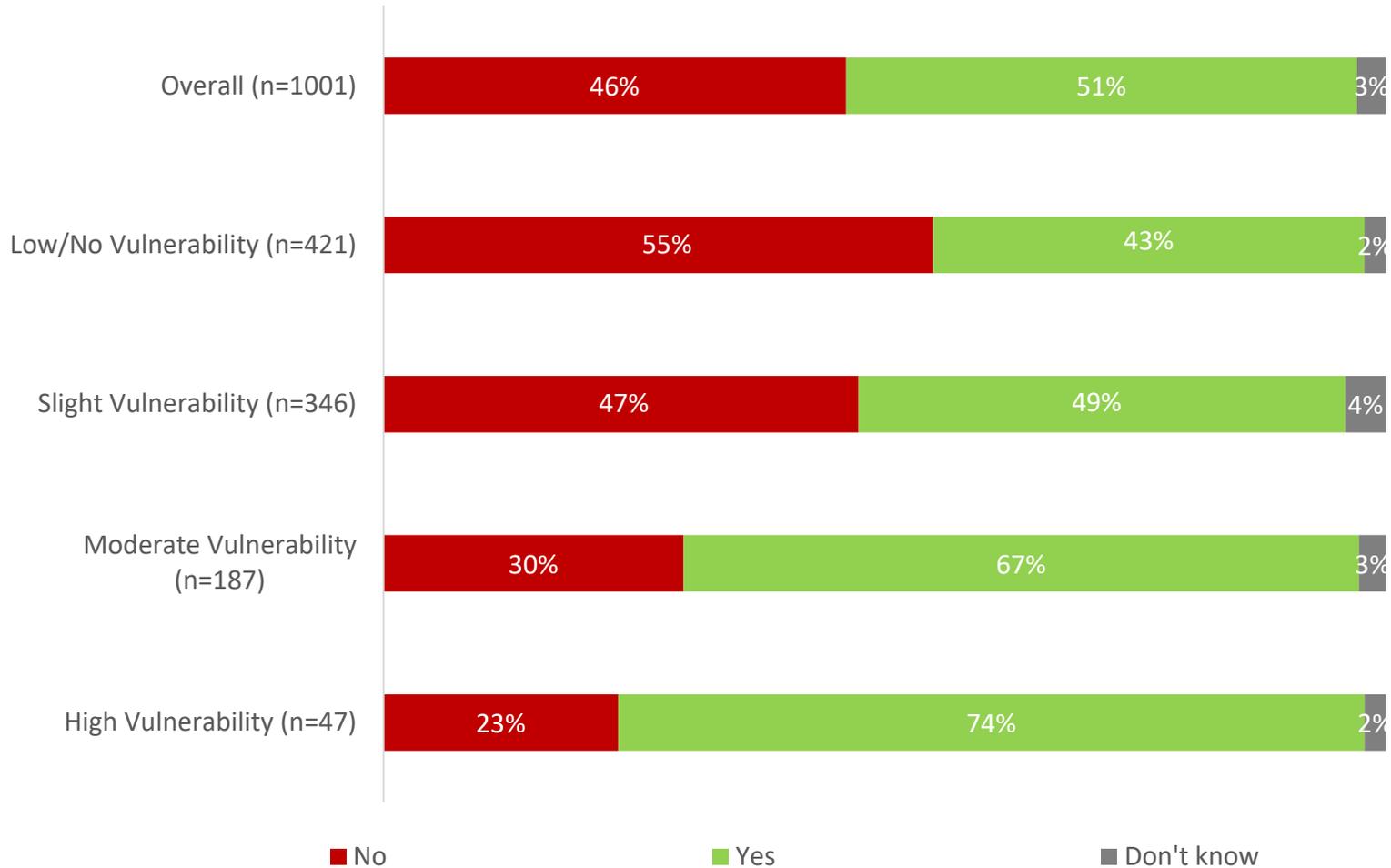
*Due to a low sample size (n<30), vulnerability breakout is not shown. Caution should be exercised when interpreting results with low sample size

M3a. Why was going with a private lender your only option to get a mortgage? / M3b. Why did you decide to go with a private lender to get a mortgage? [Open-end]

Sample size: Shown in chart above

Framework: M3a. Respondents whose only option was to go with a private lender M3b. Respondents who has other options aside from going with a private lender

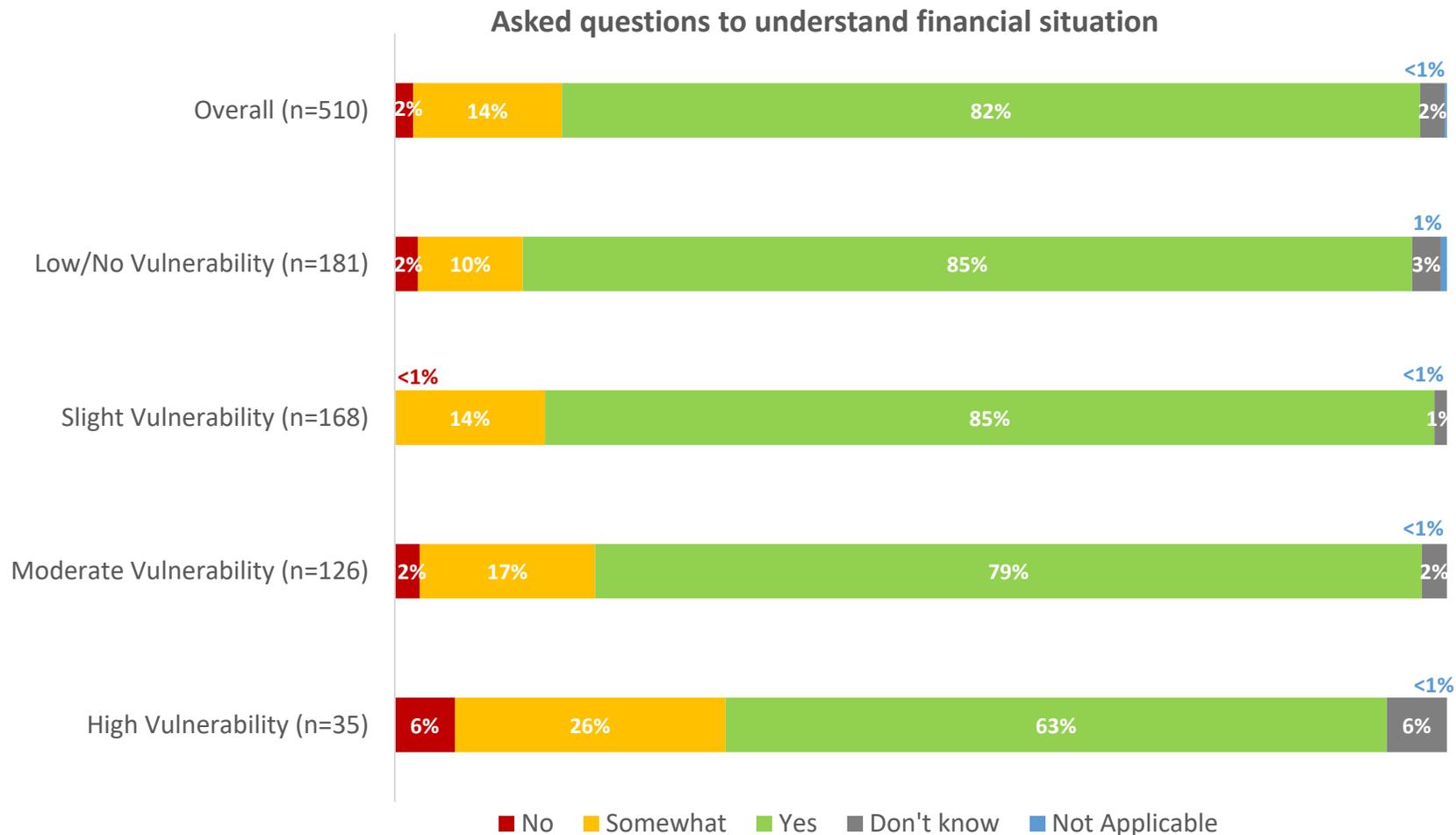
Use of Mortgage Broker



- Overall, 1 in 2 (51%) used a broker to help them get a mortgage. The following are significantly more likely to have used a mortgage broker:
 - Those with moderate (67%) and high financial vulnerability (74%) compared to those with low/no (43%) and slight financial vulnerability (49%).
 - Those aged 18-54 (44%-71%) compared to those aged 55-74 (26%-30%).
 - Those with bachelor's degree (53%) or professional degree (57%) compared to those with a secondary school diploma (43%).

M4. Did you use a broker to help you get your mortgage?
Sample size: Shown in chart above
Framework: Total sample

Broker's Assistance (Before Finalization of Mortgage)



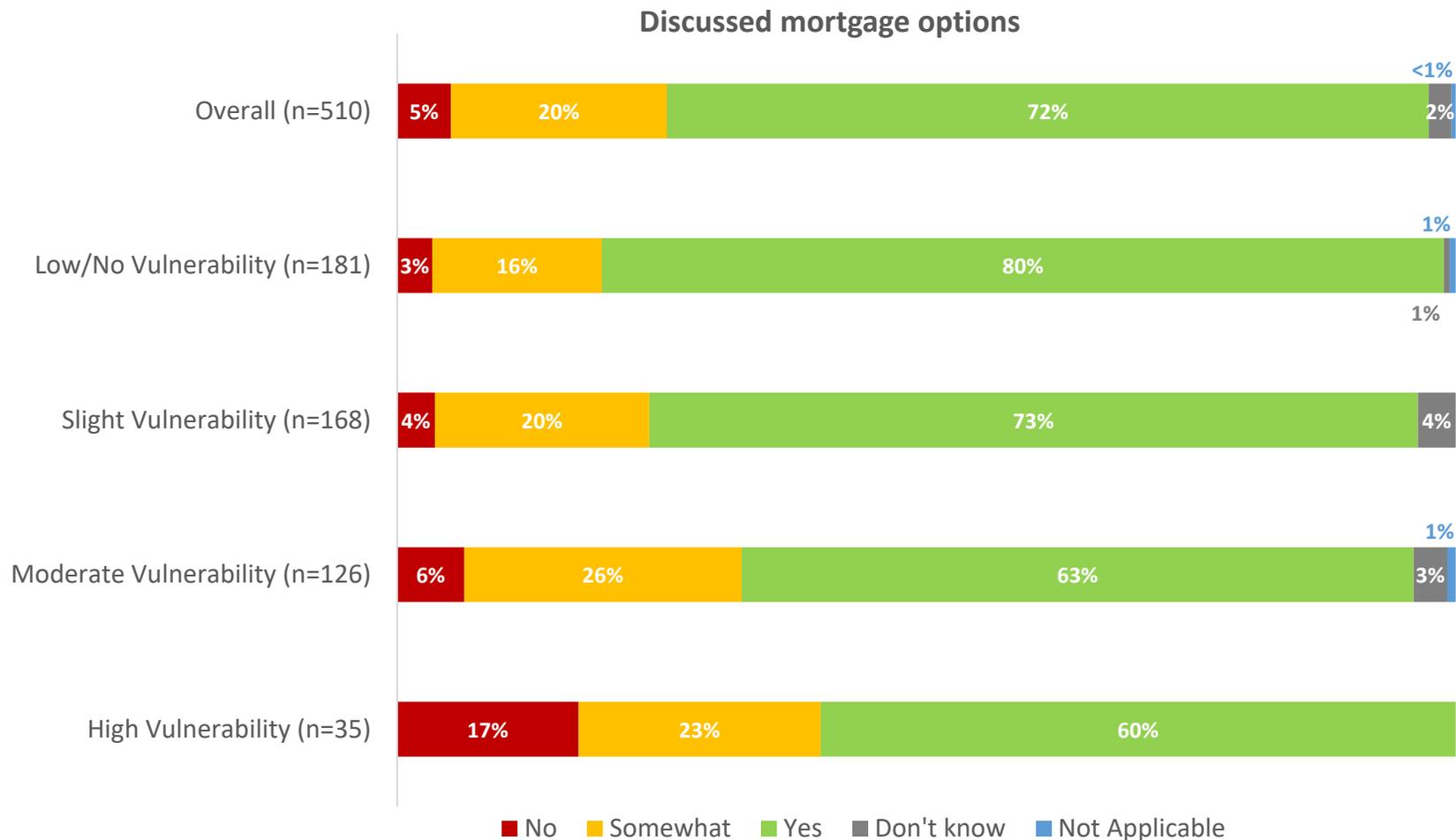
- Overall, 4 in 5 (82%) reported that their broker asked them questions to understand their financial situation. The following respondents are significantly more likely to say their broker asked them questions:
 - Those with low/no (85%) and slight financial vulnerability (85%) compared to those with high financial vulnerability (63%).
 - Those with household income of \$80,000 to \$100,000 (88%) compared to \$60,000 to \$80,000 (76%).

M5AA. Before you finalized your mortgage, did your broker do any of the following? Asked me questions to understand my financial situation

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

Broker's Assistance (Before Finalization of Mortgage)



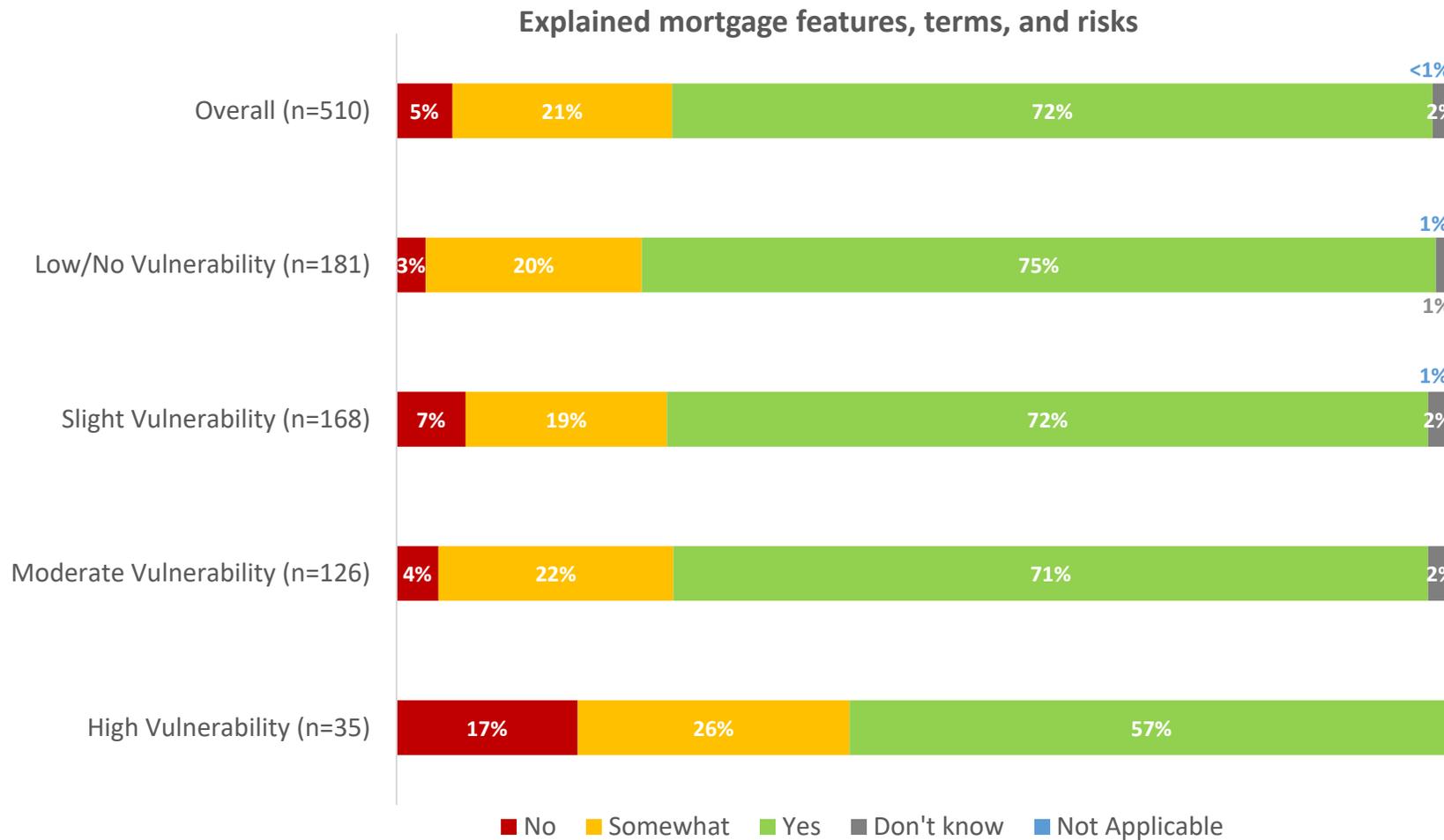
- Overall, 7 in 10 (72%) reported that their broker discussed different mortgage options with them before finalizing their mortgages.
- Those with low/no financial vulnerability (80%) are significantly more likely to say their brokers discussed different mortgage options compared to those with moderate (63%) and high financial vulnerability (60%).

