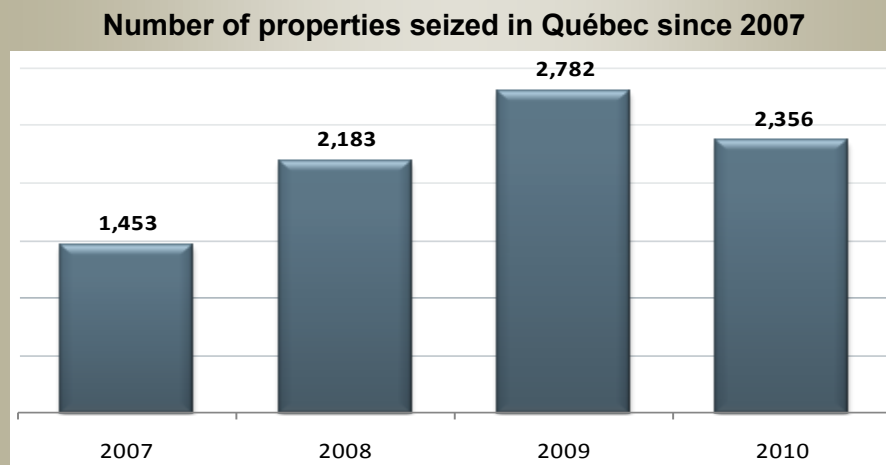


Number of Foreclosures Decreased in Québec in 2010

There were 2,356 residential properties seized by mortgage lenders¹ in Québec in 2010, a 15 per cent decrease compared to the 2,782 foreclosures in 2009 (see chart 1). We estimate that in 2010, the number of foreclosures across the province represented one property out of 860², compared to one property out of 718³ in 2009.

Chart 1 : Foreclosures in Québec



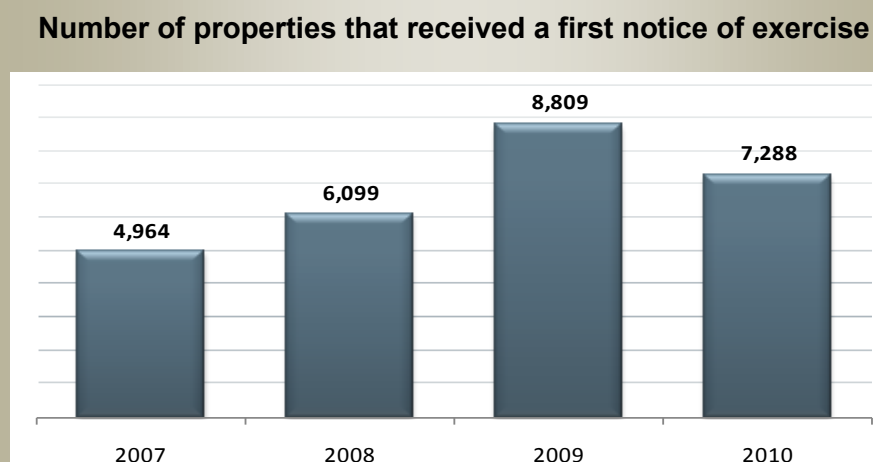
Source: JLR, QFREB compilation

We estimate that in 2010, the number of foreclosures across the province represented one property out of 860.

A foreclosure occurs after a notice of exercise is published at a Québec Registry Office, warning the holder of the outstanding mortgage that his/her property will be seized if the outstanding amount is not paid within 60 days following the publication.

In Québec, 7,288 residential mortgage loans⁴ were the subject of a notice of exercise for the first time in 2010⁵. A first notice of exercise that is published is the equivalent of a new foreclosure start in the United States. In 2009, 8,809 homeowners received a notice of exercise for the first time. The 2010 statistic therefore represents a 17 per cent decrease compared to the previous year⁶ (see chart 2).

Chart 2 : New Notices of Exercise in Québec



Source: JLR, QFREB compilation

In 2009, 8,809 homeowners received a notice of exercise for the first time. The 2010 statistic therefore represents a 17 per cent decrease compared to the previous year.

It should be noted, however, that some mortgage holders chose to voluntarily give the keys to their property back to the mortgage lender before it publishes a notice of exercise. We consider these cases to be voluntary relinquishments. In 2010, 355 homeowners voluntarily relinquished their property, versus 455 in 2009. These situations are uncommon and are rarely associated with the borrower's main residence.

Breakdown of Notices of Exercise and Foreclosures Across the Province

Table 1 shows the number of foreclosures, first notices of exercise and voluntary relinquishments for the province's 17 administrative regions. Most regions saw a decrease in the number of foreclosures and notices of exercise in 2010. The number of foreclosures was higher than that of 2009 in only four administrative regions: Abitibi-Témiscamingue (+12 per cent), Centre-du-Québec (+20 per cent), Gaspésie-Îles-de-la-Madeleine (+27 per cent⁷) and Mauricie (+8 per cent).

