

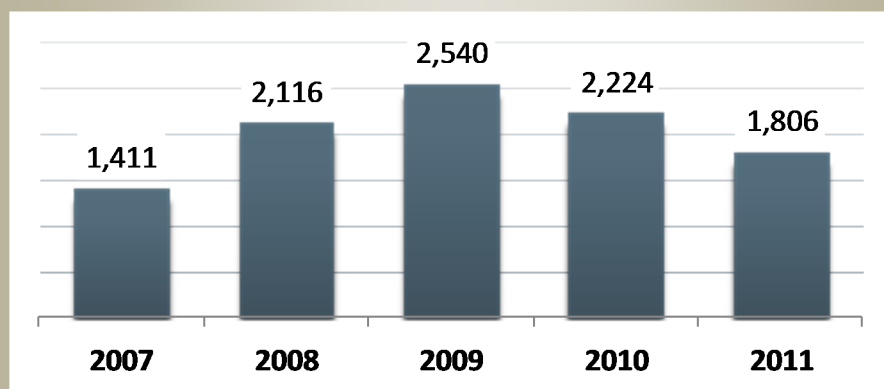
Number of Foreclosures Decreased Once Again in Québec in 2011

In 2011, 1,806 residential properties¹ in Québec were seized by their mortgage lender, a 19 per cent decrease compared to 2010, when 2,224² properties were seized. This was the second consecutive annual decrease in foreclosures, after the recent peak in 2009. According to the results obtained for 2011, we estimate that the number of foreclosures province-wide represents one property out of 1,140, compared to one property out of 911 in 2010.

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Chart 1: Foreclosures in Québec

Number of Residential Properties Seized in Québec



Source: JLR, QFREB compilation

There are also cases of voluntary relinquishments when mortgage holders, who are in default, choose to voluntarily give the keys to their property back to the mortgage lender before the end of the foreclosure process. These cases are quite uncommon and are rarely associated with the borrower's main residence. In 2011, 271 Québec mortgage holders voluntarily relinquished their property, versus 355 in 2010.

The Number of Notices of Exercise Also Decreased

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

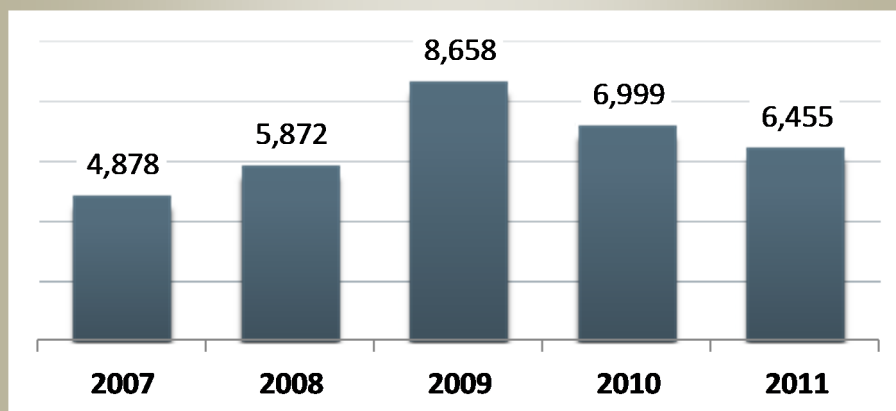
¹ Residential properties consist only of single-family homes, condominiums and plexes with 2 to 5 dwellings.

² Data from previous years have been revised.

In Québec, 6,455 residential mortgage holders received a notice of exercise for the first time³ in 2011, compared to 6,999 in 2010, a decrease of 8 per cent (see chart 2).

Chart 2: New Notices of Exercise in Québec

Number of homeowners who received a first notice of exercise



Source: JLR, QFREC compilation

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 registered a decrease in the number of foreclosures and notices of exercise in 2011. The number of foreclosures increased in only three administrative regions: Bas-Saint-Laurent (+2 per cent), Gaspésie-Îles-de-la-Madeleine (+7 per cent) and Chaudière-Appalaches (+1 per cent). In all three of these cases, the increase represented one more foreclosure than in 2010.

Table 1: Breakdown of First Notices of Exercise and Foreclosures Across Québec

Administrative regions	First Notice of Exercise			Foreclosures			Voluntary relinquishments 2011
	2010	2011	Variation	2010	2011	Variation	
Abitibi-Témiscamingue	80	58	-28%	37	18	-51%	4
Bas-Saint-Laurent	135	127	-6%	46	47	2%	11
Capitale-Nationale	271	295	9%	102	72	-29%	8
Centre-du-Québec	220	207	-6%	97	88	-9%	15
Chaudière-Appalaches	258	230	-11%	73	74	1%	13
Côte-Nord	52	38	-27%	21	11	-48%	2
Estrie	284	271	-5%	124	120	-3%	27
Gaspésie-Îles-de-la-Madeleine	52	68	31%	14	15	7%	9
Lanaudière	815	810	-1%	317	251	-21%	32
Laurentides	1,040	1,073	3%	336	284	-15%	37
Laval	421	324	-23%	105	84	-20%	7
Mauricie	188	186	-1%	78	70	-10%	9
Montérégie	1,507	1,406	-7%	466	337	-28%	53
Montréal	973	808	-17%	175	127	-27%	6
Nord-du-Québec	17	6	-65%	13	2	-85%	-
Outaouais	502	400	-20%	162	157	-3%	19
Saguenay-Lac-Saint-Jean	184	148	-20%	58	49	-16%	19
Province	6,999	6,455	-8%	2,224	1,806	-19%	271