M5AB. Before you finalized your mortgage, did your broker do any of the following? Discussed different mortgage options

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

Broker's Assistance (Before Finalization of Mortgage)



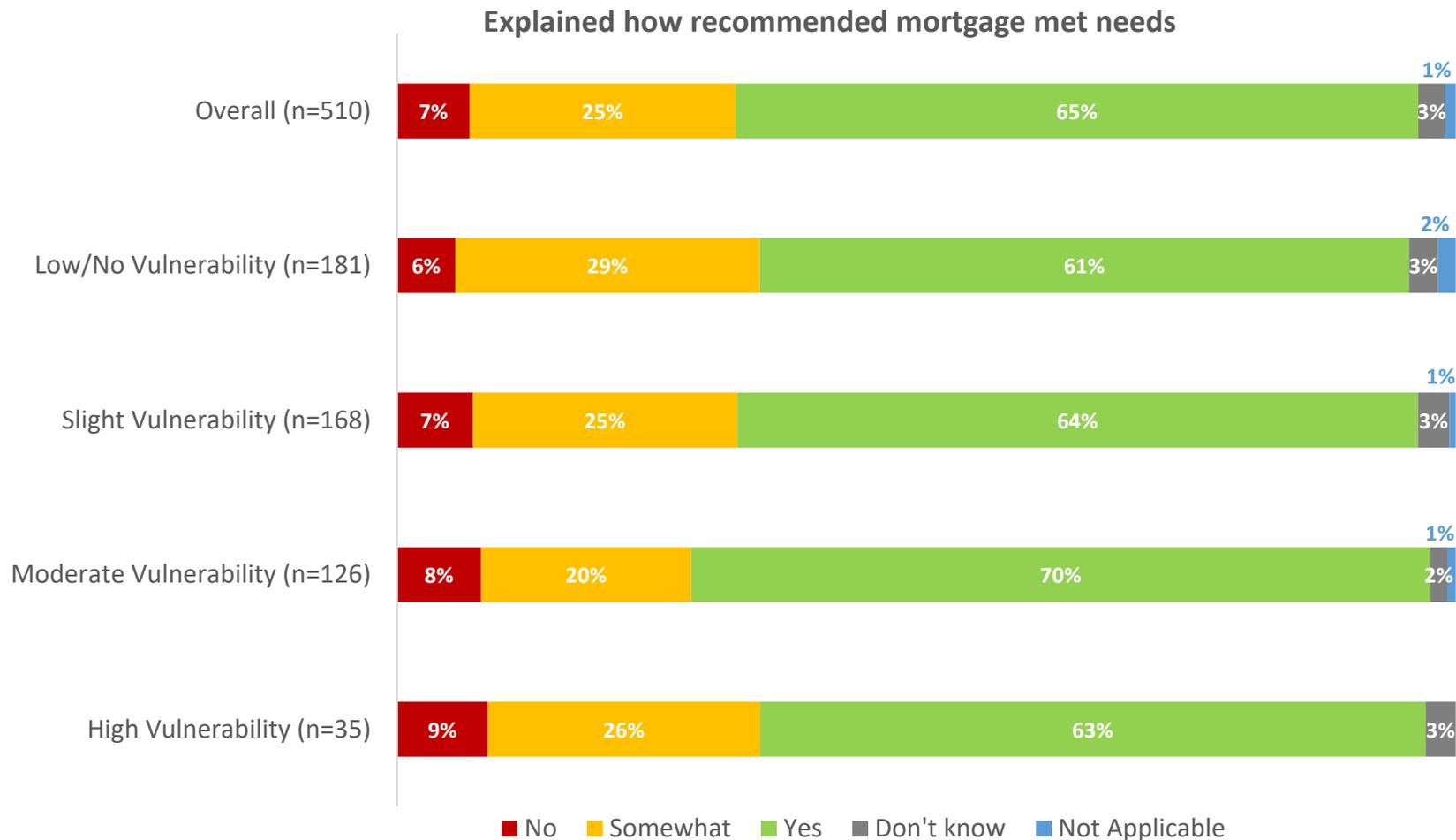
- Overall, 7 in 10 (72%) mentioned that their broker explained their mortgage features, terms, and risks. The following are significantly more likely to say their broker explained their mortgage:
 - Those with low/no financial vulnerability (75%) compared to those with high financial vulnerability (57%).
 - Those who are married people or living common law (74%) compared to those who are single (63%).

M5AC. Before you finalized your mortgage, did your broker do any of the following? Explained my mortgage features, terms, and risks

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

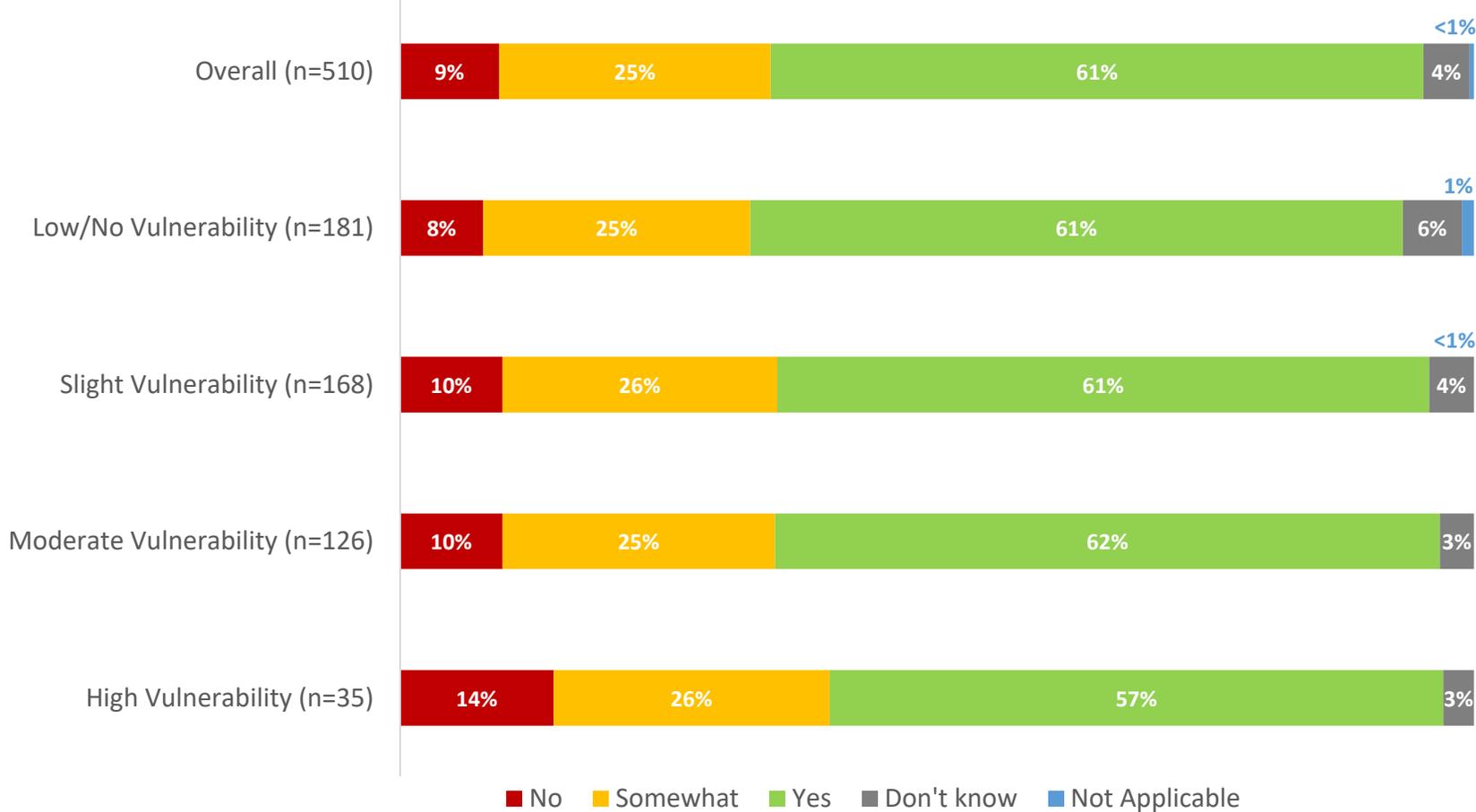
Broker's Assistance (After Finalization of Mortgage)



- At the time of signing their mortgage, around 2 in 3 (65%) reported that their broker explained how the recommended mortgage met their needs.
- Women are significantly more likely to say their broker explained how their recommended mortgage met their needs (69%) compared to men (60%).

Broker's Assistance (After Finalization of Mortgage)

Explained the Mortgage Commitment and Disclosure documents prior to signing



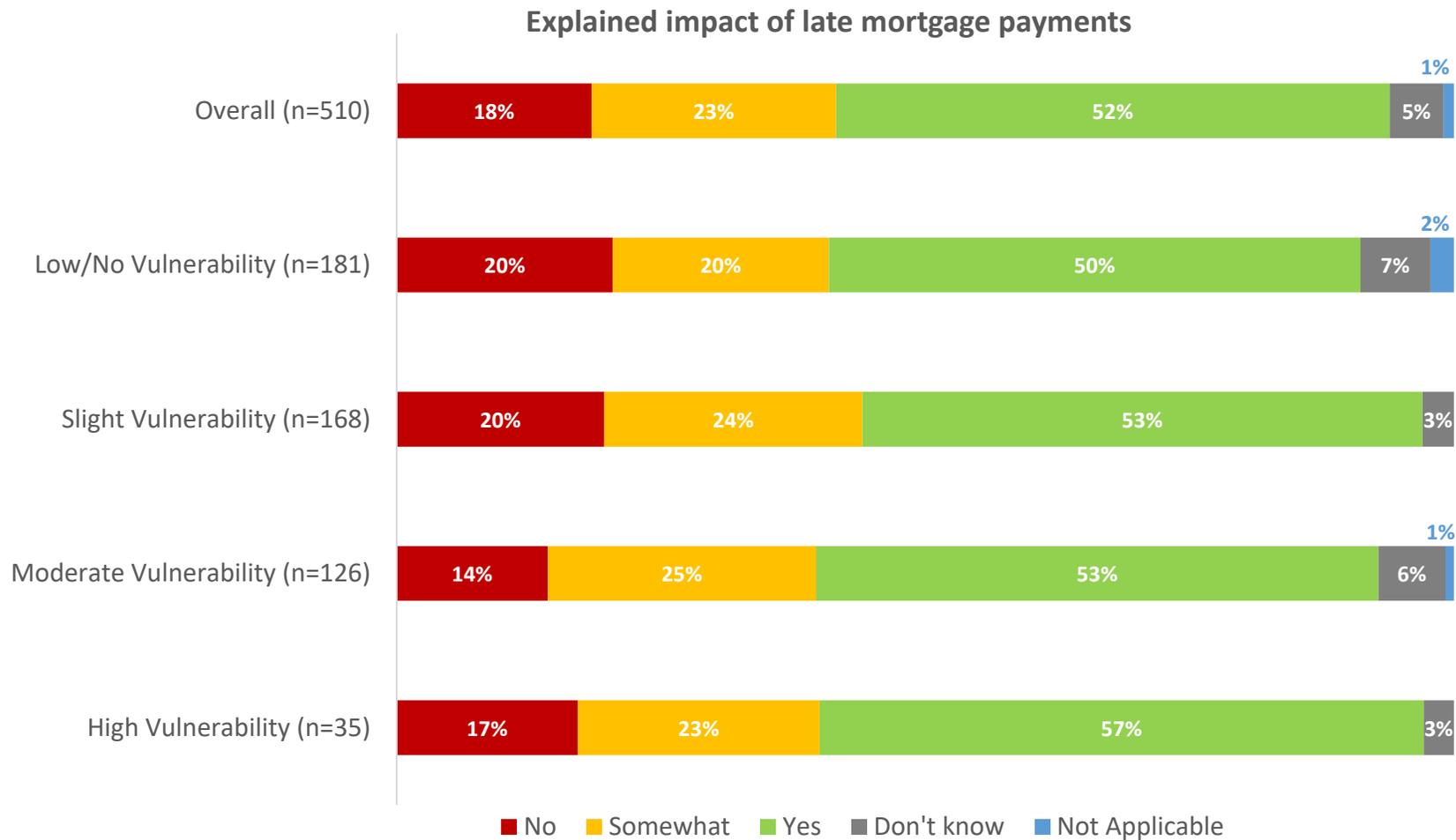
- 6 in 10 (61%) reported that their broker explained the Mortgage Commitment and Disclosure documents to them before asking them to sign. The following respondents are more likely to say their broker explained this:
 - Women (67%) compared to men (54%).
 - Those with household income of \$100,000 to \$150,000 (70%) compared to \$60,000 to \$80,000 (53%).

M5BB. And at the time of signing your mortgage, did your broker do any of the following? Explained the Mortgage Commitment and Disclosure documents before asking me to sign

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

Broker's Assistance (After Finalization of Mortgage)



- 1 in 2 (52%) reported that their broker explained what would happen if they fell behind on their mortgage payments. The following are significantly more likely to say their broker explained this:
 - Those aged 25 to 34 (62%) compared to those aged 35 to 44 (48%) and 45 to 54 (45%).
 - Those with household income of \$80,000 to \$100,000 (65%) compared to \$150,000 and above (47%).

