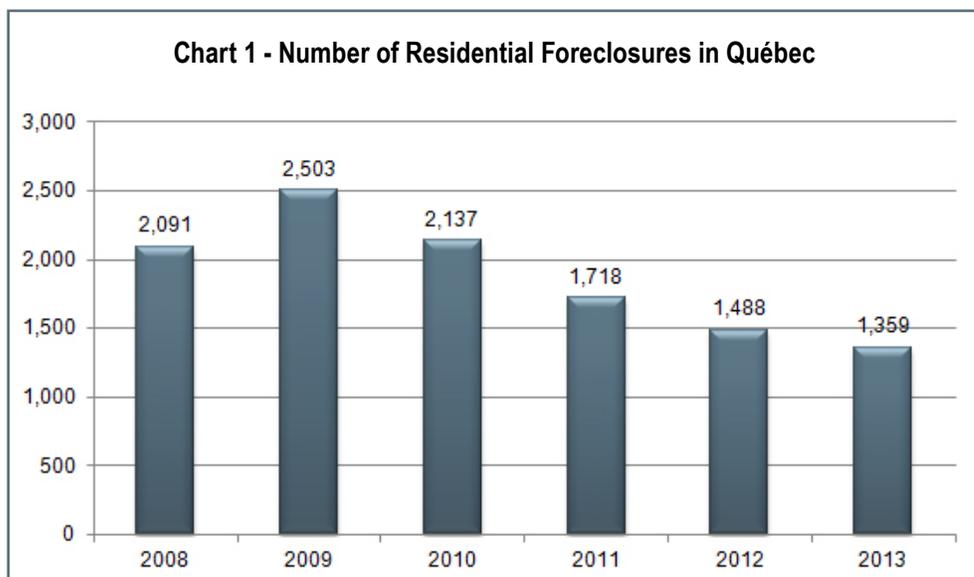


## Foreclosures in Québec Decrease for a Fourth Consecutive Year

In Québec, 1,359 residential properties were foreclosed by their mortgage lender in 2013. This represents a 9 per cent drop compared to 2012 and the fourth consecutive annual decrease after reaching the most recent peak of 2,503 foreclosures in 2009 (see chart 1). Based on these results, we estimate that the proportion of foreclosures across the province represents one property out of 1,529<sup>1</sup>, compared to one property out of 1,396 in 2012.

Based on these results, we estimate that the proportion of foreclosures across the province represents one property out of 1,529.



Sources: JLR, QFREC compilation

### The Foreclosure Process

Normally, when a mortgage holder is in default of payment for more than two months, the mortgage lender issues the mortgage holder a 60-day **notice of exercise**<sup>2</sup>, warning them that their mortgage is in default and that their property will be seized if the outstanding payment is not made. In most cases, the borrower finds a way to repay the amount owed. One of the options for the mortgage holder is to sell their property, as it generally allows them to repay the mortgage loan. The property is seized if the borrower is not able to repay the amount owed or any other amount due. When this happens, the lender then has two options available to remedy the outstanding debt: a **sale by judicial authority** or a **taking in payment**<sup>3</sup>. However, there are also a few cases of **voluntary relinquishments** every year in Québec, in which the owner, knowing they are no longer able to make their monthly payments, give the keys to their property back to the mortgage lender. In 2013, 256 homeowners chose to hand over the keys to their property, almost 20 per cent more than in 2012.

<sup>1</sup> The estimate of the proportion of foreclosures is obtained based on the ratio of owner-occupied dwellings to the number of residential foreclosures in Québec. Data on owner-occupied dwellings come from Statistics Canada's 2011 National Household Survey.

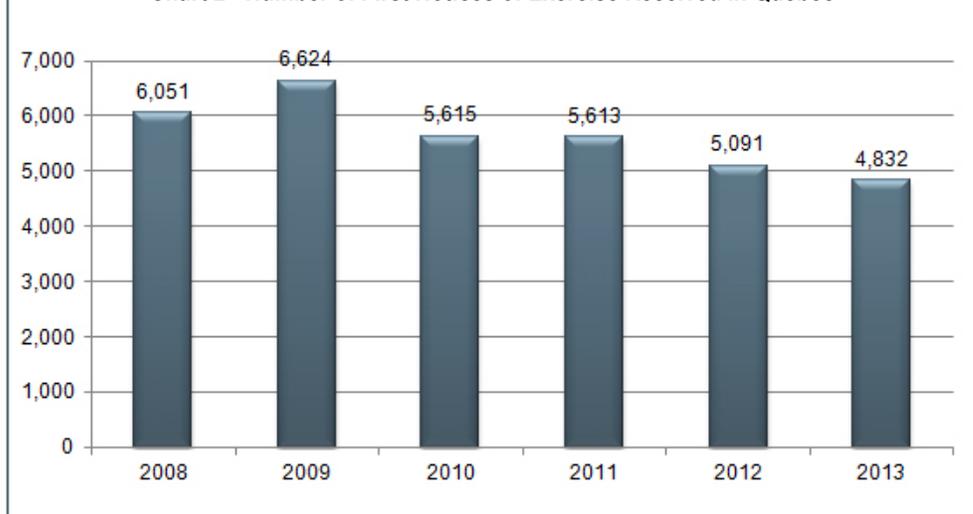
<sup>2</sup> The 60-day timeframe is set by law. The timeframe may be negotiated by agreement and may be extended following an agreement between the borrower and the lender. The borrower usually tries to "buy time".