Table 1: Breakdown of Notices of Exercise and Property Foreclosures Across the Province

Administrative regions	First Notice of Exercise			Foreclosures			Voluntary relinquishments 2010
	2009	2010	Variation	2009	2010	Variation	
Abitibi-Témiscamingue	127	91	-28%	33	37	12%	14
Bas-Saint-Laurent	140	144	3%	50	46	-8%	13
Capitale-Nationale	410	269	-34%	150	112	-25%	11
Centre-du-Québec	217	261	20%	81	97	20%	13
Chaudière-Appalaches	266	273	3%	92	73	-21%	22
Côte-Nord	47	50	6%	27	21	-22%	11
Estrie	348	296	-15%	154	124	-19%	19
Gaspésie-Îles-de-la-Madeleine	116	77	-34%	11	14	27%	3
Lanaudière	1,022	785	-23%	368	327	-11%	49
Laurentides	1,248	1,127	-10%	416	368	-12%	45
Laval	434	350	-19%	148	116	-22%	8
Mauricie	278	193	-31%	89	96	8%	16
Montréal	1,893	1,584	-16%	586	488	-17%	66
Montréal	1,346	935	-31%	247	175	-29%	11
Nord-du-Québec	30	16	-47%	18	18	0%	3
Outaouais	664	621	-6%	229	182	-21%	23
Saguenay-Lac-Saint-Jean	223	216	-3%	83	62	-25%	28
Province	8,809	7,288	-17%	2,782	2,356	-15%	355

Source: JLR, QFREB compilation

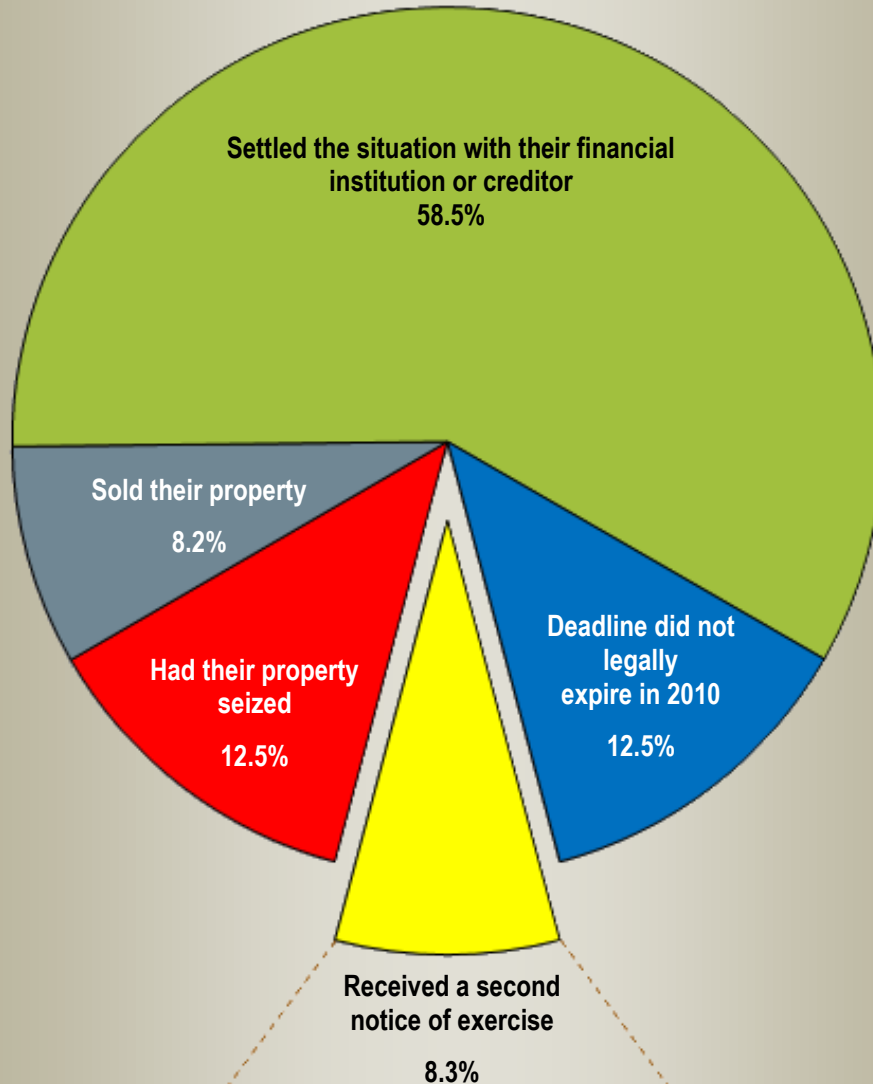
What Did Homeowners do After Receiving a First Notice of Exercise in 2010?

After receiving a notice of exercise, a borrower must repay the outstanding balance to the mortgage lender, as well as all other related expenses, within the required timeframe⁸. Usually, the borrower tries to pay the outstanding amount or tries to sell the property in order to repay the mortgage loan. If the borrower fails to pay the outstanding amount, the financial institution is entitled to seize the property through a legal process. In 2010, among the 7,288 notices of exercise issued for the first time, 909 homeowners had their property seized, 597 were able to sell their home and repay their debt, and 607 temporarily remedied the defaulted amount but received a second notice of exercise a few months later⁹. However, 4,263 borrowers were able to settle their situation for good, while the remaining 912 borrowers received their notice late in the year and their 60-day deadline had not yet expired by December 31, 2010.