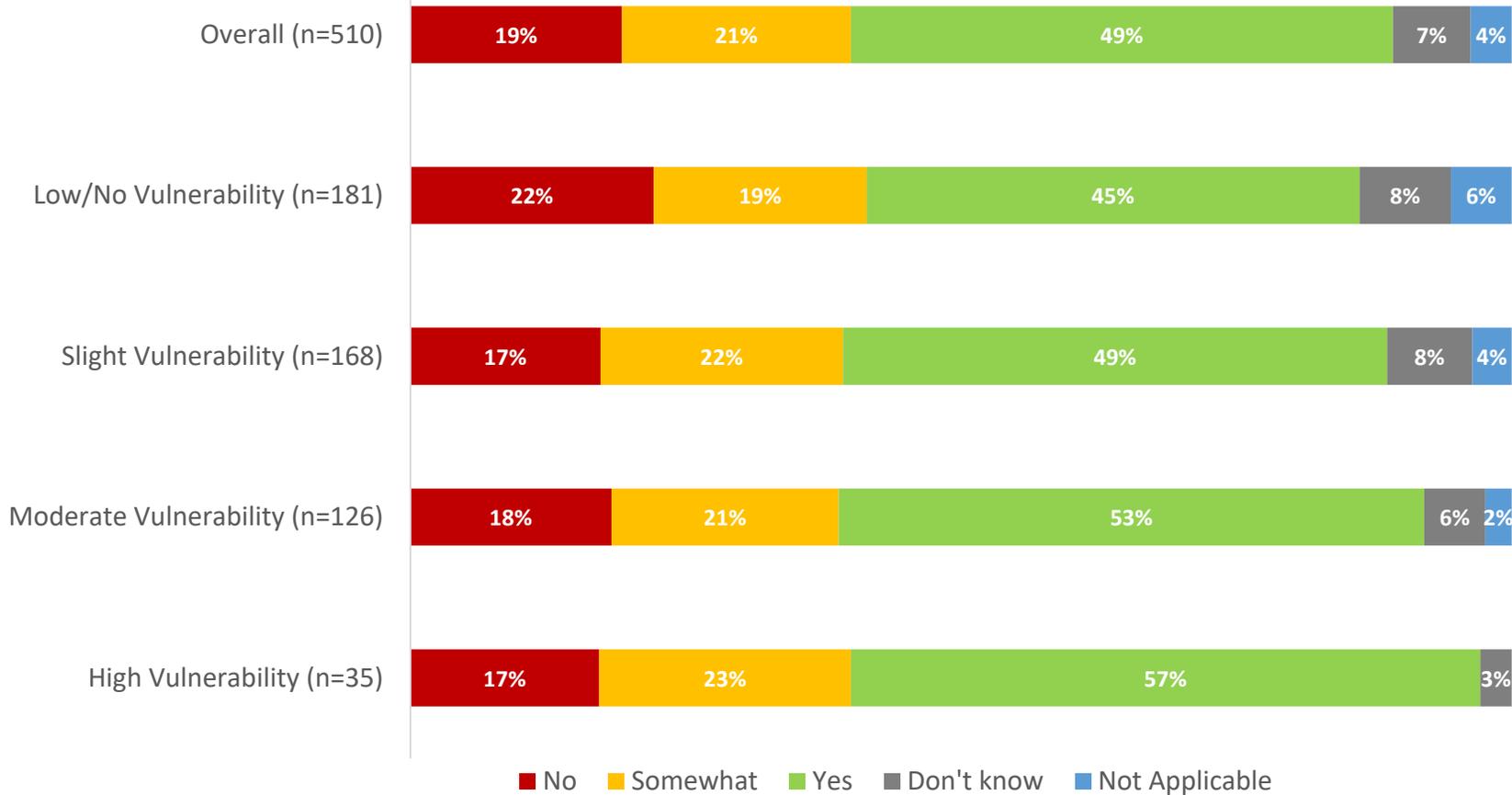
M5BC. And at the time of signing your mortgage, did your broker do any of the following? Explained what would happen (and how fast it would happen) if I fell behind on my mortgage payments

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

Broker's Assistance (After Finalization of Mortgage)

Explained any conflict of interests to mortgage transaction



- At the time of signing their mortgage, around 1 in 2 (49%) reported that their broker explained any real or perceived conflicts of interest related to their mortgage transaction.

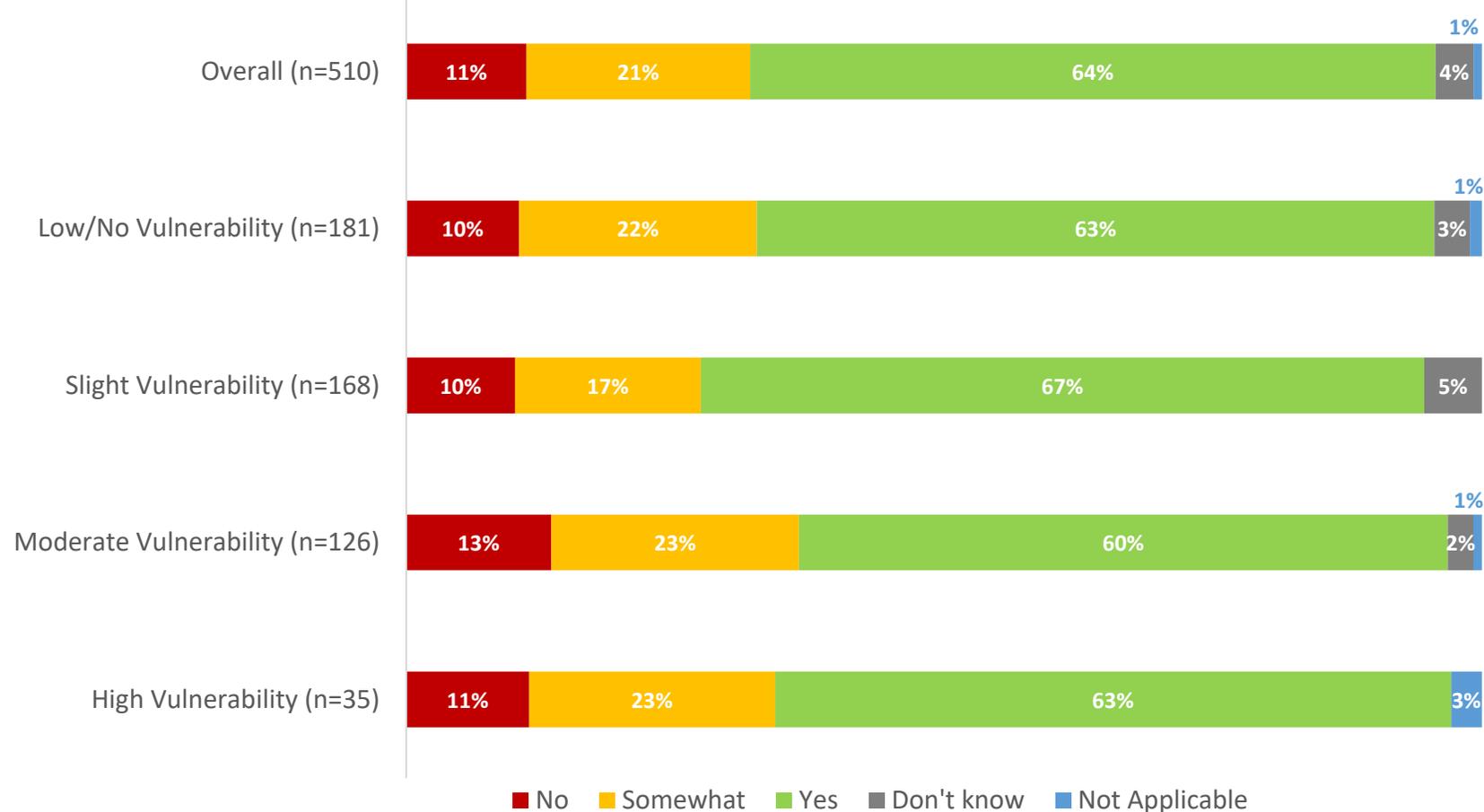
M5BD. And at the time of signing your mortgage, did your broker do any of the following? Explained any real or perceived conflicts of interest related to my mortgage transaction

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

Broker's Assistance (After Finalization of Mortgage)

Explained payment calculation and application, and remaining balance at the end of the term



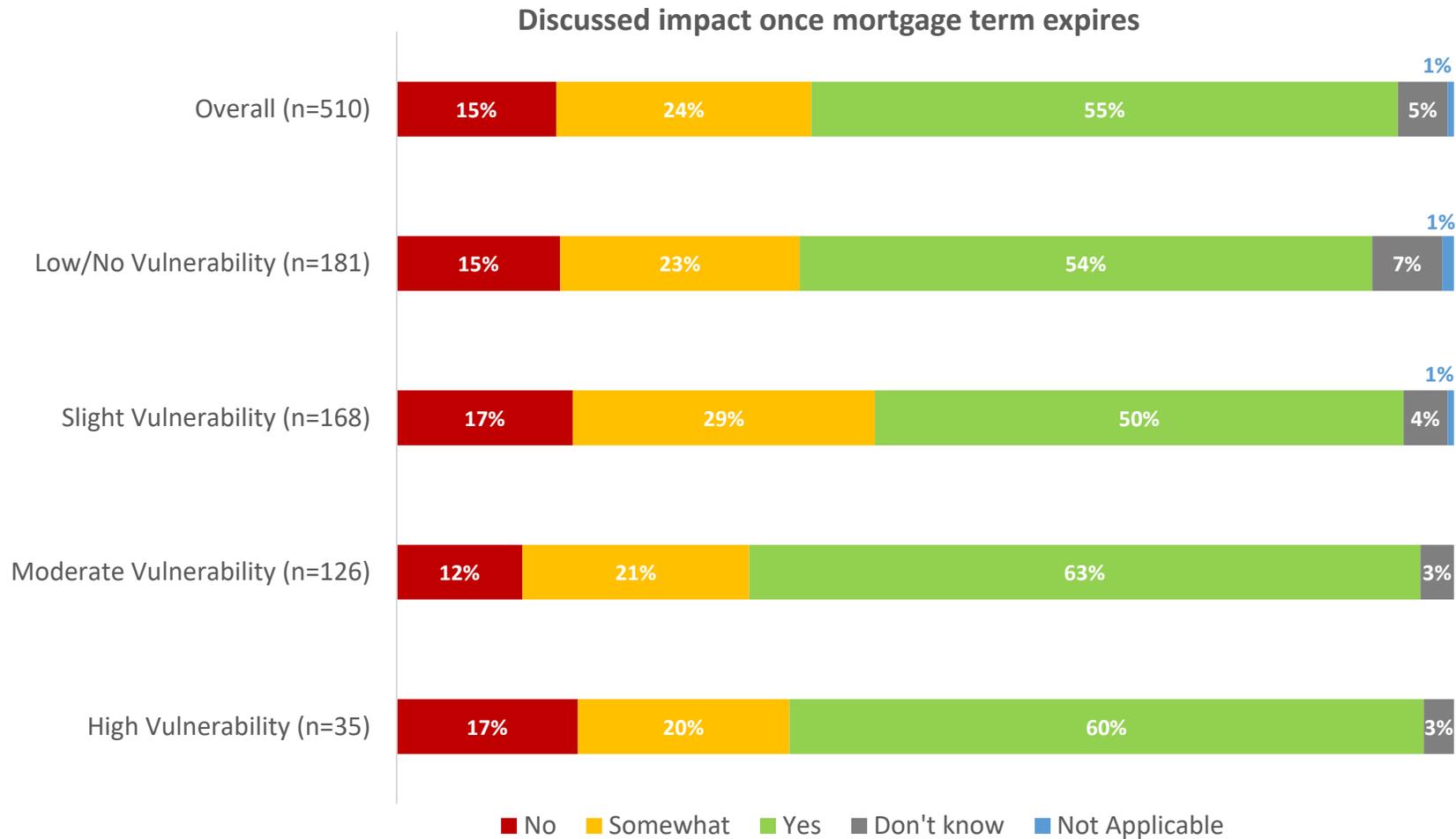
- After finalization of their mortgages, roughly 2 in 3 (64%) reported that their broker explained to them how the mortgage payments are calculated, applied, and what the remaining balance would be at the end of their term. The following respondents are significantly more likely to say their broker explained this:
 - Those with household income of \$80,000 to \$100,000 (75%) compared to \$40,000 to \$60,000 (57%) and \$150,000 and more (59%).

M5BE. And at the time of signing your mortgage, did your broker do any of the following? Explained how the payments are calculated, applied, and what the remaining balance would be at the end of the term

Sample size: Shown in chart above

Framework: Respondents who used a broker to help get the mortgage

Broker's Assistance (After Finalization of Mortgage)

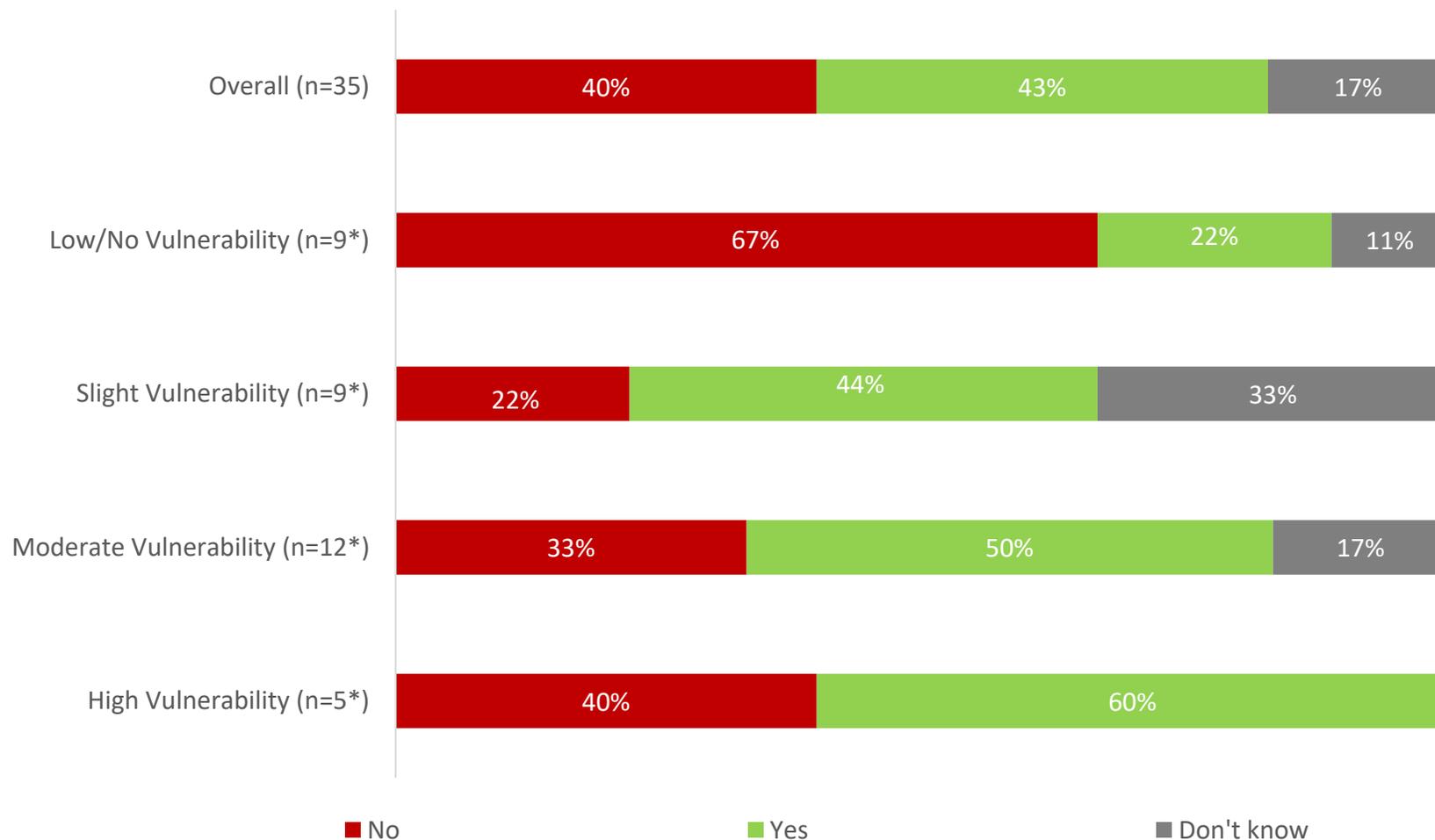


- After finalization of their mortgages, 1 in 2 (55%) reported that their broker explained to them what would happen when their mortgage term expired. The following respondents are significantly more likely to say their broker explained this:
 - Those with moderate financial vulnerability (63%) compared to those with slight financial vulnerability (50%).
 - Those with household income of \$100,000 to \$150,000 (63%) compared to \$40,000 to \$60,000 (49%).

M5BF. And at the time of signing your mortgage, did your broker do any of the following? Discussed what would happen when my mortgage term expired
 Sample size: Shown in chart above
 Framework: Respondents who used a broker to help get the mortgage

Exit Strategy

Do you have a plan or exit strategy in place to help you go back to a more traditional mortgage?



*small sample size; interpret with caution

M6. Do you have a plan or exit strategy in place to help you go back to a more traditional mortgage?

