



2025 TransUnion Canada Summit

Engage & Empower

Building Trust Throughout
the Consumer Journey

Mortgage Payment Shock – Navigating the Next Phase

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Agenda

Given the sudden rise in mortgage rates, historically high level of home prices, and lower disposable income, many consumers are facing a payment shock

In this study, we will focus on the following:

- **The Current Landscape:**
How market forces are affecting mortgage originations and consumer payments
- **What is the impact of a Mortgage Payment Shock:**
How do we measure a payment shock and evaluate its impact on consumers
- **Who has been impacted the most:**
Analyzing consumer segments most affected by rising mortgage payments profiles of consumers and their behavioral responses
- **Key Takeaways:**
Opportunities for lenders to respond to challenges faced by stressed consumers

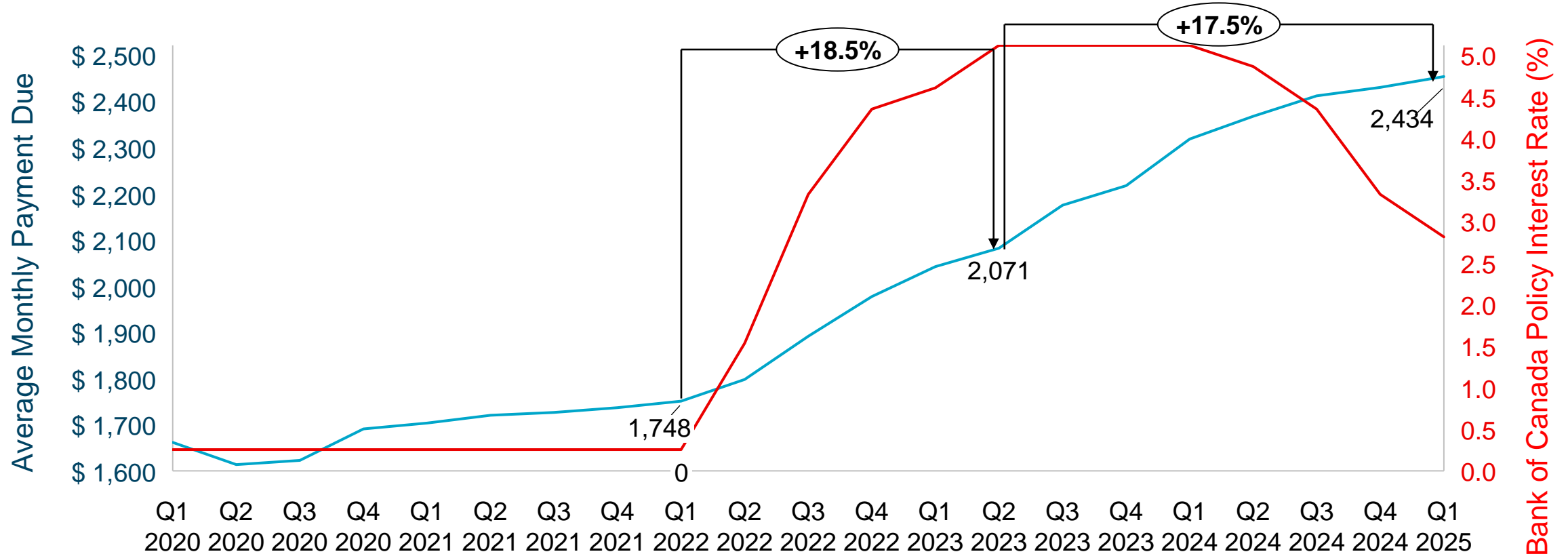


The Current Landscape

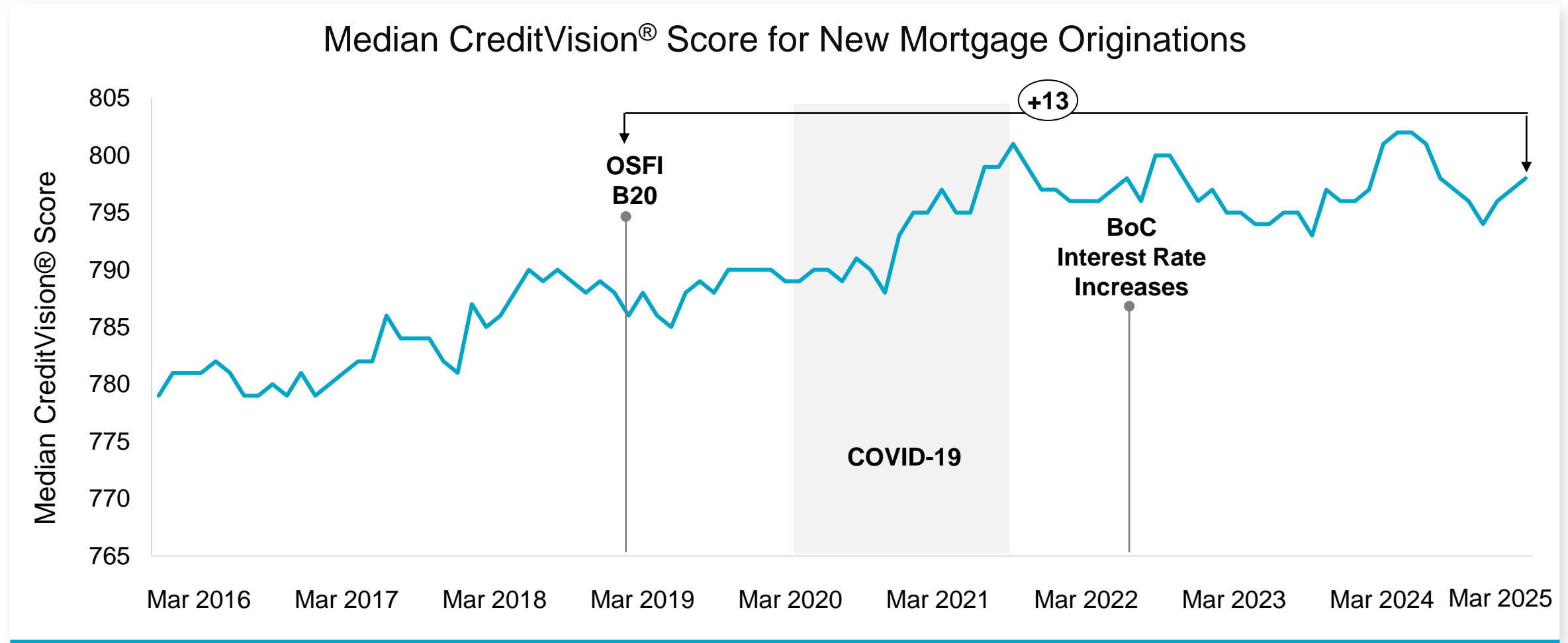


Increasing home values and high interest rates have contributed to rising average monthly mortgage payments