Source: JLR, QFREC compilation

In Québec, 6,455 residential mortgage holders received a notice of exercise for the first time in 2011, compared to 6,999 in 2010, a decrease of 8 per cent.

The number of foreclosures increased in only three administrative regions: Bas-Saint-Laurent (+2 per cent), Gaspésie-Îles-de-la-Madeleine (+7 per cent) and Chaudière-Appalaches (+1 per cent). In all three of these cases, the increase represented one more foreclosure than in 2010.

³ More notices of exercise were published, but they were not the first notice for the same property.

What Did Homeowners do After Receiving a First Notice of Exercise in 2011?

According to the foreclosure process, 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 timeframe⁴. Usually, the borrower tries to find a way to pay the outstanding amount. Selling the property may be a good option for repaying the mortgage loan⁵. If the borrower fails to pay the outstanding amount, the financial institution is entitled to seize the property through a legal process. In 2011, among the 6,455 notices of exercise issued for the first time, 911 homeowners had their property seized, 732 were able to sell their property and repay their debt, and 509 temporarily remedied the defaulted amount but received a second notice of exercise a few months later⁶. However, 3,322 borrowers were able to settle their situation⁷, while the remaining 981 borrowers received their notice late in the year, and their 60-day deadline had not yet expired by December 31, 2011.

In 2011, proportionately fewer borrowers who received a first notice of exercise were able to repay their debt to their creditor compared to 2010 (51.5 per cent vs. 58.5 per cent in 2010). Thus, a greater proportion of borrowers had their property seized (14.1 per cent vs. 12.5 per cent in 2010). However, a higher proportion managed to sell the property that was the subject of a notice of exercise in order to pay their outstanding debt (11.3 per cent vs. 8.2 per cent in 2010).

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⁴ The 60-day timeframe is set by law. The timeframe may be negotiated by agreement and it may be extended following an agreement between the borrower and the lender. The borrower usually tries to "buy time".

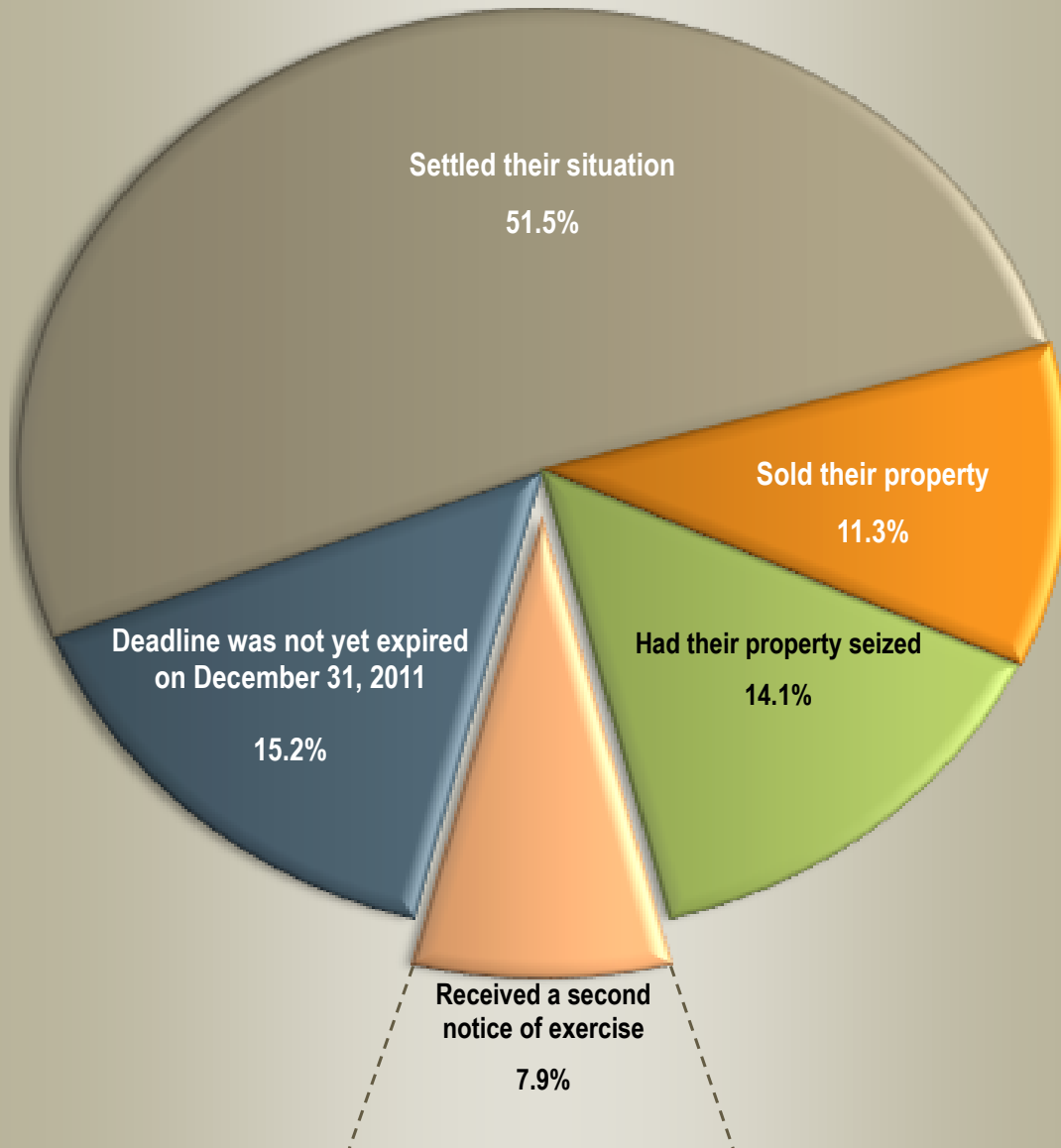
⁵ Despite property price increases in Québec in recent years, it often happens that the market value of the property does not exceed the mortgage holder's debt. In fact, the majority of properties that were subject to a notice of exercise were acquired only a few years earlier. The property must therefore be sold at a price that covers the mortgage loan, interest, various legal fees and mortgage penalties.