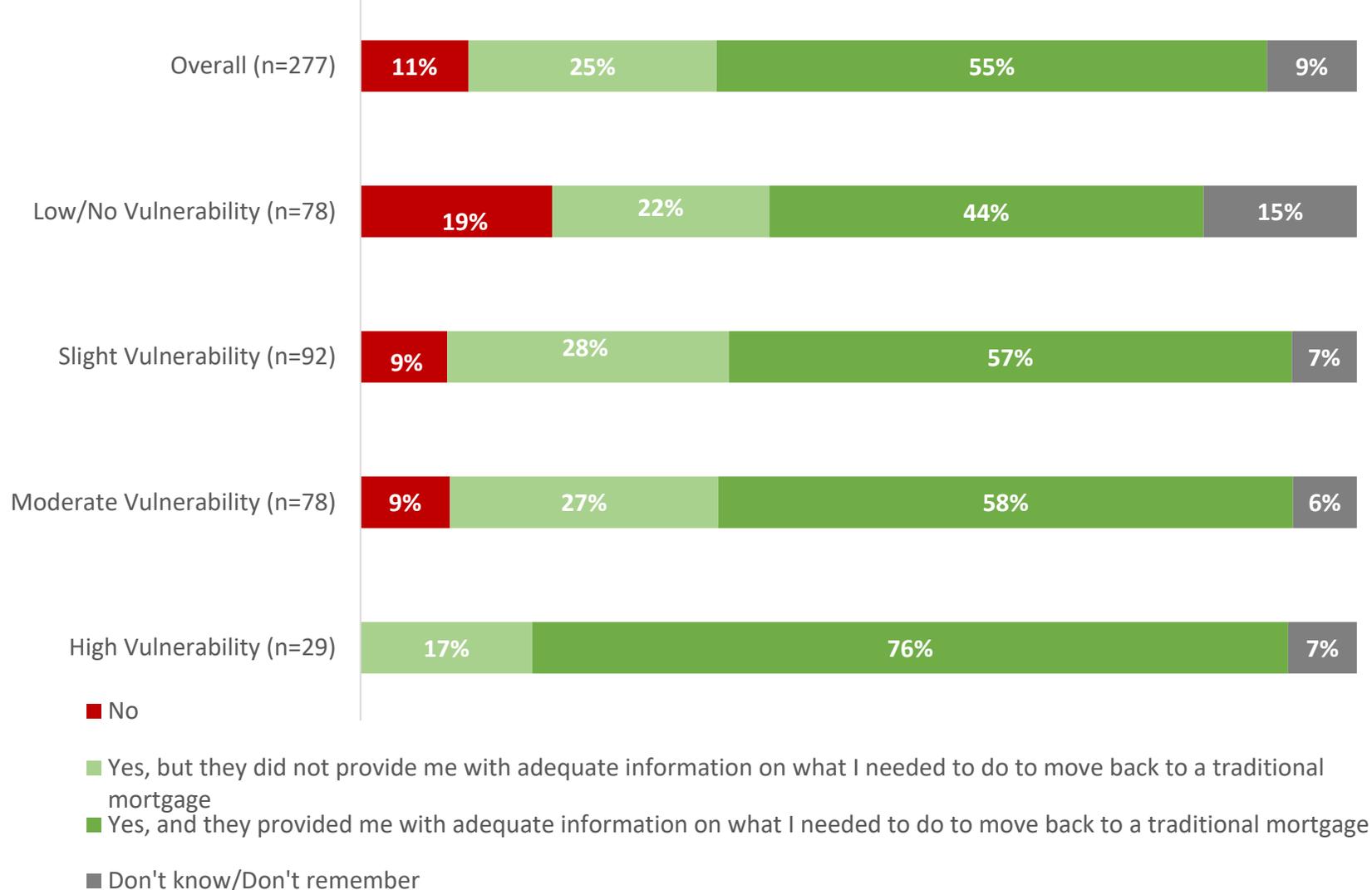
Sample size: Shown in chart above

Framework: Respondents who used a private lending company or an individual private lender

- For those who used a private lending company or an individual private lender to get their mortgage, 43% of the respondents mentioned that they have an exit strategy in place to help them go back to a more traditional mortgage.
- Meanwhile, 40% do not have any exit strategy in place while 17% do not know if they have any exit strategy to go back to traditional mortgage.

Exit Strategy from Broker

Suggestions on plans or exit strategies on moving back to a traditional mortgage from a broker



- For those who used or considered using a private lender and also worked with a broker, 55% mentioned that their broker suggested and provided them with adequate information for an exit strategy to move back to a traditional mortgage.
- Meanwhile, 25% reported that their broker suggested them to have an exit strategy but did not provide adequate information on what is needed to move back to a traditional mortgage.

M7. When you were considering using a private lender to get your mortgage, did your broker suggest a plan or exit strategy so that you can move back to a traditional mortgage?

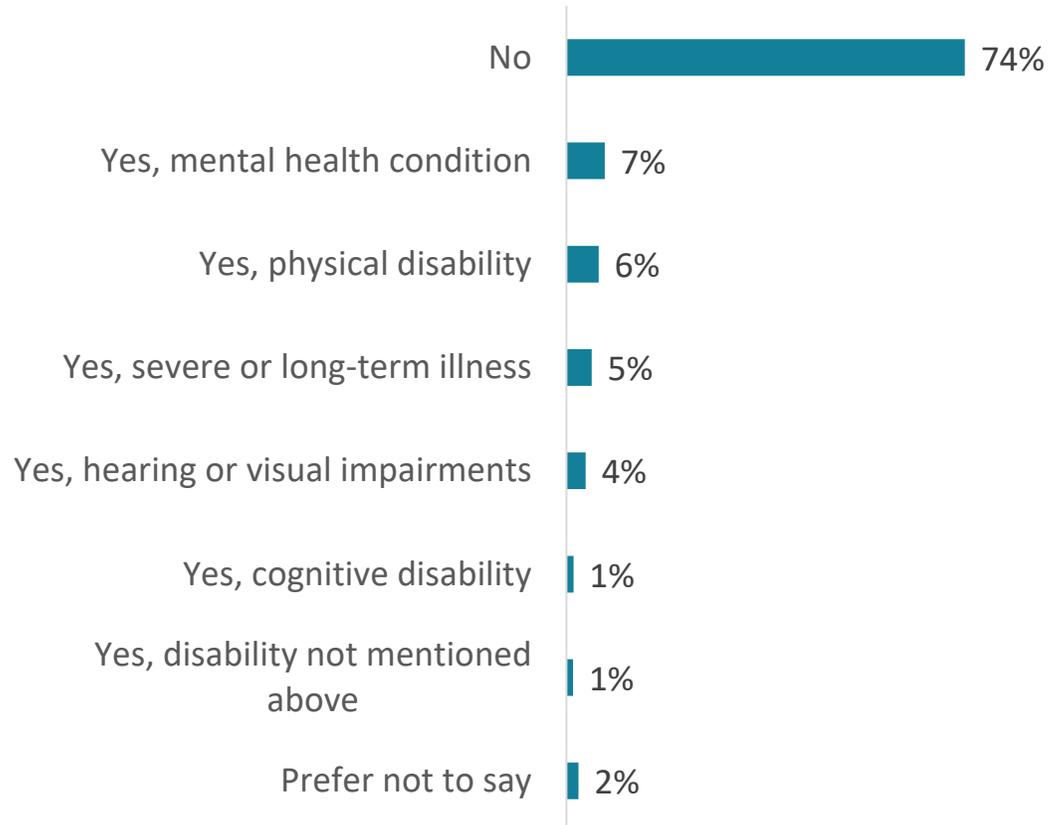
Sample size: Shown in chart above

Framework: Respondents who used or considered a private lending company / an individual private lender, and used a broker

VULNERABILITY

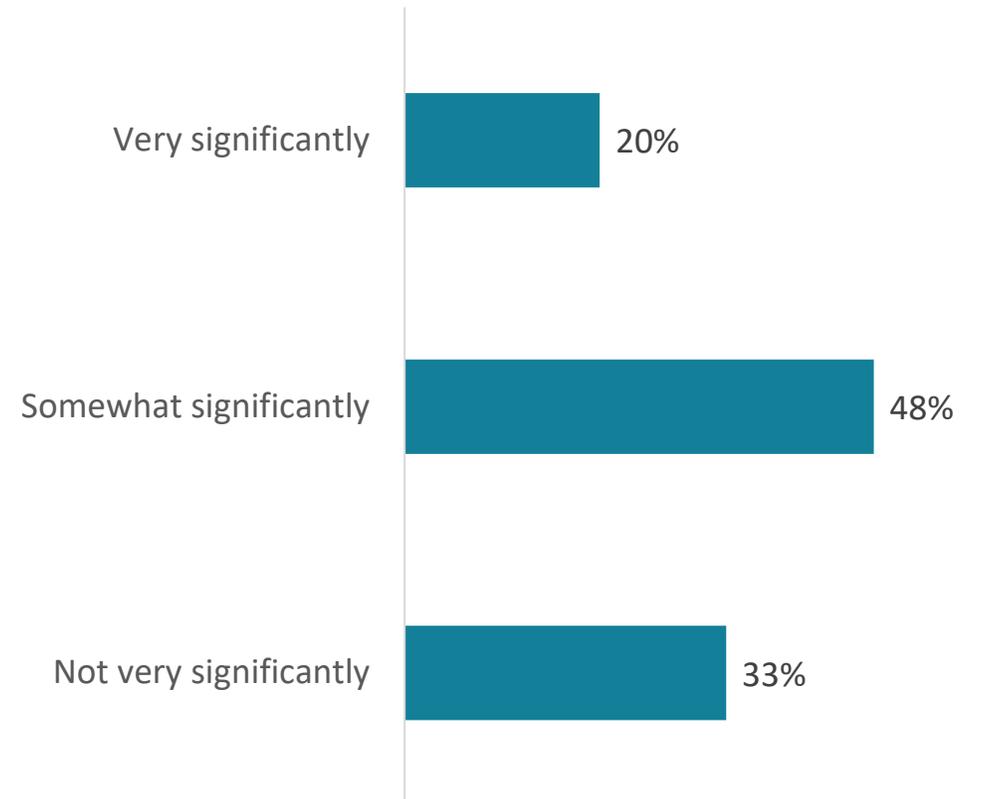
Physical and Mental Health Conditions Affecting Day-to-Day Activities

Existing Health Conditions



V1. Do you have any physical or mental health condition(s) or illness(es) that reduce your ability to carry out day-to-day activities? MULTI-SELECT
Sample size: n=1001
Framework: Total sample

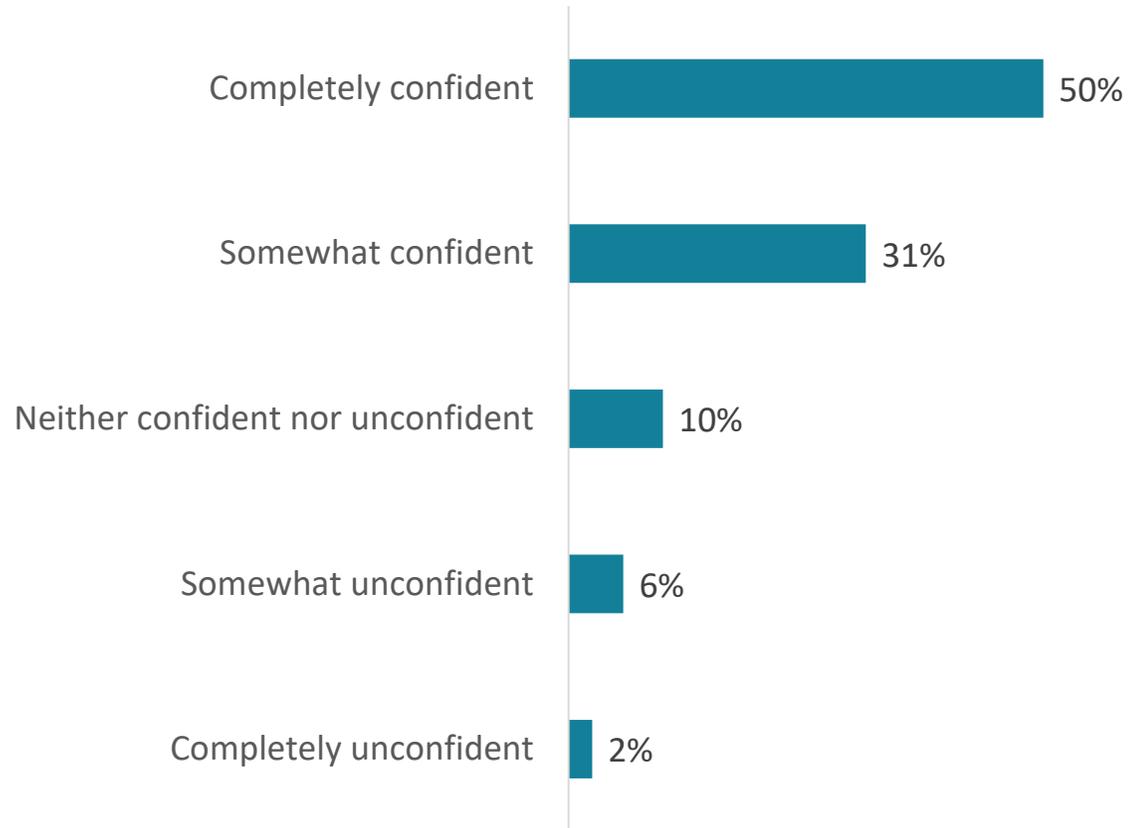
Degree of Health Condition's Effect on Day-To-Day Activities



V2. And how significantly do these physical or mental health condition(s) or illness(es) reduce your ability to carry out day-to-day activities?
Sample size: n=187
Framework: Respondents who indicated any physical or mental health condition(s)

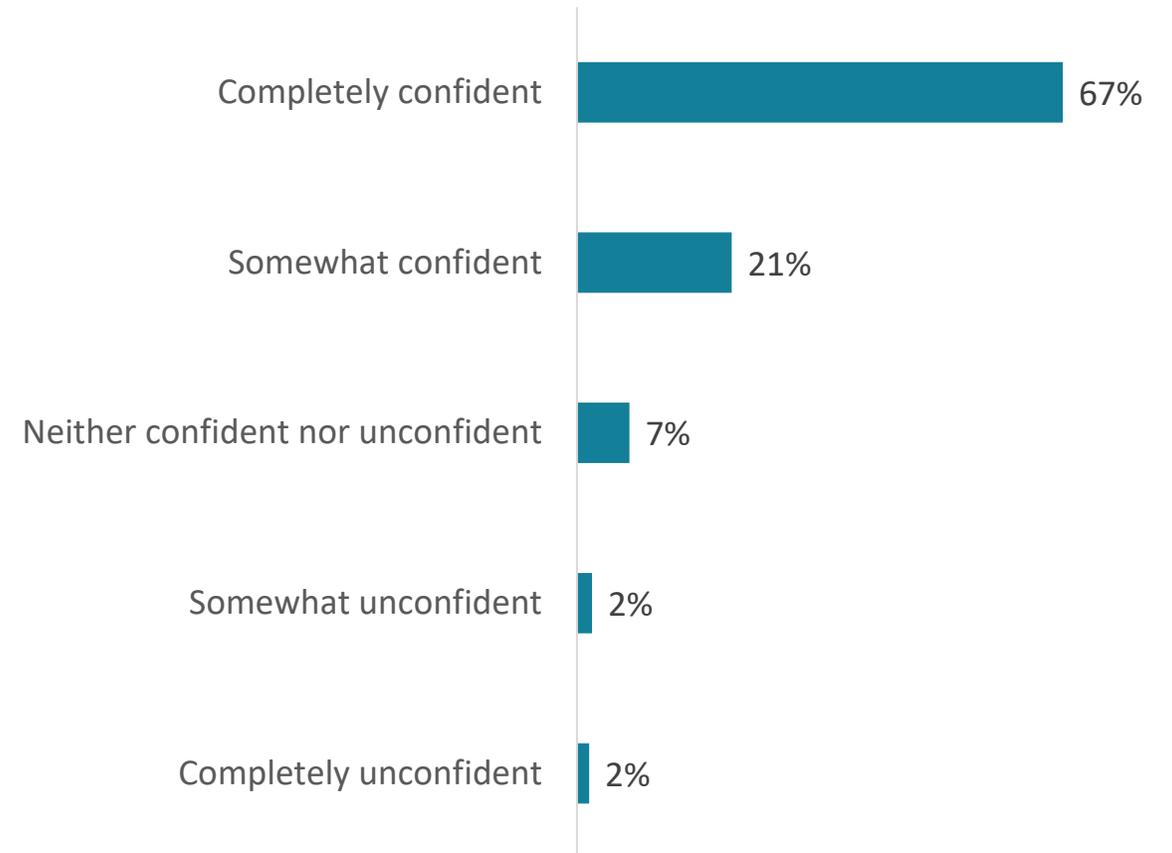
Confidence on Working With Numbers, and Using Computers and Internet