Average Monthly Mortgage Payment Due per Consumer

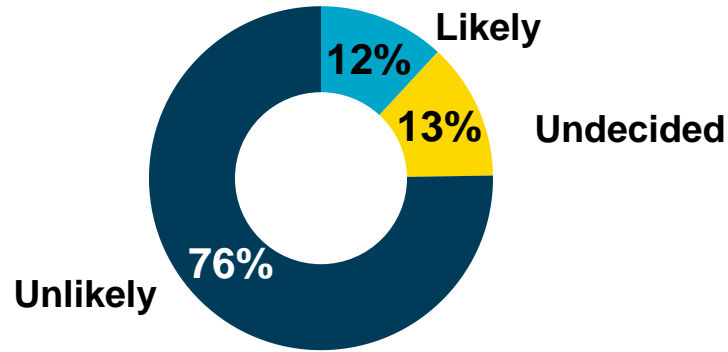


The quality of mortgage originations has shown improvement despite market and economic volatility

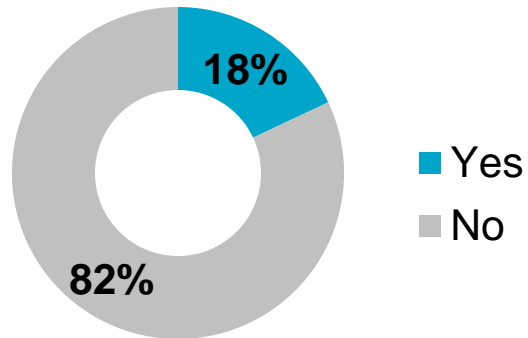


Rising costs, affordability concerns and financial barriers may continue to dampen home purchase intentions

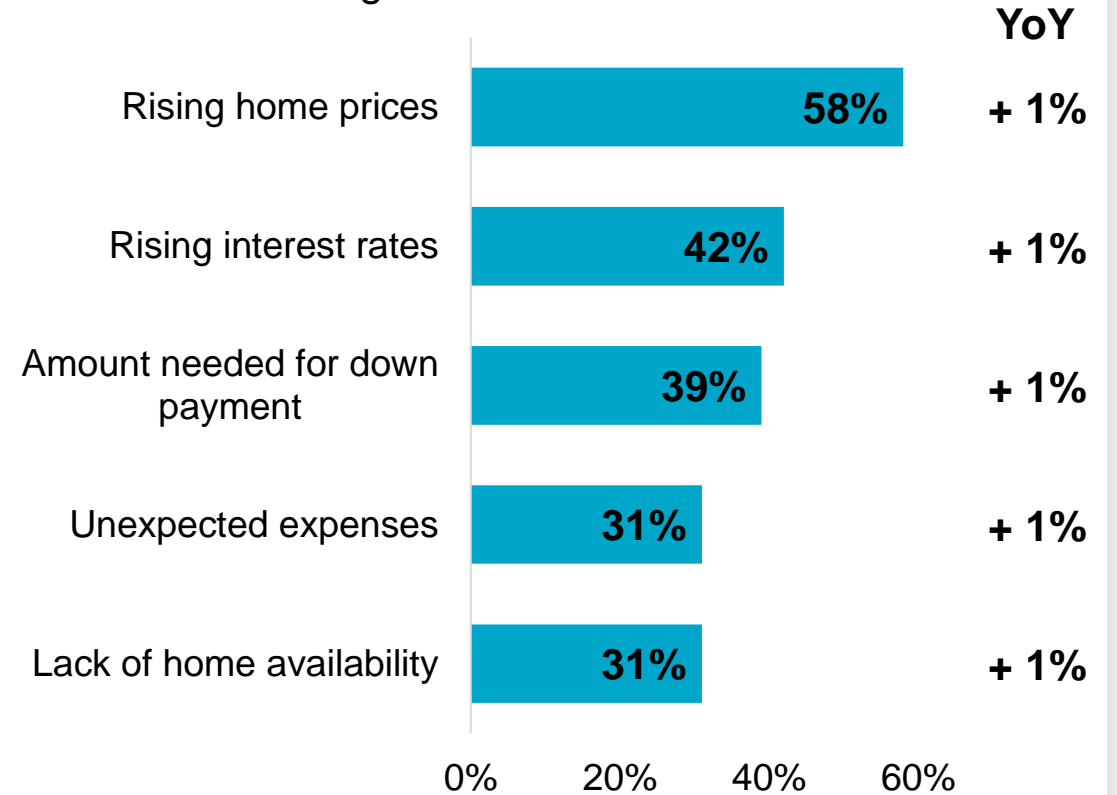
Likelihood to Purchase a New Home within the Year



Planning to Refinance Mortgage within Next Year



Reasons that Might Cause you to Stop Considering a New Home Purchase



What is the impact of a mortgage payment shock?



Payment shock is a change in payment obligations that a consumer cannot control

To evaluate the cumulative impact of payment shock, we focused on consumers whose minimum monthly mortgage payments increased compared to:

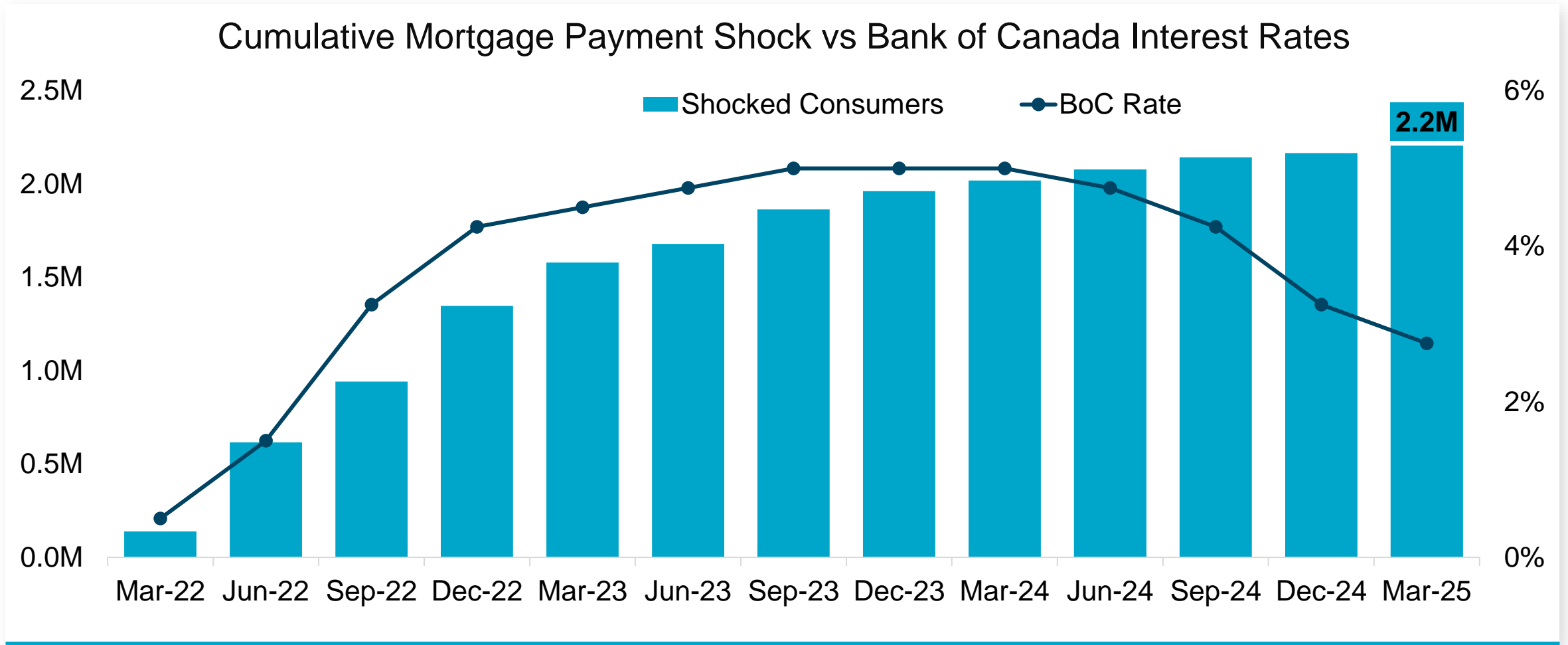
- December 2021* for mortgage trades originated prior to 2022
- First minimum monthly payment for mortgage trades originated post December 2021