<sup>3</sup> The sale by judicial authority implies that the conditions of the sale are determined by a judgement issued by a court and give the lender the right to initiate any other legal proceedings to recover the entire debt if the sale of the property is not sufficient; however, the taking in payment that is initiated by the lender requires that the lender be satisfied with the value of the property handed over as final payment.

## Drop in Mortgage Loan Defaults

For a fourth consecutive year, the number of homeowners who received a first notice of exercise in Québec decreased, falling by 5 per cent in 2013 compared to 2012 with 4,832 cases reported (see chart 2). The decrease in the number of first notices of exercise is therefore following the same trend as the decrease in the number of foreclosures in Québec. In the same vein, data collected by the Canadian Bankers Association shows that the number of mortgages in arrears<sup>4</sup>, meaning the mortgage payment is more than 90 days late, remained relatively stable in 2013 as compared to 2012. Nevertheless, this data shows a decrease over four years, as on average, 0.32 per cent of mortgages were in arrears in Québec in 2013 and 2012, compared to 0.34 per cent in 2011 and 0.36 per cent in 2010.

Chart 2 - Number of First Notices of Exercise Received in Québec



Sources: JLR, QFREB compilation

## Foreclosures Across the Province

In general, the data shows that the number of foreclosures and first notices of exercise decreased across Québec. However, some of the province's administrative regions posted rather opposite results. For example, the number of foreclosures increased in four of the province's 17 administrative regions, those being Bas-Saint-Laurent, Capitale-Nationale, Gaspésie—Îles-de-la-Madeleine and Montérégie. Table 1 shows the number of foreclosures, first notices of exercise and voluntary relinquishments across the different regions.

Data collected by the Canadian Bankers Association shows that the number of mortgages in arrears remained relatively stable in 2013.

The number of foreclosures increased in four of the province's 17 administrative regions, those being Bas-Saint-Laurent, Capitale-Nationale, Gaspésie—Îles-de-la-Madeleine and Montérégie.

<sup>4</sup> In its calculation of the percentage of mortgages in arrears, the Canadian Bankers Association does not include data from the Desjardins cooperative financial group, which represents a significant portion of loans in Québec.

**Table 1: Residential Foreclosures by Administrative Region in 2013**

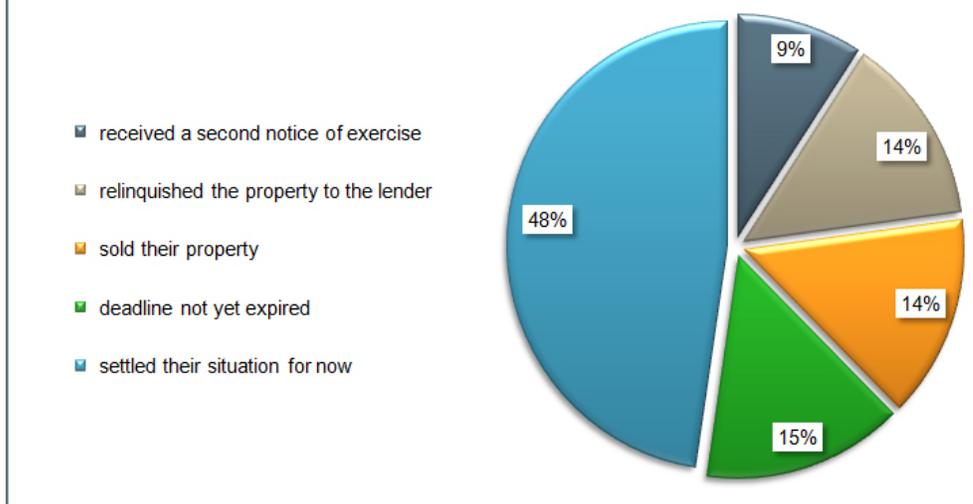
Administrative Regions	First Notice of Exercise			Residential Foreclosures			Voluntary Relinquishments
	2012	2013	Variation	2012	2013	Variation	2013
Abitibi-Témiscamingue	55	53	-4%	23	13	-43%	5
Bas-Saint-Laurent	81	112	38%	46	46	0%	7
Capitale-Nationale	253	265	5%	71	72	1%	18
Centre-du-Québec	146	135	-8%	44	52	18%	11
Chaudière-Appalaches	184	195	6%	66	58	-12%	15
Côte-Nord	33	48	45%	10	8	-20%	0
Estrie	194	189	-3%	70	69	-1%	12
Gaspésie--Îles-de-la-Madeleine	37	41	11%	14	10	-29%	9
Lanaudière	658	569	-14%	198	197	-1%	29
Laurentides	734	691	-6%	230	204	-11%	40
Laval	294	266	-10%	47	40	-15%	6
Mauricie	162	179	10%	56	64	14%	16
Montérégie	1083	1007	-7%	357	284	-20%	52
Montréal	673	632	-6%	104	77	-26%	11
Nord-du-Québec	8	8	0%	1	2	100%	1
Outaouais	357	321	-10%	110	119	8%	9
Saguenay--Lac-Saint-Jean	139	121	-13%	41	44	7%	15
<b>Province</b>	<b>5091</b>	<b>4832</b>	<b>-5%</b>	<b>1488</b>	<b>1359</b>	<b>-9%</b>	<b>256</b>