Confidence on Working with Numbers (TOP2: 81%)



V3. How confident do you feel working with numbers when you need to in everyday life?
Sample size: n=1001
Framework: Total sample

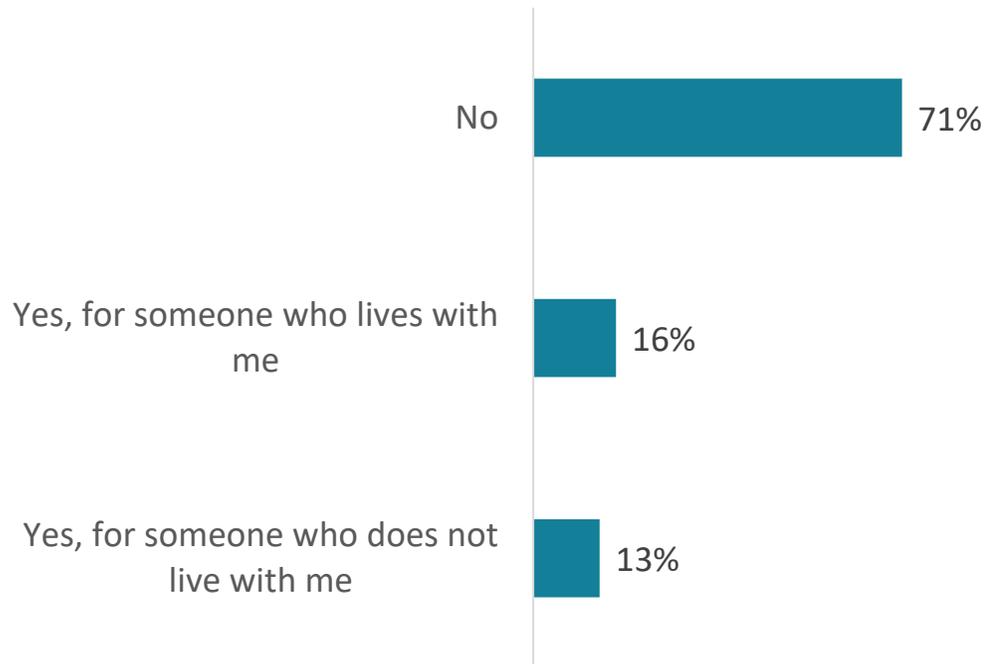
Confidence on Using Computers and Internet (TOP2: 88%)



V4. How confident are you with using computers and navigating the internet?
Sample size: n=1001
Framework: Total sample

Support Toward Individuals With Health Conditions

Non-Financial Support Toward Individuals with Health Conditions

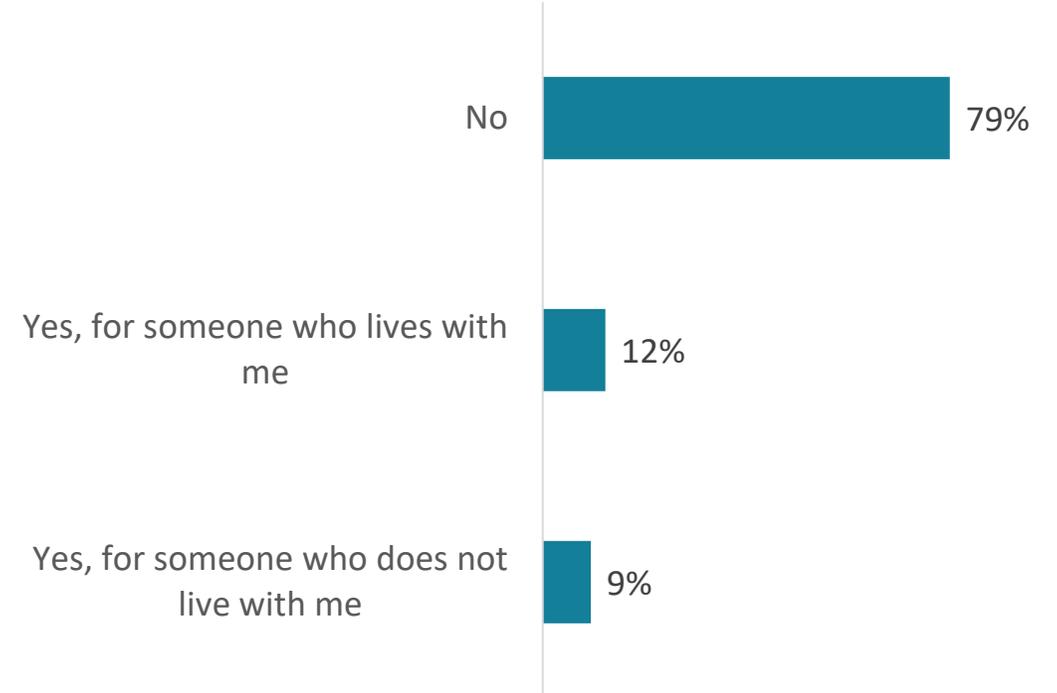


V5. At the moment, do you provide any help or support (excluding financial support) for anyone who has a long-term physical or mental health problem or disability or who has problems related to old age? Please select all that apply

Sample size: n=1001

Framework: Total sample

Financial Support Toward Individuals with Health Conditions



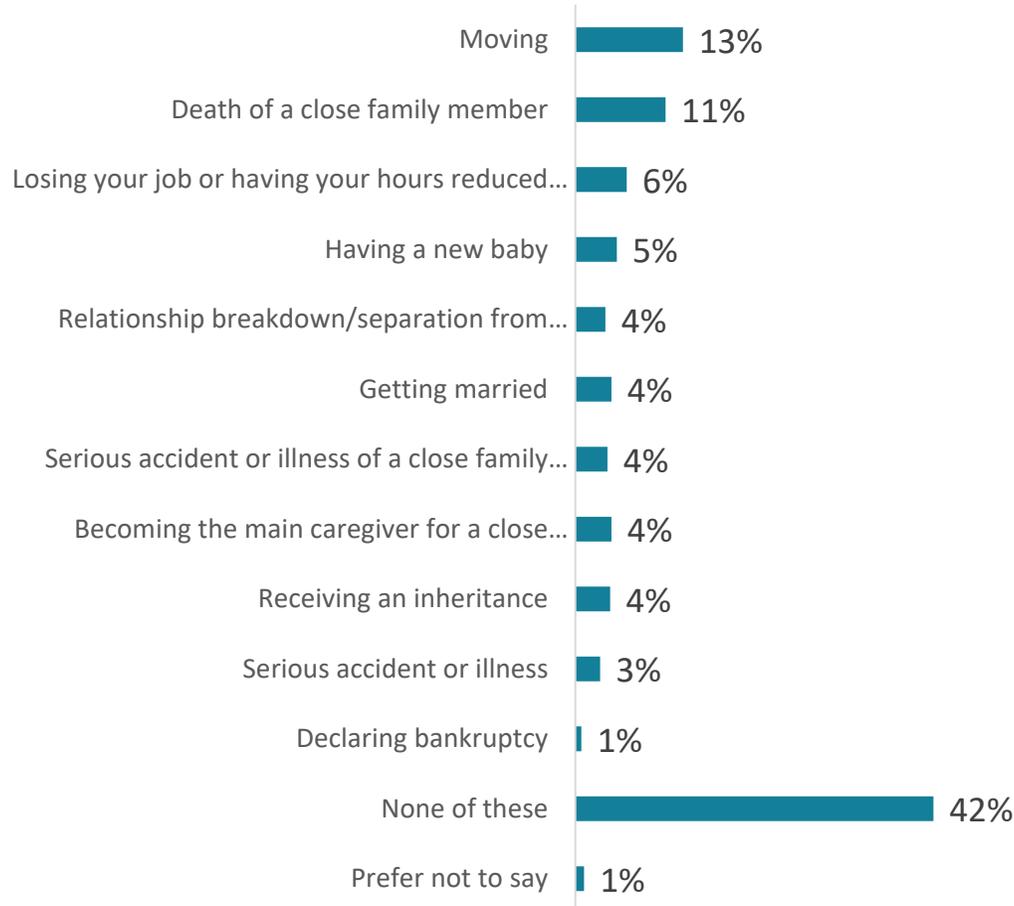
V6. At the moment, do you provide any financial support to anyone who has a long-term physical or mental health problem or disability or who has problems related to old age? Please select all that apply.

Sample size: n=1001

Framework: Total sample

Major Events and Income Coverage

Major Events in the Last 12 Months



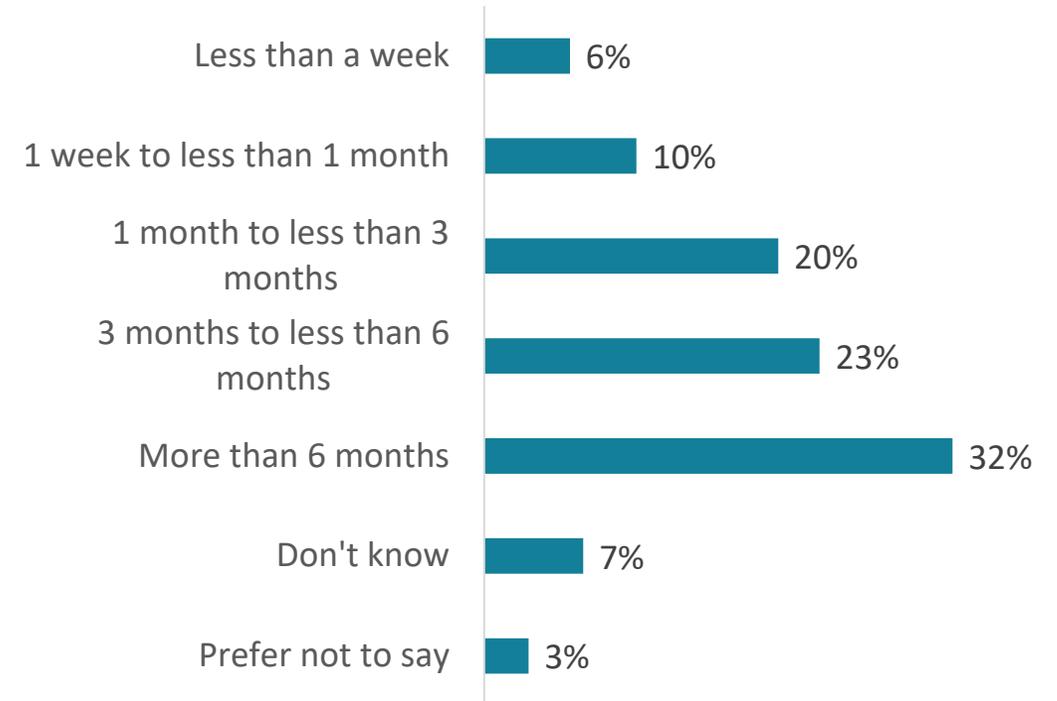
V7. Have you experienced any of the following major events in the last 12 months?

Please select all that apply.

Sample size: n=1001

Framework: Total sample

Income Coverage in the Event Main Source of Income is Lost



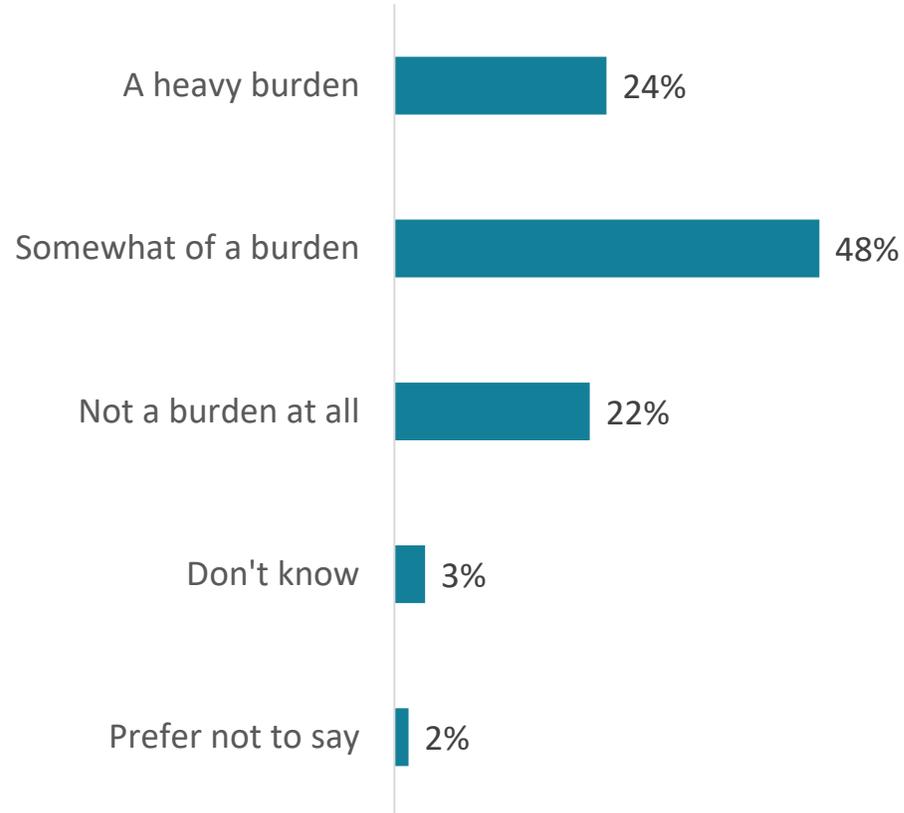
V8. If you lost your main source of household income, how long could your household continue to cover living expenses, without having to borrow any money or ask for help from friends or family?