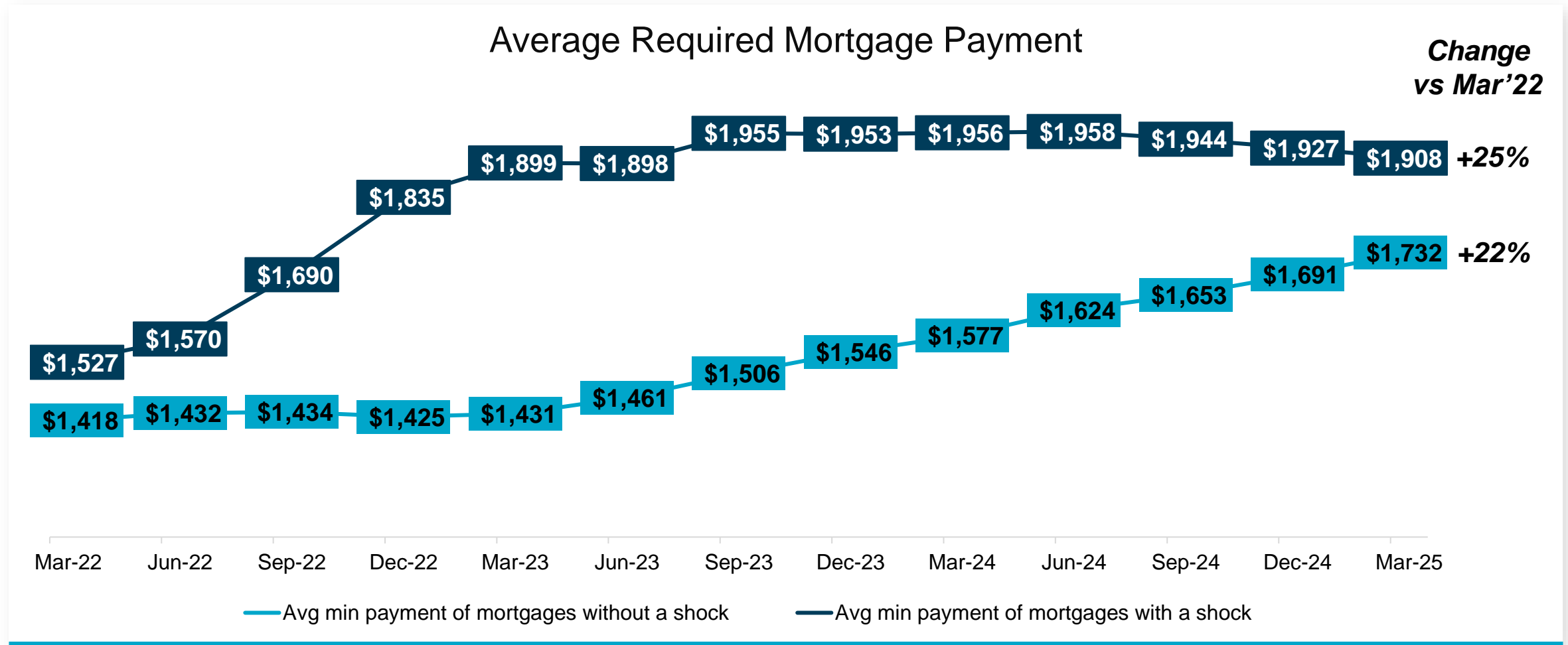
*Before the Bank of Canada started raising interest rates

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Over 2 million consumers have experienced an increase in mortgage payments since the BoC began raising interest rates