⁶ Some have received more than two notices of exercise.

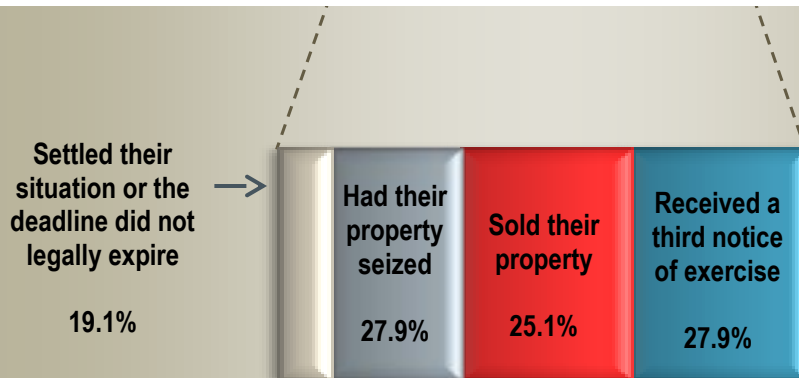
⁷ Interest rates fell once again in 2011, which may have helped to alleviate the financial obligations of certain consumers in the event of debt refinancing.

Chart 3: Situation of Mortgage Holders who Received a First Notice of Exercise in 2011

Among the 6,455 homeowners who received a notice of exercise in 2011:



Among the 509 homeowners who received a second notice of exercise in 2011:



Québec in a Far Better Position Than the United States

As we can see in Table 2, the situation in Québec is very different than that of the United States. Far fewer properties were seized in Québec in 2011, representing only a tiny proportion of total residential sales (less than 2 per cent). The number of foreclosures in Québec is clearly insufficient to have a significant upwards impact on the supply of properties for sale, and, by the same token, to exert downward pressure on prices. Furthermore, the increase in property prices remained strong throughout Québec in 2011 (+5 per cent on average).

Table 2: Statistics on home foreclosures in Québec and the United States in 2011

	Québec	United States
Proportion of properties that received a first notice of exercise (Québec) or a new foreclosure start (United States) ⁸	1/319	1/72
Proportion of seized or foreclosed properties	1/1 140	1/69
Proportion of foreclosure sales in relation to all residential sales	Entre 1,5 % et 1,8 % (1 905 propriétés)	23%
Increase in property prices in 2011 ⁹	5%	-3,9%

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

Sources for American data: Mortgage Bankers Association and RealtyTrac.

Methodology Notes and Warning

The 2011 statistics compiled in this report are preliminary. It is possible that some transactions that took place in 2011 have not yet been published.

⁸ A first notice of exercise that is published is the equivalent of a new foreclosure start in the United States.

⁹ 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.

This publication is produced by the Market Analysis Department of the QFREC

Paul Cardinal, Manager

Mathieu Fort, Analyst

Paola Rodriguez, Analyst

Contact us at: stats@fcic.ca

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