Sources: JLR, QFREB compilation

## Actions Taken by Homeowners After Receiving a First Notice of Exercise

In 2013, 14 per cent of borrowers who received a notice of exercise for the first time sold their property before it was seized, while 14 per cent relinquished their property to the lender. Also in 2013, there were a greater number of borrowers who received a second notice of exercise compared to 2012 (9 per cent versus 7 per cent). Chart 3 shows more specifically what borrowers did after receiving their first notice of exercise in 2013.

Chart 3 - Measures Taken by Homeowners who Received a First Notice of Exercise in 2013



Sources: JLR, QFREC compilation

Note that in 2013, 48 per cent of borrowers who were in payment default managed to remedy their situation, which is less than the 51 per cent registered in 2012. By doing so, they were able to avoid foreclosure for the time being.

## Comparison Between the Situation in Québec and the United States

The analysis of recent data on the real estate situation in the United States seems to offer reassuring signs of a return to pre-crisis levels. The rate of mortgages in default (3.85 per cent in the 4th quarter of 2013) is at its lowest level since 2008. Thus, the proportion of foreclosure sales in relation to all residential sales decreased by almost 10 per cent in one year. Nevertheless, the U.S. housing market remains much more fragile than that of Québec. A simple comparison of foreclosure statistics in these two areas allows us to measure the difference between the two markets. In contrast to the United States, the number of foreclosures and the proportion of foreclosure sales in relation to all residential sales in Québec are not high enough to have a significant impact on the supply of properties for sale and, consequently, on property prices (see table 2).

In 2013, 48 per cent of borrowers who were in payment default managed to remedy their situation, which is less than the 51 per cent registered in 2012.

**Table 2: Comparison Between the United States and Québec**

	Québec	United States
Proportion of seized or foreclosed properties	1/1,529	1/96
Proportion of foreclosure sales in relation to all residential sales	Between 1.4% and 1.7% (1,823 properties)	17%
Increase in property prices in 2013 <sup>5</sup>	1%	11.50%
Percentage of mortgages in arrears (90 days or more)	0.32%	2.64%

Sources for Québec data: Statistics Canada, CMHC, JLR, CBA and QFREC by Centris®.

Sources for American data: Mortgage Bankers Association, National Association of Realtors and RealtyTrac.

## Conclusion

Despite an increase in Quebecers' indebtedness<sup>6</sup>, the drop in residential foreclosures and notices of exercise shows a more favourable financial position for Québec households. Not surprisingly, low interest rates and growing property prices are factors that facilitate the refinancing or sale of a property whose mortgage is in default, which corroborates the fact that fewer and fewer homeowners are finding themselves in a situation of payment default.

Not surprisingly, low interest rates and growing property prices are factors that facilitate the refinancing or sale of a property whose mortgage is in default.

<sup>5</sup> For Québec, this is the increase in the weighted average price of properties sold through the Centris® system.

<sup>6</sup> The debt level increased from 106.5 per cent in 2005 to over 140 per cent in 2013, Source: Desjardins, Economic Studies

If you have any questions or comments about the content of this article, please contact us by email at: [stats@fcig.ca](mailto:stats@fcig.ca).

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