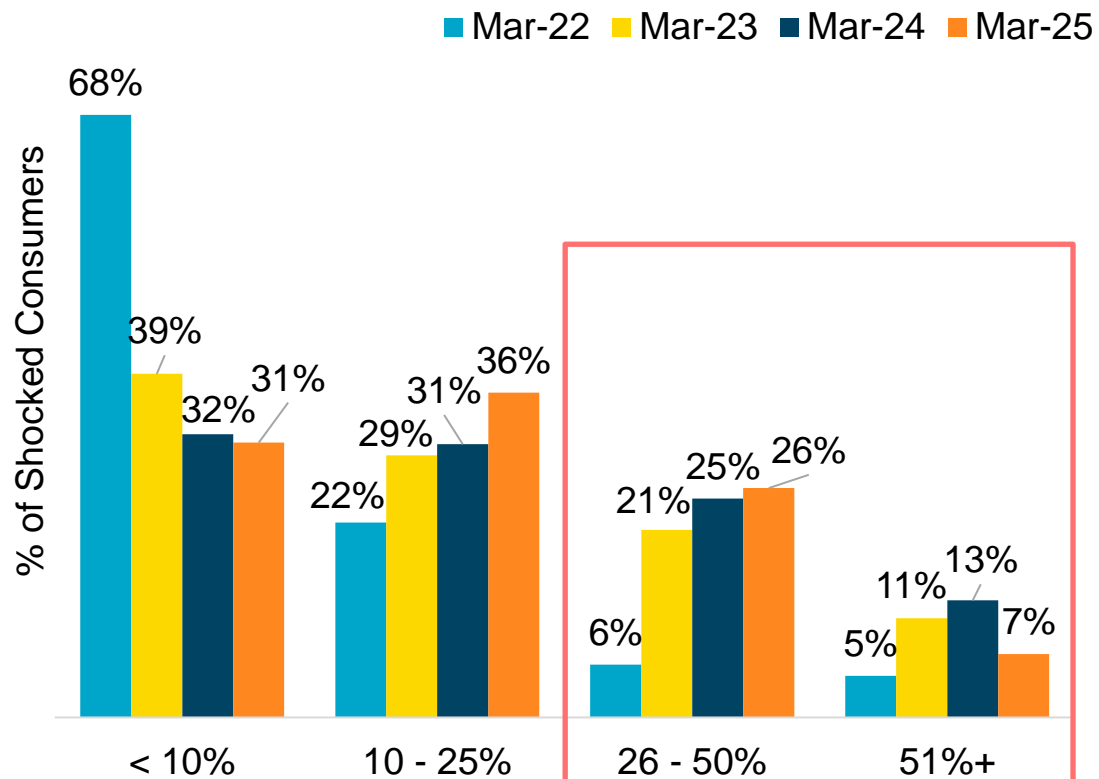


Average required monthly payment per mortgage for shocked consumers increased by 25% in last 3 years

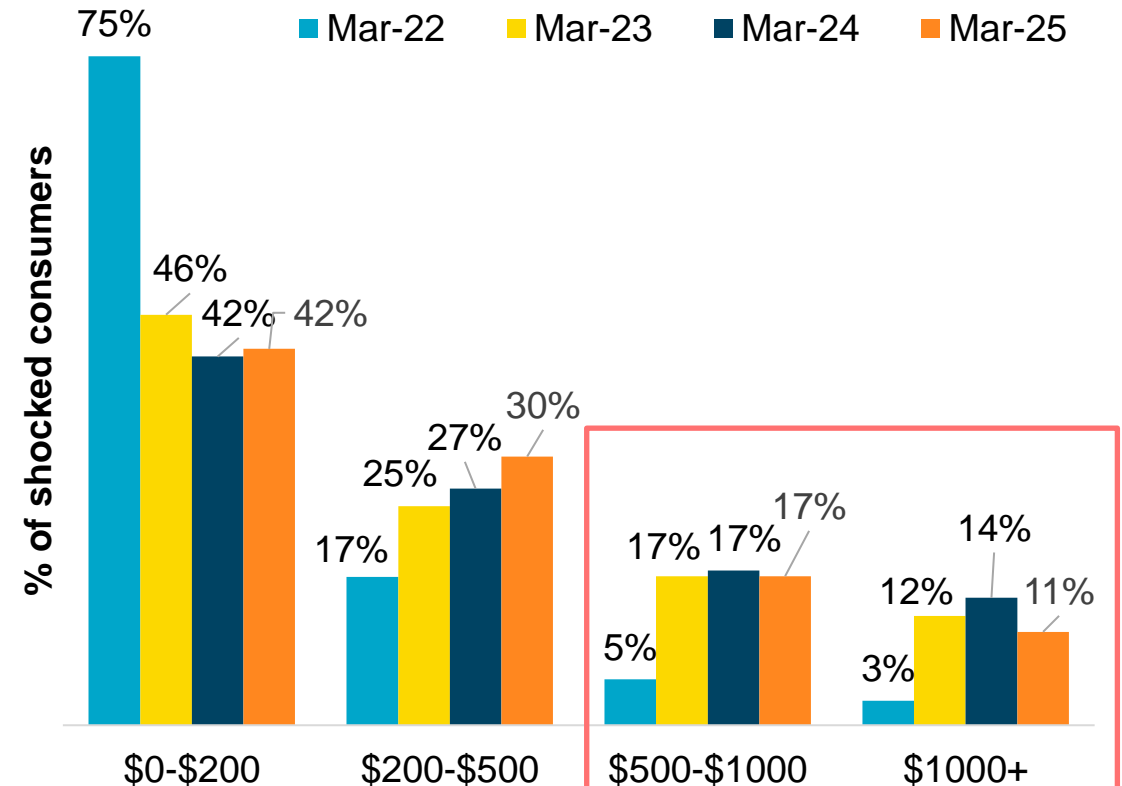


One-third of mortgage consumers with a payment shock saw monthly payments rise by over 25% in March 2025, up from just 11% in 2022