Sample size: n=1001

Framework: Total sample

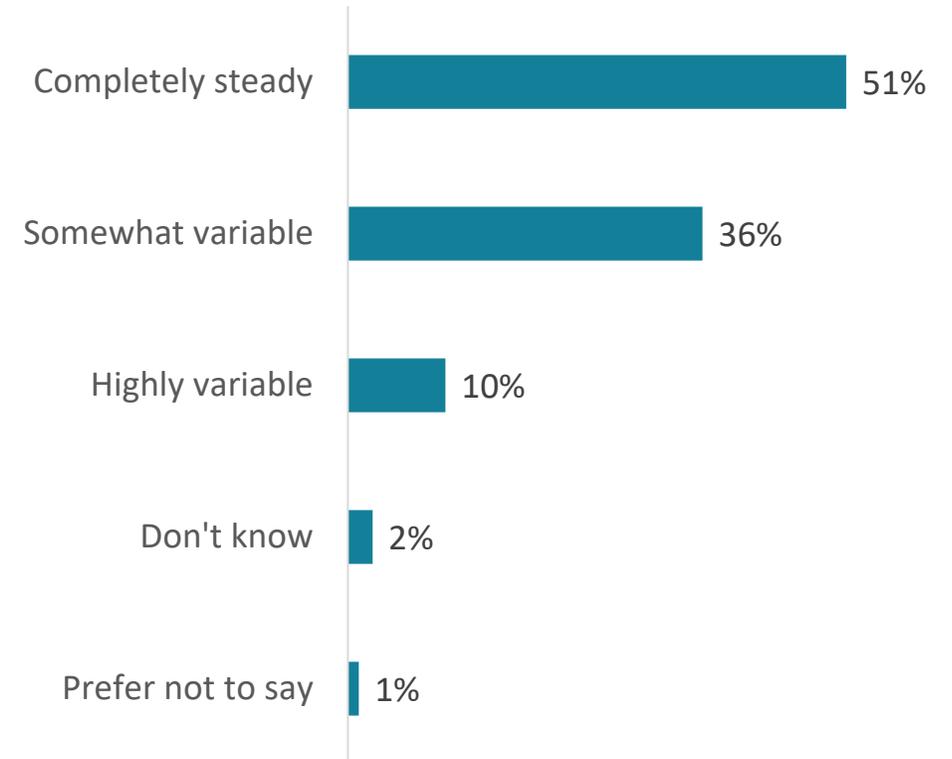
Burden on Expenses, and Income Variability

Burden Felt on Expenses



V9. To what extent do you feel that keeping up with your household bills and expenses is a burden?
Sample size: n=1001
Framework: Total sample

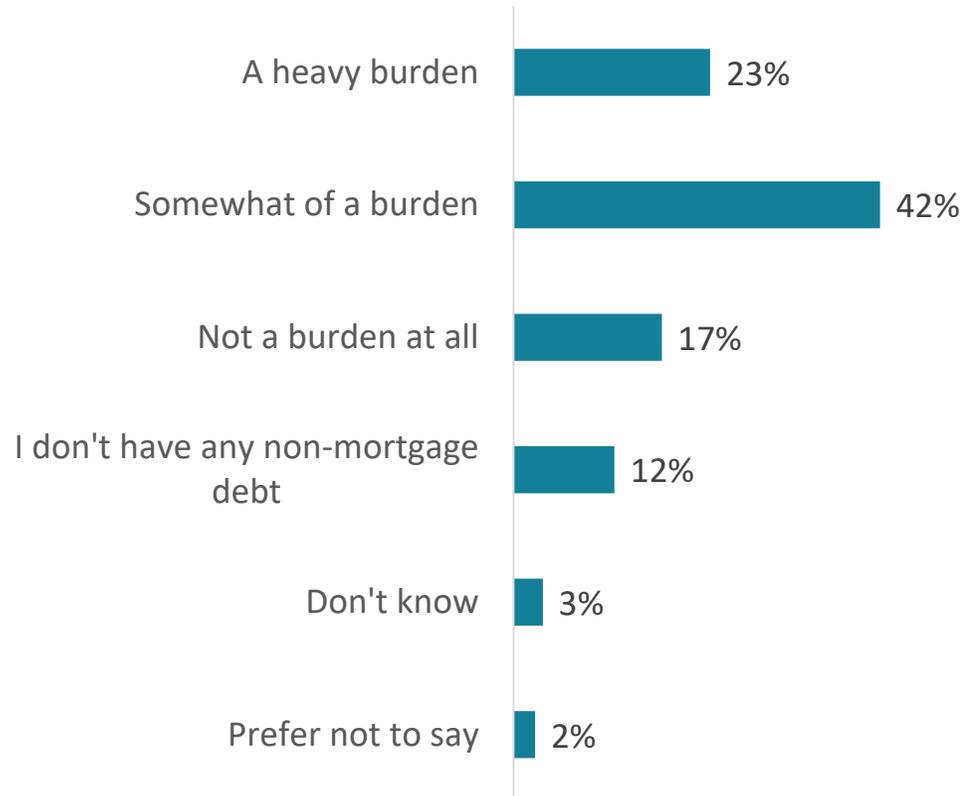
Income Variability



V10. Would you consider your household's income to be steady (i.e., it stays the same) or variable (i.e., it goes up and down) from month to month?
Sample size: n=1001
Framework: Total sample

Burden on Non-Mortgage Debt, and Knowledge About Personal Finances

Burden Felt on Non-Mortgage Debt

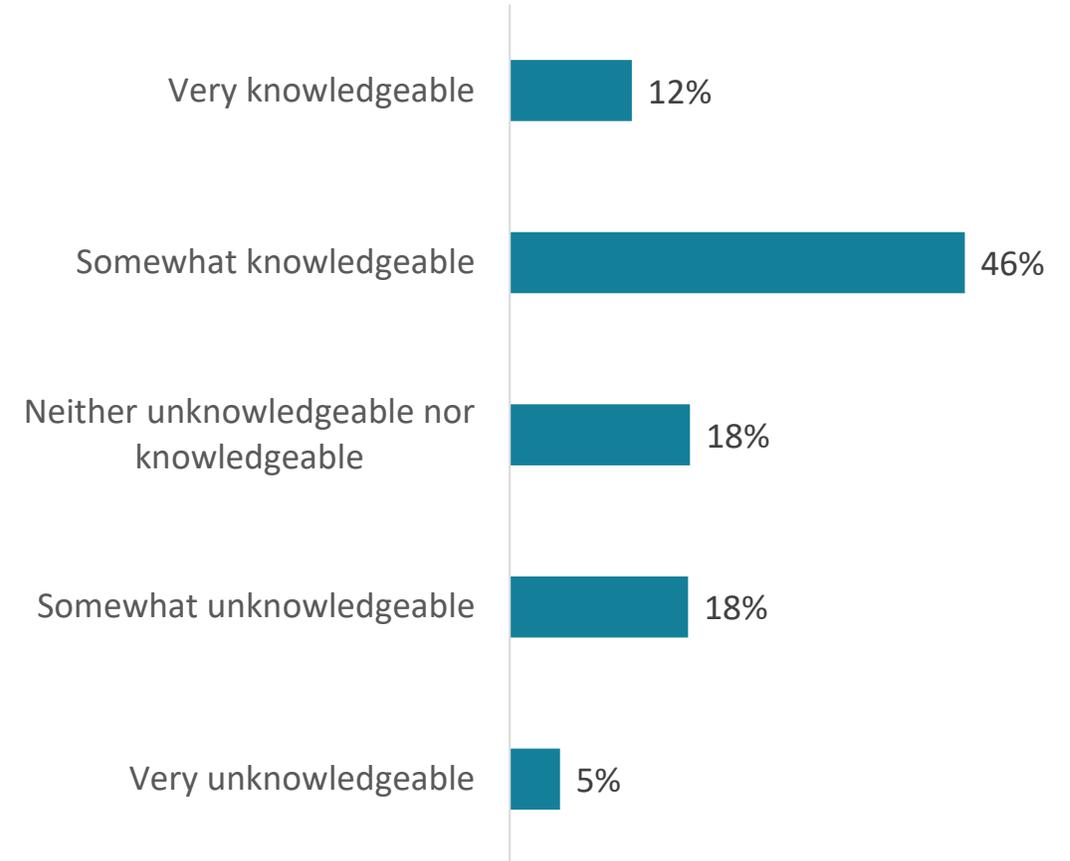


V11. To what extent do you feel that your non-mortgage debt is a burden?

Sample size: n=1001

Framework: Total sample

Knowledge on Personal Finances (TOP2: 58%)



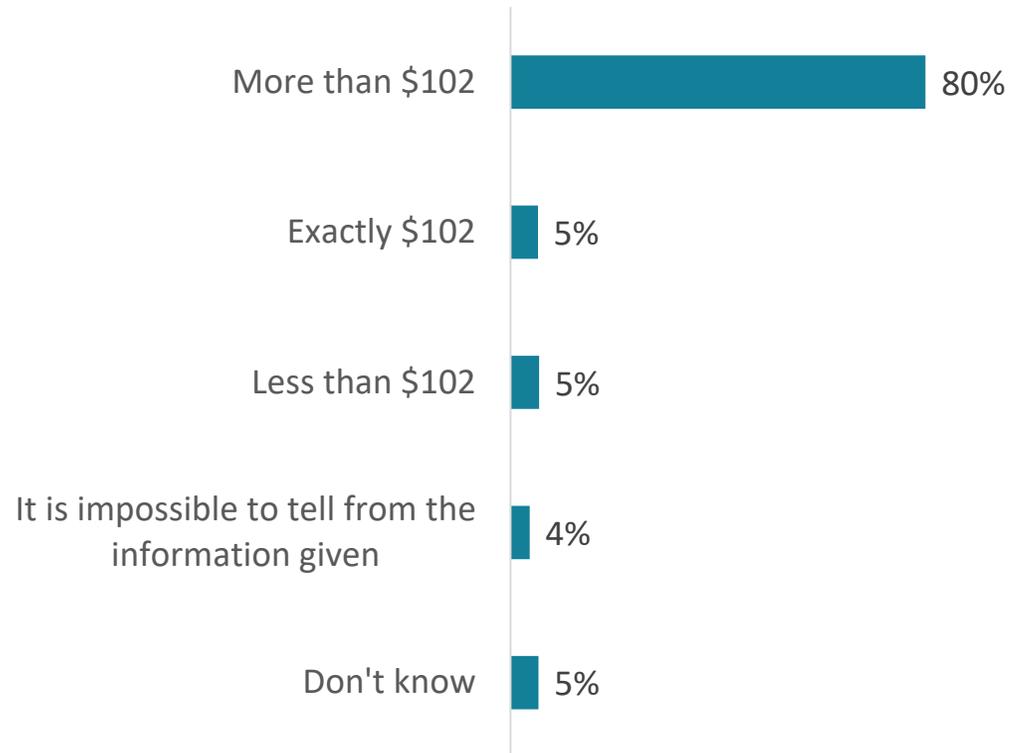
V12. In general, how knowledgeable do you think you are about finances (e.g., investments, tax planning, estate planning, insurance)?

Sample size: n=1001

Framework: Total sample

Financial Knowledge

Interest Earned from \$100 Savings

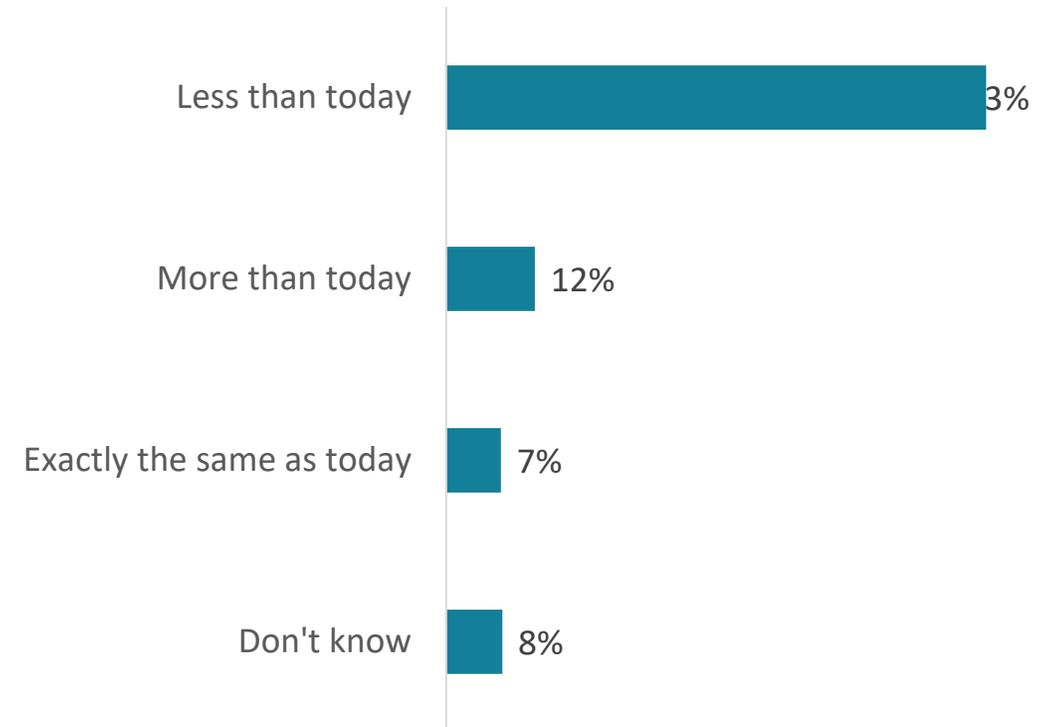


V13. Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? Assume there are no service fees on the account.

Sample size: n=1001

Framework: Total sample

Amount Equivalent with Interest and Inflation



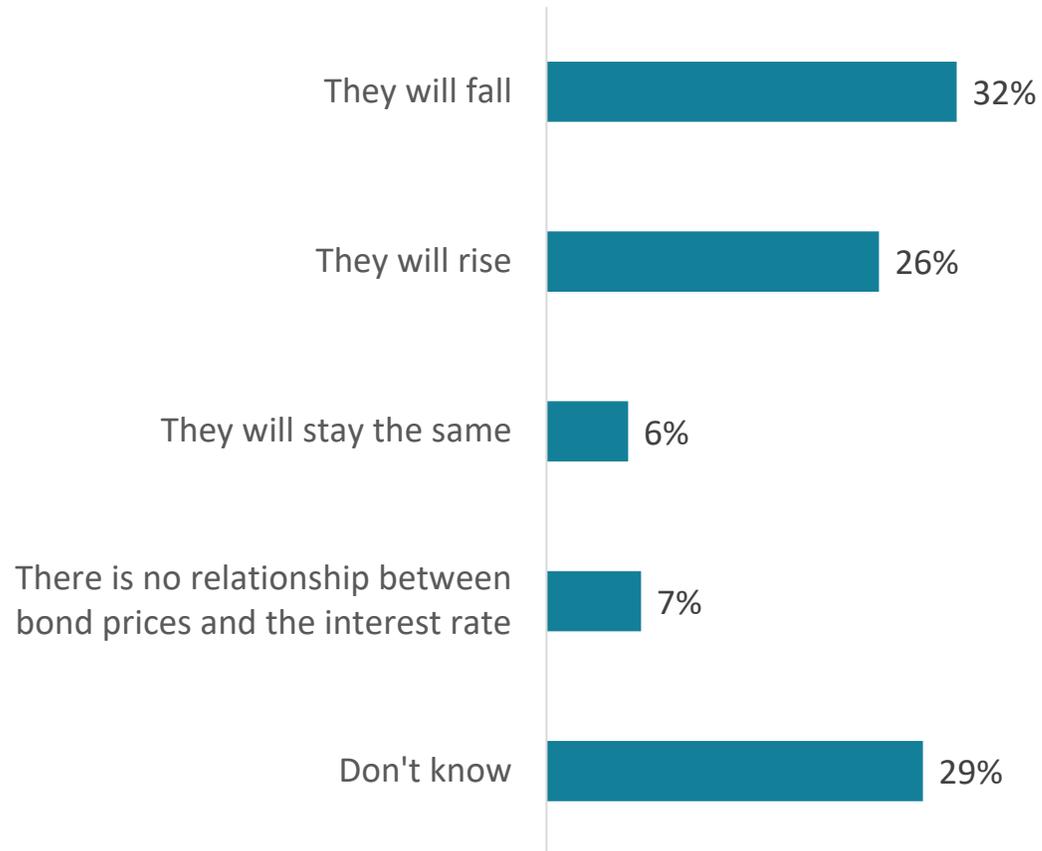
V14. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, with the money in this account, would you be able to buy...