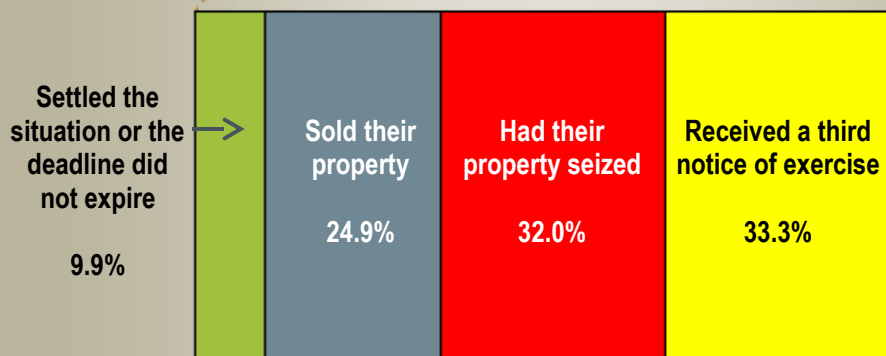
The number of foreclosures was higher than that of 2009 in only four administrative regions: Abitibi-Témiscamingue (+12 per cent), Centre-du-Québec (+20 per cent), Gaspésie-Îles-de-la-Madeleine (+27 per cent) and Mauricie (+8 per cent).

Chart 3: Situation of Mortgage Holders who Received a First Notice of Exercise in 2010

Among the 7,288 homeowners who received a notice of exercise in 2010:



Among the 607 homeowners who received a second notice of exercise in 2010:



Despite the increase in property prices recorded in Québec in recent years, the market value of properties often does not exceed homeowners' outstanding mortgage loans. In fact, most properties that were subject to a notice of exercise were acquired only a few years earlier, and many buyers chose a mortgage loan with a three- or five-year term. The property must therefore be sold at a price that covers the mortgage loan, the interest, various legal fees and mortgage penalties¹⁰.

In 2010, there were significantly more homeowners who sold their property before the notice of exercise expired, compared to 2009. The sale of these properties may have been facilitated by the vigorous real estate market in 2010. As a result, in 2010, there were fewer properties seized following a notice of exercise than there were in 2009.

Comparison Between Québec and the United States

The following table compares Québec's situation to that of the United States.

Table 2: Statistics on home foreclosures in Québec and the United States in 2010

	Québec	United States
Proportion of properties that received a first notice of exercise (Québec) or a new foreclosure start (United States) ¹¹	1/278	1/59
Proportion of seized or foreclosed properties	1/860	1/45
Proportion of foreclosure sales in relation to all residential sales	Between 2 and 2.5%	26%
Increase in property prices in 2010 ¹²	8%	1.4%

Sources for Québec data: Statistics Canada, CMHC, JLR, QFREB compilation.

Sources for American data: Mortgage Bankers Association and RealtyTrac.

The statistics in Table 2 show that the situation in Québec is very different than that of the United States. Far fewer properties were seized in Québec, and they represent only a tiny proportion of total residential sales. Furthermore, the increase in property prices remained strong throughout Québec in 2010 (+8 per cent on average), suggesting that foreclosures did not have a negative impact on the real estate market.

Despite the increase in property prices recorded in Québec in recent years, the market value of properties often does not exceed homeowners' outstanding mortgage loans.

Methodology Notes and Warning

The 2010 statistics compiled in this report are preliminary. It is possible that some transactions that took place in 2010 have not yet been published. For this same reason, the 2009 data calculated this year differ from those used in the previous report¹³.

- 1 Preliminary data. These 2,356 foreclosures may have received one or more notices of exercise in the previous year.
- 2 Owned properties were estimated using data from the 2006 community profiles (Statistics Canada), to which were added the newly completed and absorbed properties for owner-occupiers (Housing Now, CMHC).
- 3 This statistic was revised upward from the previous document.
- 4 Residential properties consist only of the following: homes, mobile homes, condominiums and plexes with 2 to 5 units.
- 5 More notices of exercise were published, but they were not the first notice for the same property.
- 6 All notice of exercise and foreclosure statistics come from the JLR database and were compiled by the QFREB.
- 7 To be interpreted with caution, due to the low number of cases (14 vs. 11 foreclosures).
- 8 The 60-day timeframe is set by law. The timeframe may be negotiated by agreement and it may extend following an agreement between the borrower and the lender. The borrower usually tries to "buy time".
- 9 Some have received more than two notices of exercise.
- 10 See section 3, "Current Issues" in the document [Coping With Mortgage Penalties in Canada](#), November 2010, QFREB.
- 11 All data on American foreclosures comes from RealtyTrac.
- 12 For Québec, this is the weighted increase of the average price of properties sold through the MLS® system. For the United States, this data comes from the National Association of Realtors®.
- 13 [Foreclosures: A Comparative Study Between the USA and Québec](#), QFREB, May 2010.