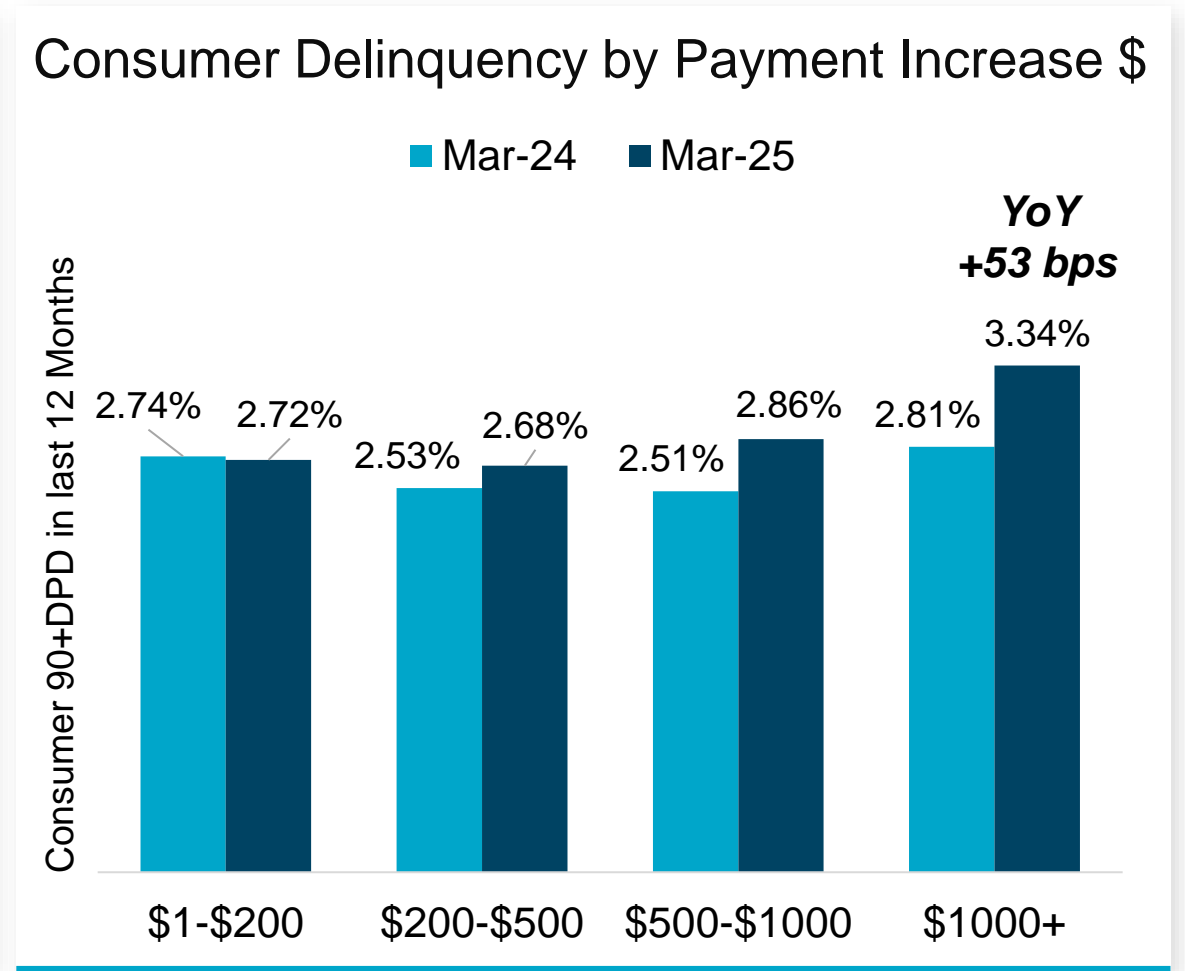
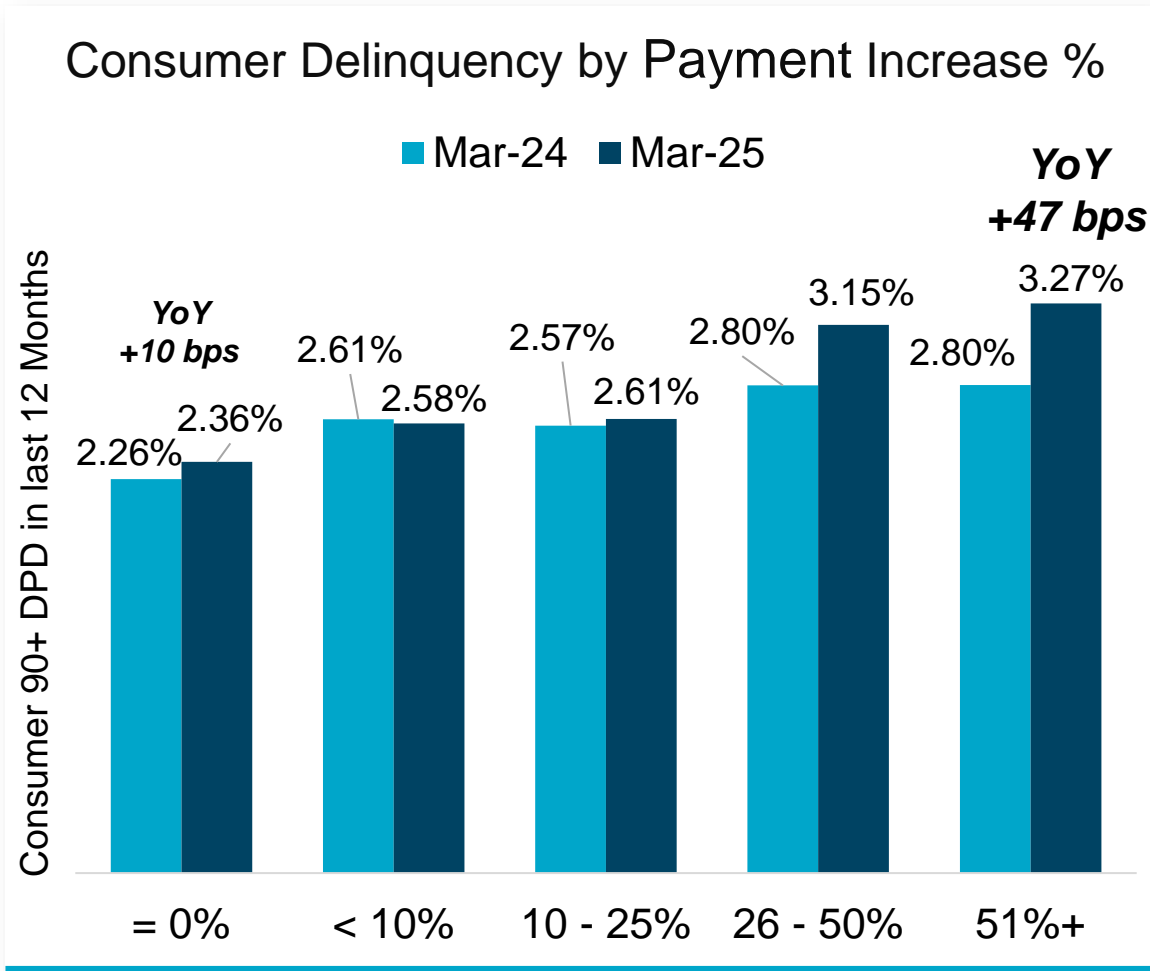
Shocked Consumers by Payment Increase %



Shocked Consumers by Payment Increase \$



Serious delinquencies for consumers facing a payment shock >\$1K increased 5 times faster YoY than those who did not face any shock

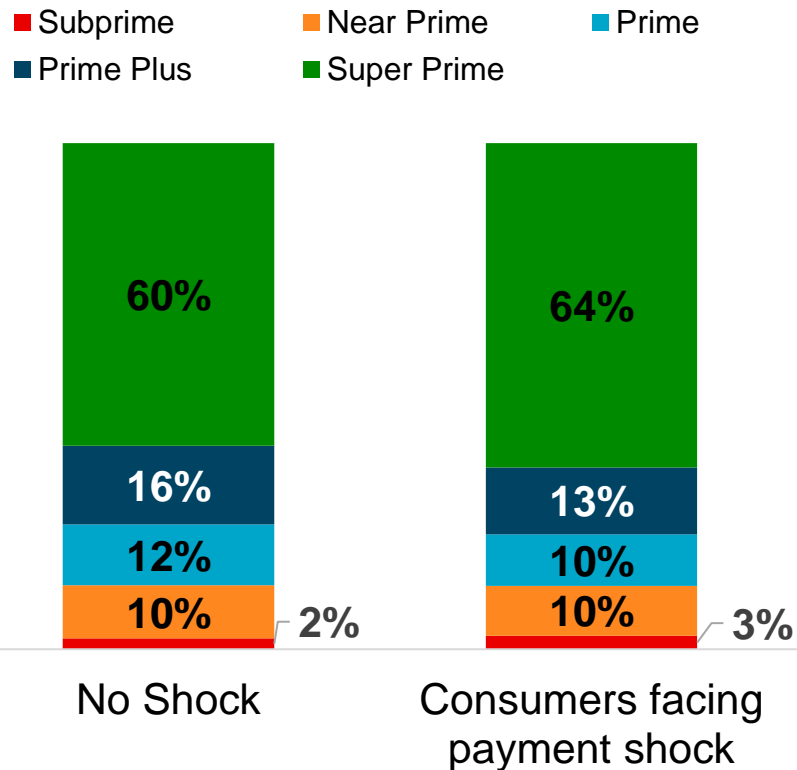


Who has been impacted the most?