Sample size: n=1001

Framework: Total sample

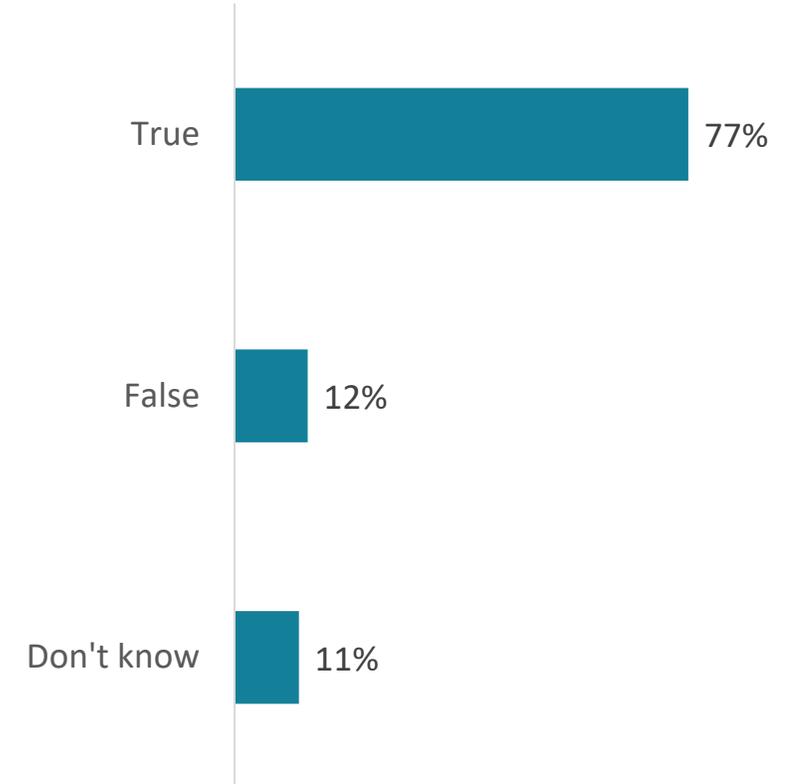
Financial Knowledge (con't)

Effect of Interest Rates on Bond Prices



V15. If interest rates rise, what will typically happen to bond prices? Sample size: n=1001
Framework: Total sample

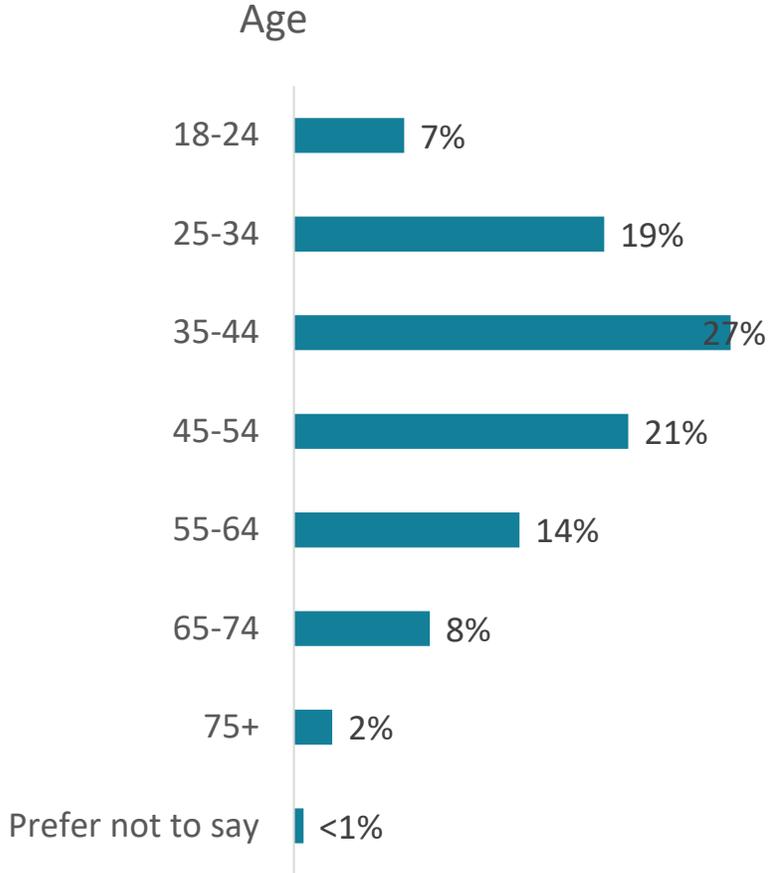
Total Interest Paid on Mortgages



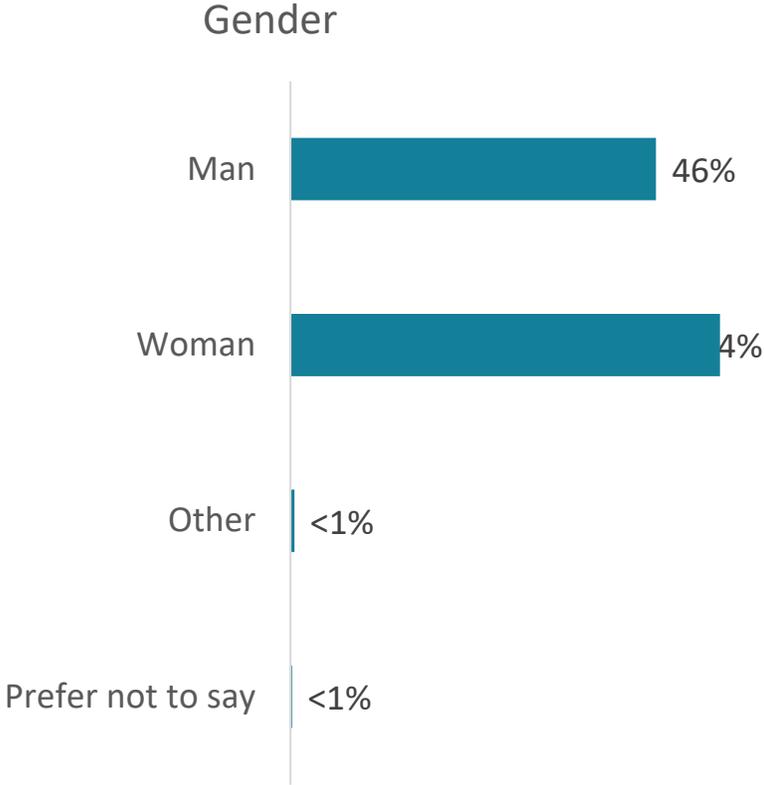
V16. A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less. Sample size: n=1001
Framework: Total sample

DEMOGRAPHICS

Age & Gender



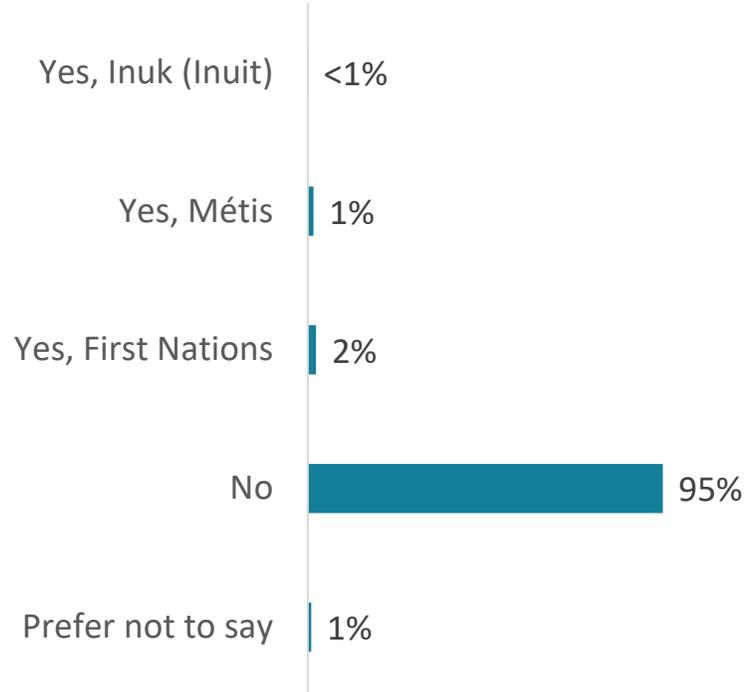
D1. How old are you?
Sample size: n=1001
Framework: Total sample



D2. How would you describe your gender?
Sample size: n=1001
Framework: Total sample

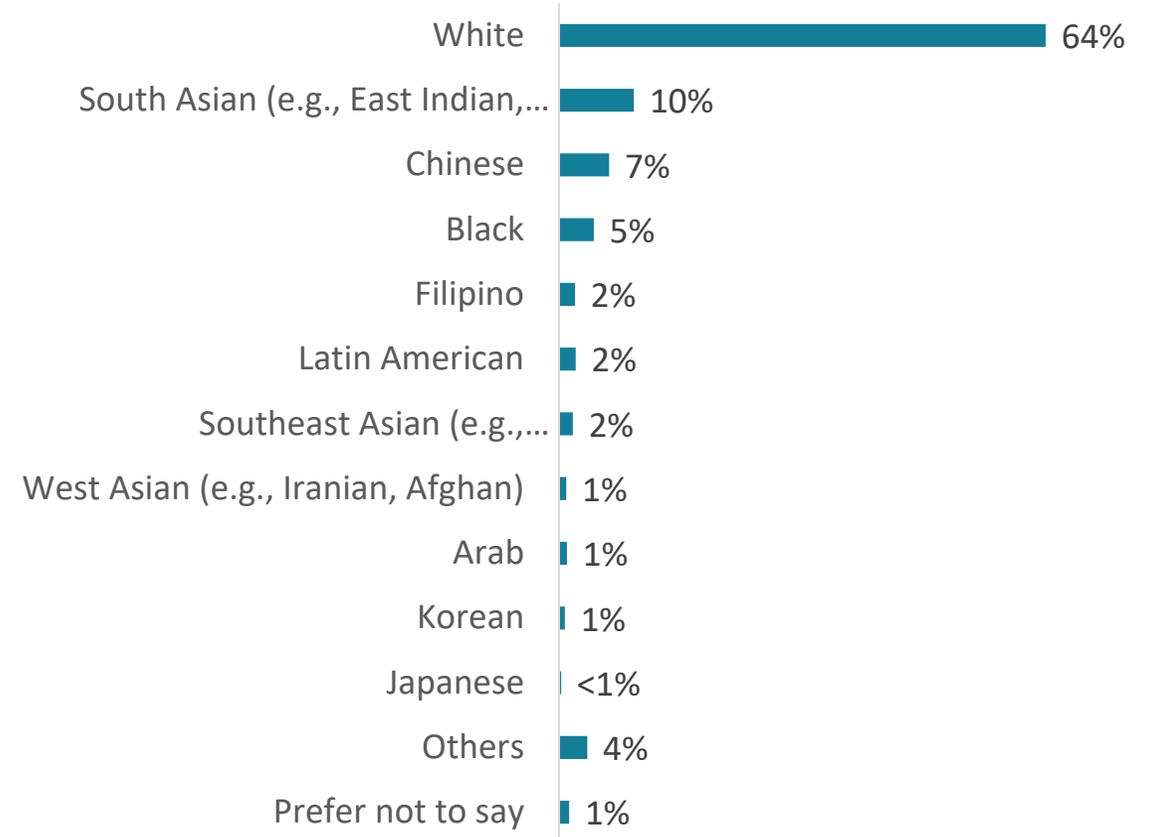
Indigenous & Ethnic Background

Indigenous Affiliation



D3. Do you identify as First Nations, Métis or Inuk (Inuit)?
Sample size: n=1001
Framework: Total sample

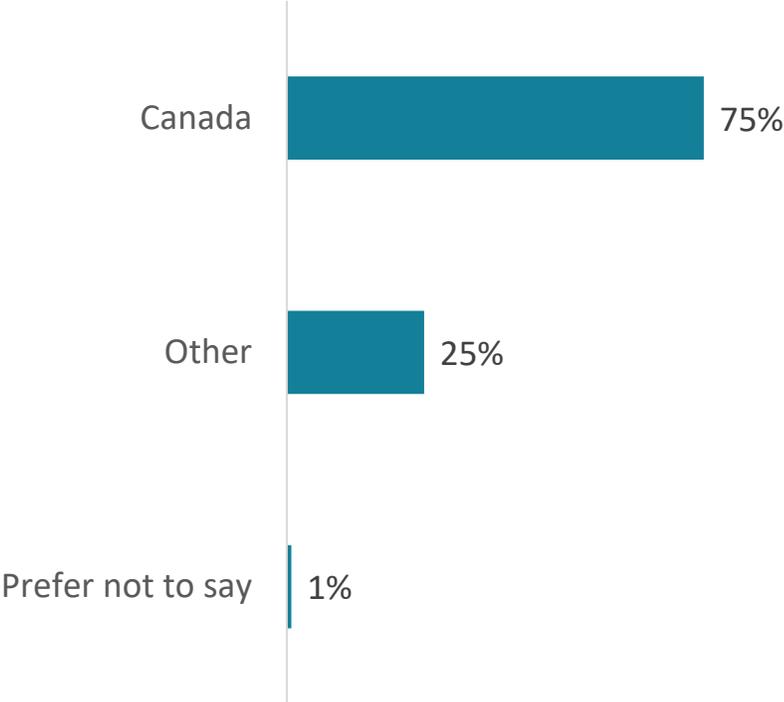
Ethnic Background



D4. How would you describe your ethnic background? Please select all that apply.
Sample size: n=1001
Framework: Total sample

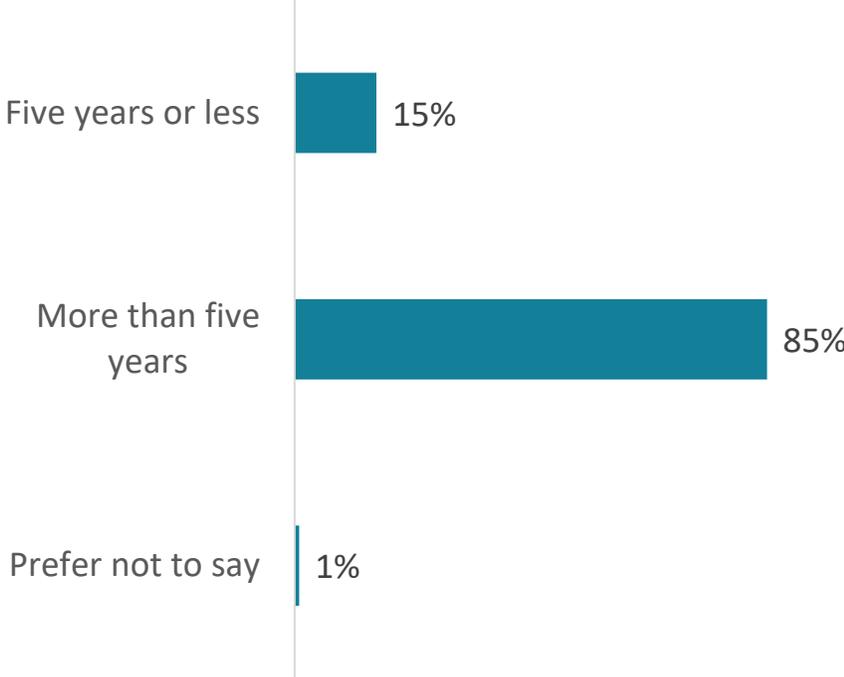
Country of Origin & Canadian Residence

Country of Origin



D5. In what country were you born?
Sample size: n=1001
Framework: Total sample

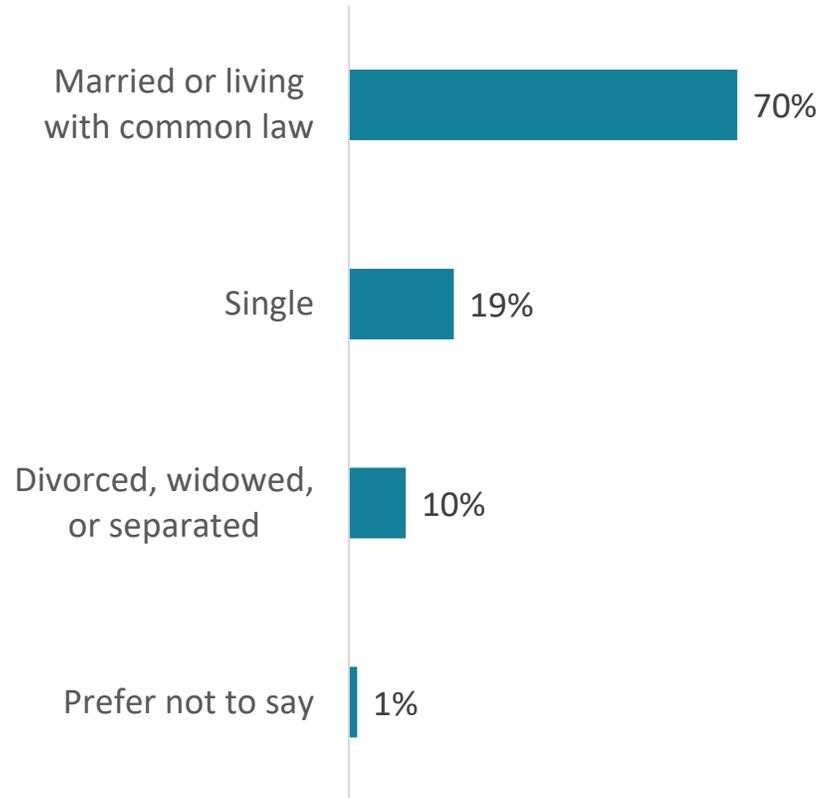
Years of Residence in Canada



D6. How long have you been living in Canada?
Sample size: n=246
Framework: Respondents not born in Canada