The risk tier composition of shocked mortgage consumers appears to be similar whether or not they have experienced payment shock

% Mortgage Consumers split by CV Risk Tier as of March 2025



| % Mortgage Consumers with Payment Shock | Subprime | Near Prime | Prime | Prime Plus | Super Prime | Total |
|---|----------|------------|-------|------------|-------------|-------|
| < 10% | 3% | 10% | 10% | 14% | 64% | 100% |
| 10 - 25% | 2% | 9% | 10% | 13% | 65% | 100% |
| 26 - 50% | 3% | 11% | 10% | 13% | 63% | 100% |
| 51%+ | 3% | 9% | 9% | 12% | 66% | 100% |

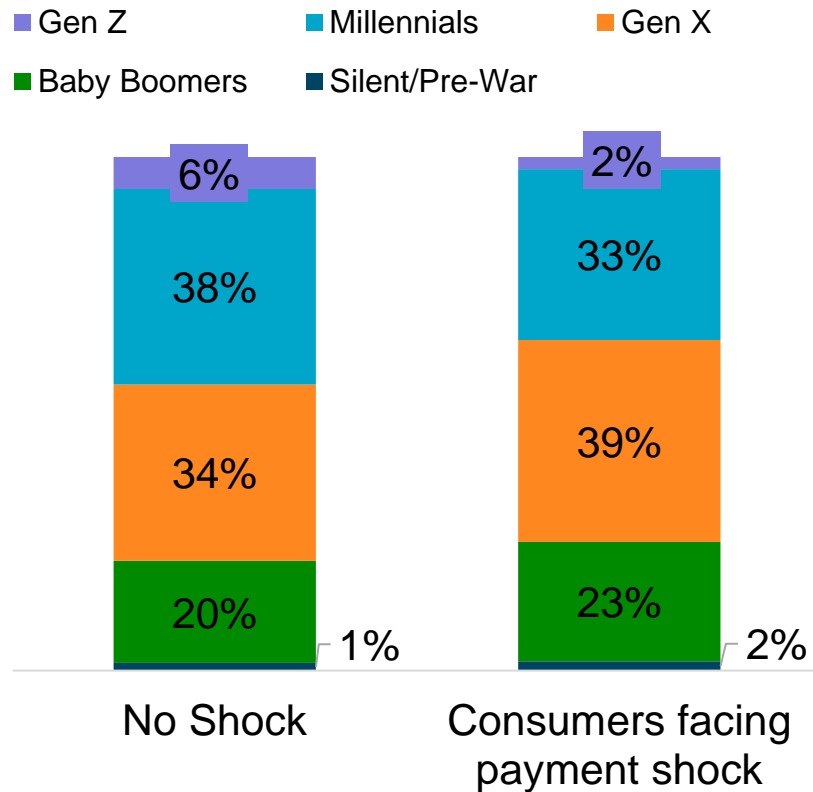
Two-thirds of consumers with mortgage payment shock > 50% are super prime

CreditVision® risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



Gen X is the largest cohort facing a mortgage payment shock followed by Millennials

% Mortgage Consumers split by Generation as of March 2025



| % Mortgage Consumers with Payment Shock | Silent/Pre-War | Baby Boomers | Gen X | Millennials | Gen Z |
|---|----------------|--------------|-------------|-------------|-------------|
| < 10% | 30% | 32% | 31% | 29% | 34% |
| 10 - 25% | 40% | 38% | 37% | 35% | 28% |
| 26 - 50% | 23% | 23% | 25% | 28% | 28% |
| 51%+ | 7% | 6% | 7% | 8% | 10% |
| Total | 100% | 100% | 100% | 100% | 100% |

Among the younger consumers impacted, 36% had monthly payments increase by over 25%



Nearly 45% of Canadian consumers with mortgage payment shock in GTA and GVA have seen an increase greater than 25%

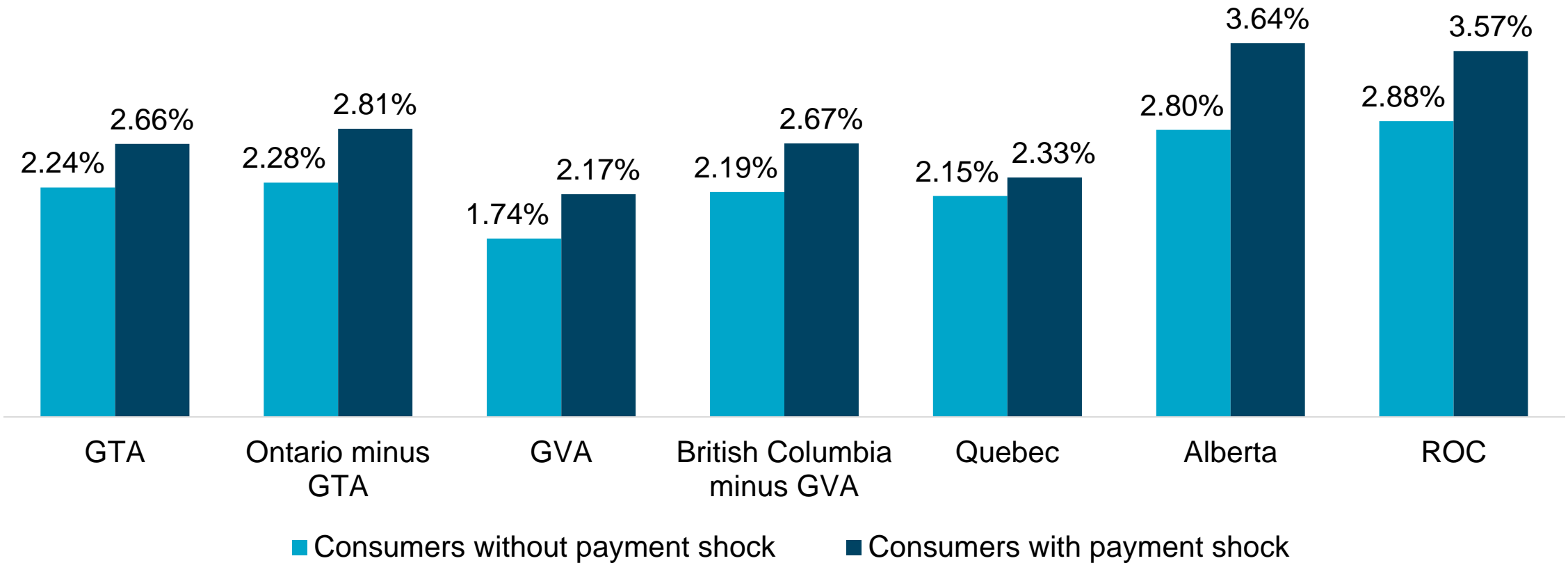
% of Mortgage Shock split by Geographic Location as of March 2025

| | GTA | Ontario minus GTA | GVA | British Columbia minus GVA | Quebec | Alberta | ROC |
|--------------------|-------------|-------------------|-------------|----------------------------|-------------|-------------|-------------|
| 1. < 10% | 24% | 34% | 24% | 26% | 32% | 35% | 36% |
| 2. 10 - 25% | 34% | 36% | 34% | 34% | 38% | 38% | 40% |
| 3. 26 - 50% | 33% | 24% | 33% | 30% | 23% | 21% | 19% |
| 4. 51%+ | 9% | 6% | 10% | 9% | 7% | 6% | 5% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |



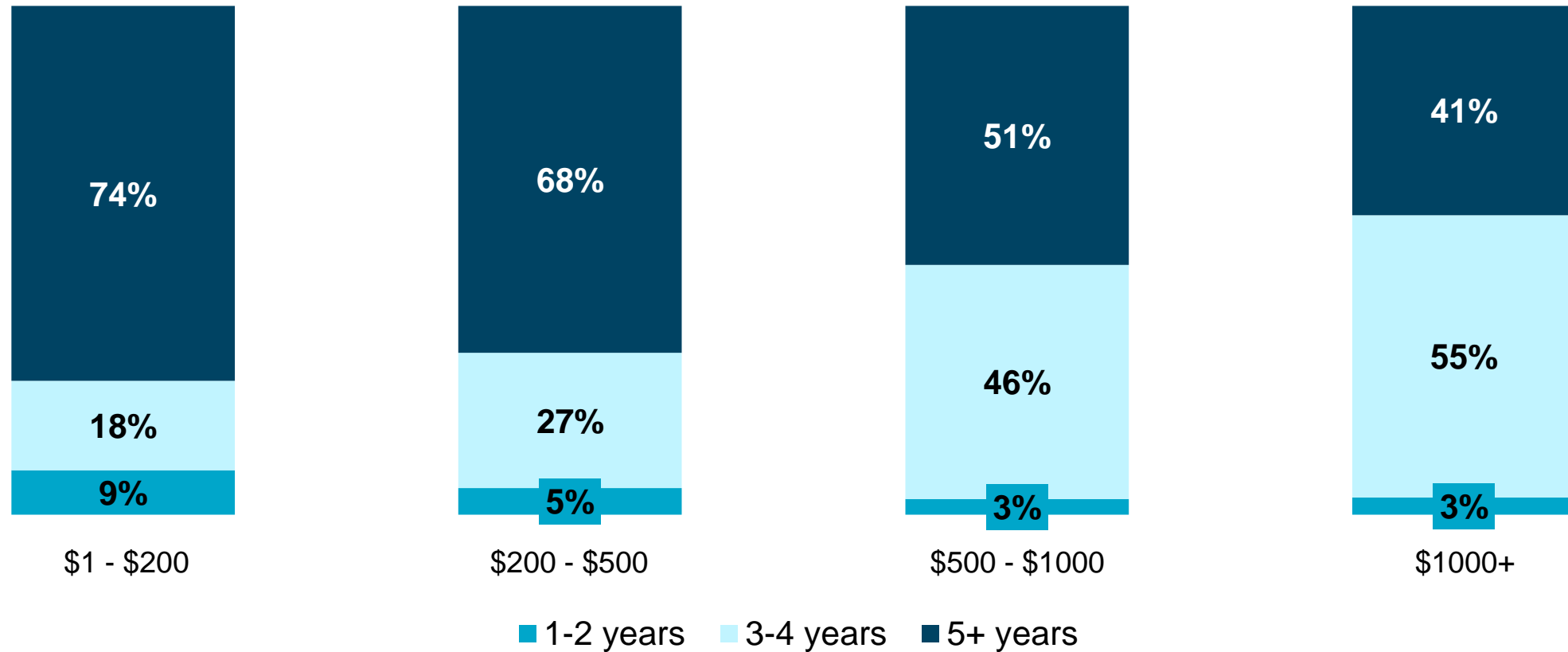
Alberta shows the highest delinquencies for payment shocked consumers followed by ROC and Ontario

Consumer Delinquency (90+ DPD in 12 months prior to March 2025) by Region



Among consumers who faced a monthly payment increase of more than \$1K, nearly 60% had less than 5 years of mortgage history

% Mortgage Payment Shock Consumers Split by Mortgage Tenure as of March 2025



Consumers with a higher payment shock tend to show higher delinquencies

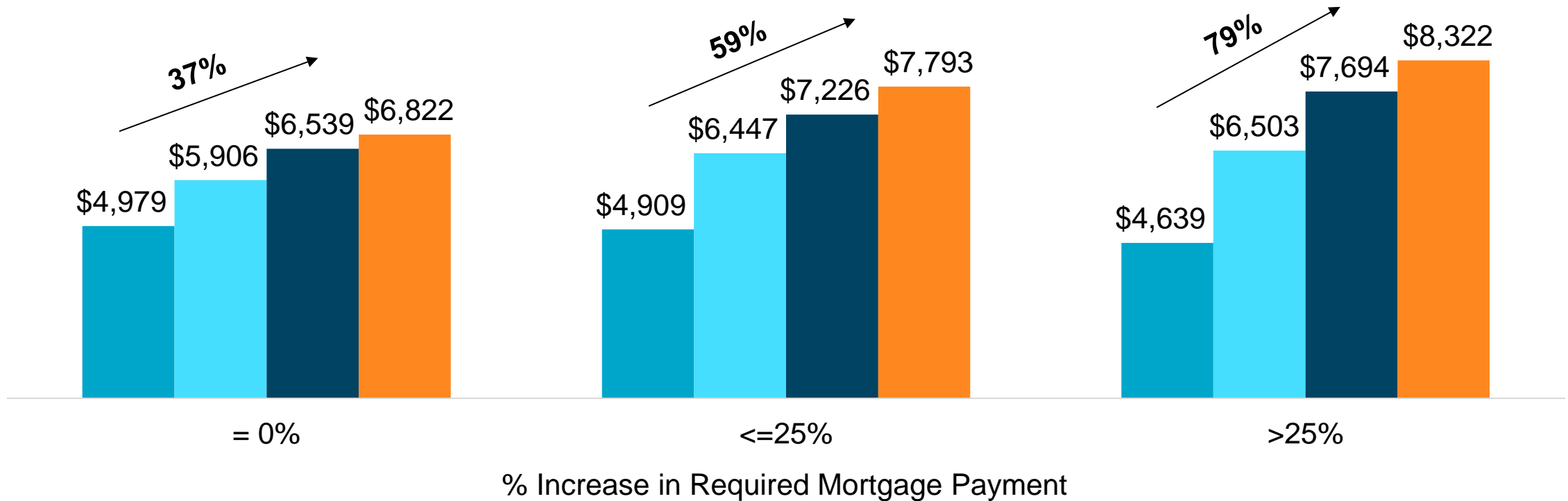
How is an increase in mortgage payments impacting other lending products?