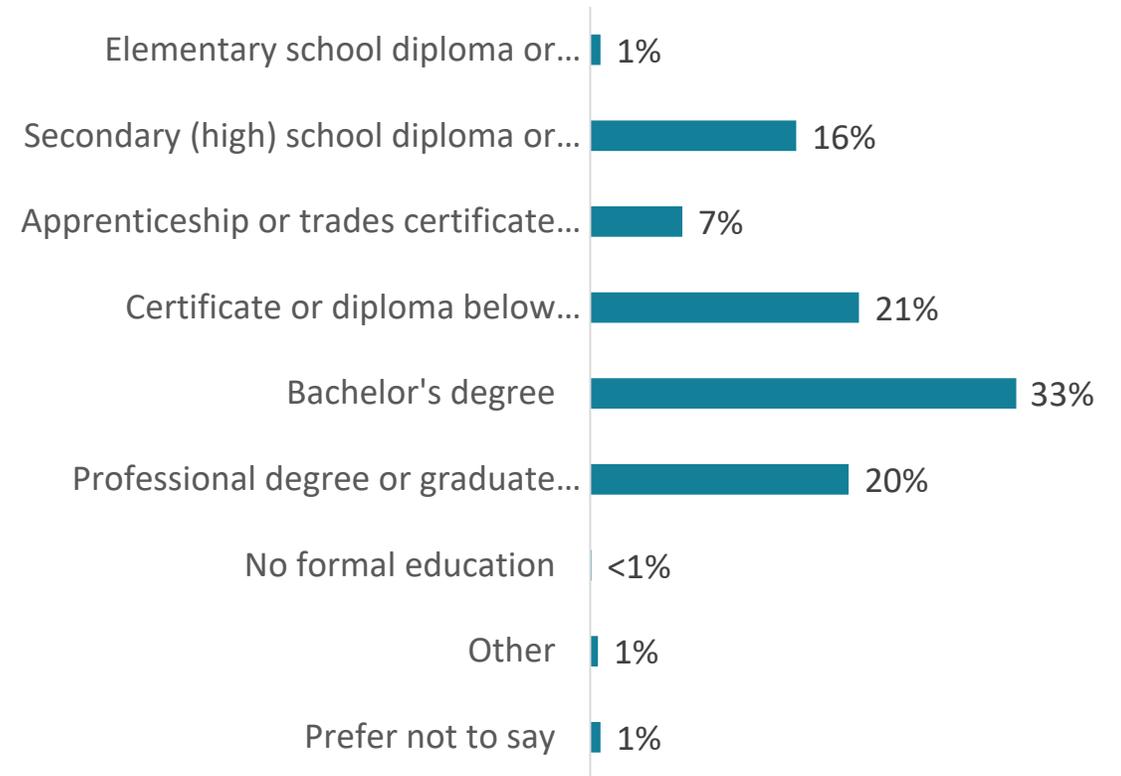
Marital Status & Education

Marital Status



D7. What is your current marital status?
Sample size: n=1001
Framework: Total sample

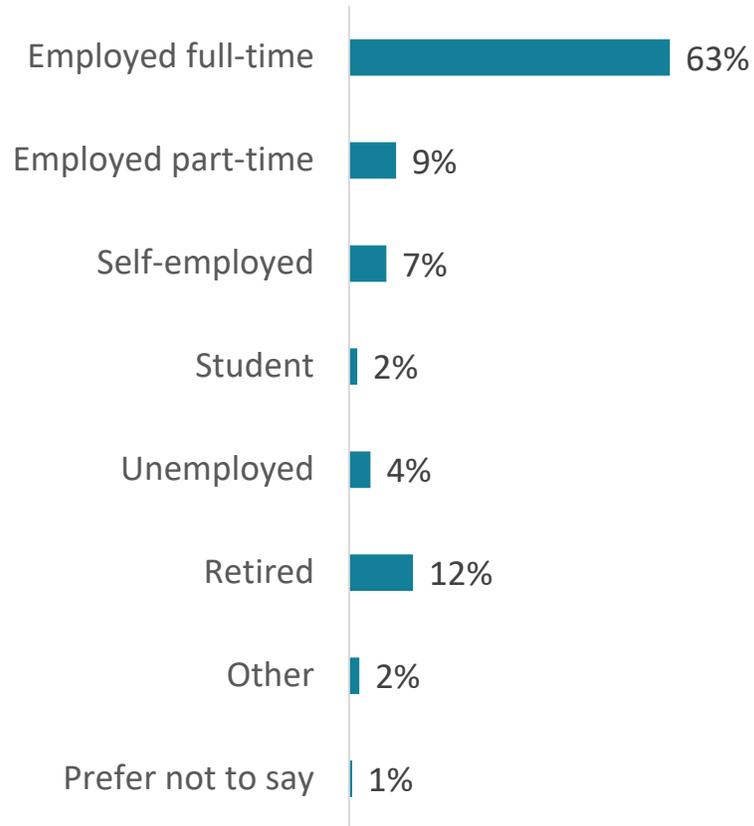
Highest Educational Attainment



D8. What is the highest level of formal education that you have completed?
Sample size: n=1001
Framework: Total sample

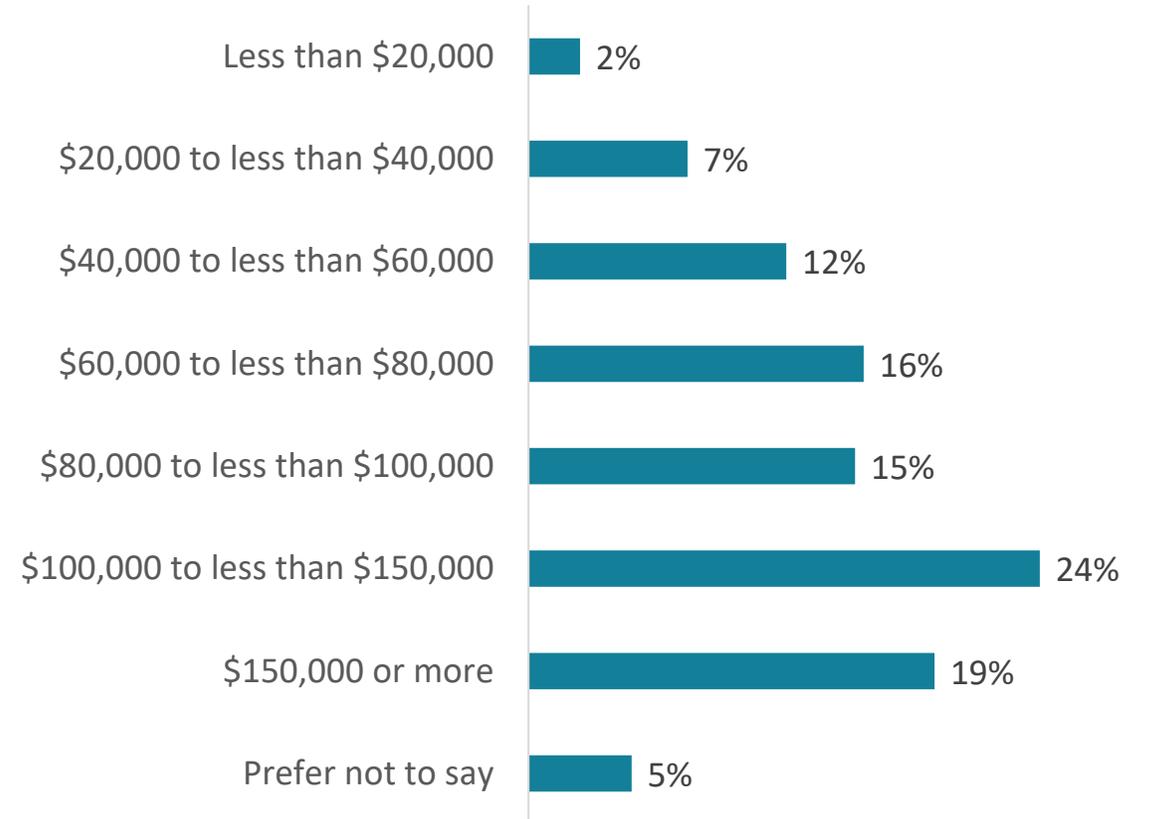
Employment & Income Status

Employment Status



D9. Which of the following best describes your current employment status?
Sample size: n=1001
Framework: Total sample

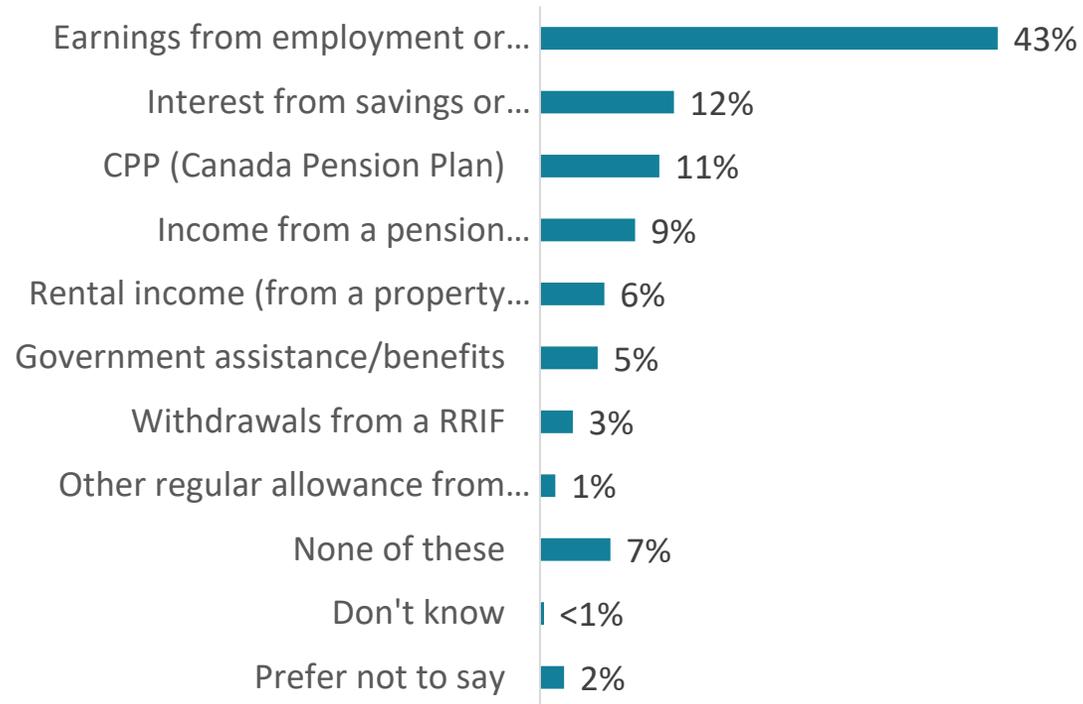
Annual Household Income



D10. Which of the following categories best describes your household's annual income, before taxes?
Sample size: n=1001
Framework: Total sample

Income Type & Perceived Credit Score

Income Source

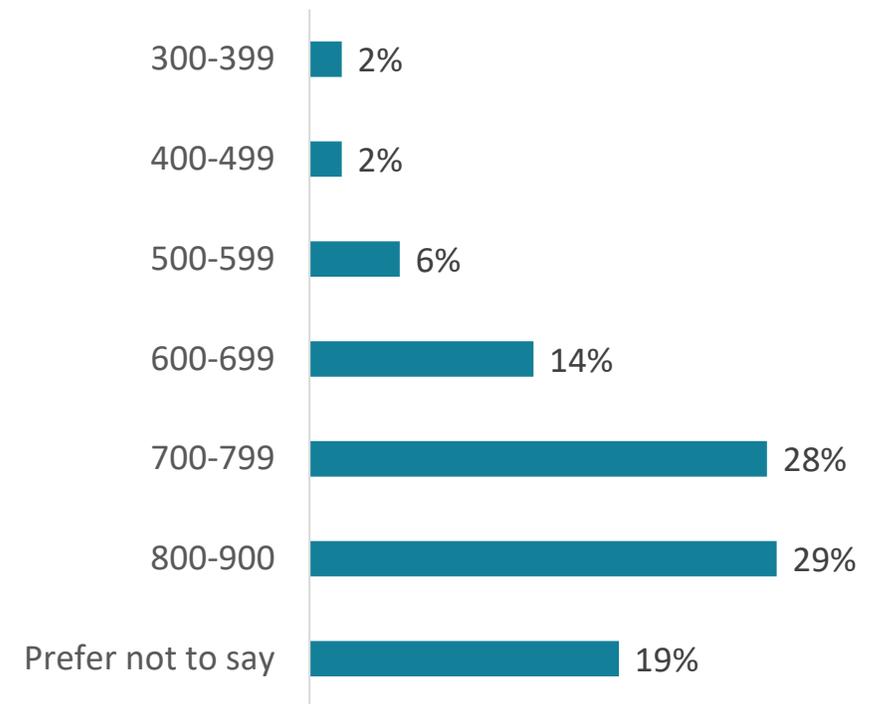


D11. Which of the following kinds of income do you (or any other adult in your household) receive? Please select all that apply.

Sample size: n=1001

Framework: Total sample

Perceived Credit Score

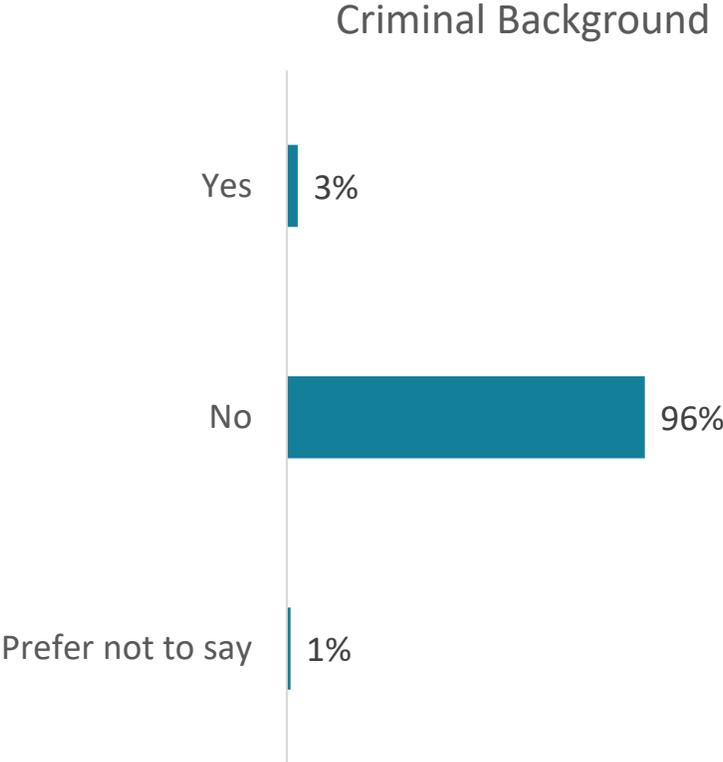


D12. To the best of your knowledge, what is your credit score?.

Sample size: n=1001

Framework: Total sample

Criminal Background



D13. Have you ever been convicted of a crime in Canada?
Sample size: n=1001
Framework: Total sample