Consumers who experienced a mortgage payment increase of 25%+ have increased their card balances at twice the rate of those with no shock

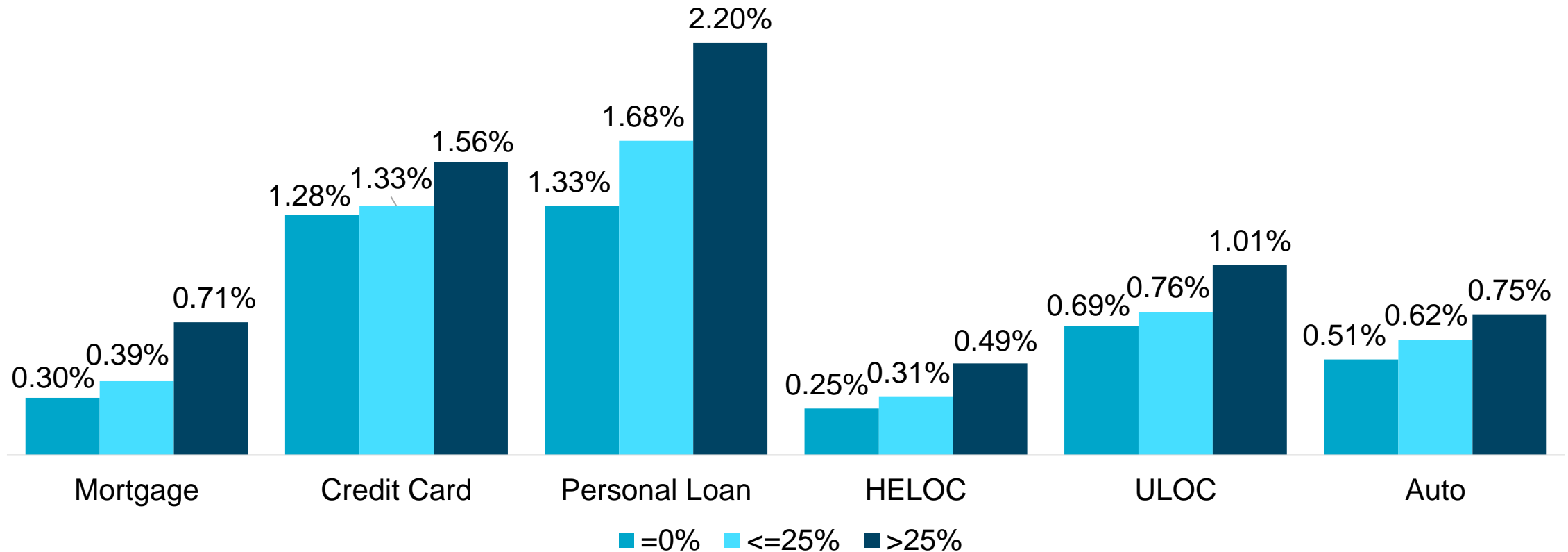
Average Card Balance for Mortgage Consumers

■ Mar-22 ■ Mar-23 ■ Mar-24 ■ Mar-25



Consumers are prioritizing mortgage payment over other credit products, with those in the higher shock segment facing increased delinquencies

Unit Delinquency (90+ DPD in 12 Months Prior to March 2025) by % Shock Bands

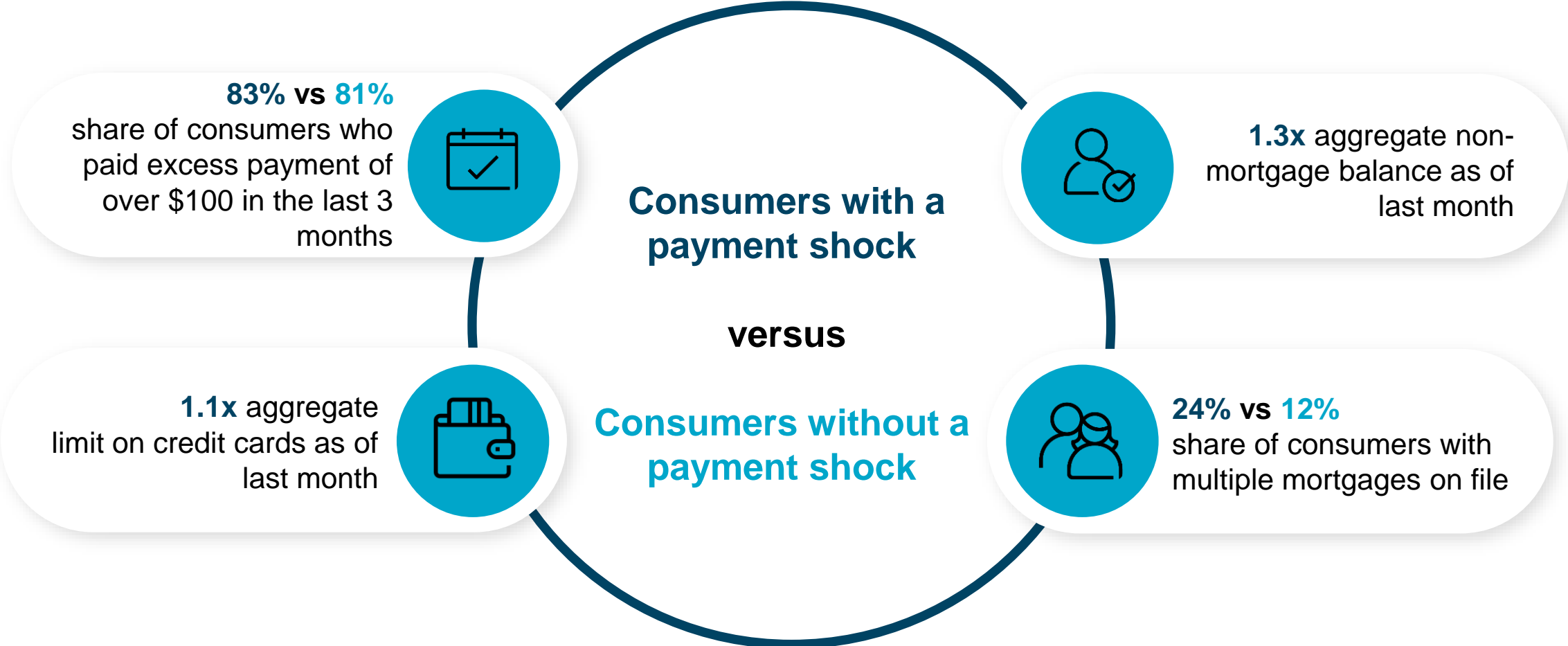


A rise in mortgage payments can increase the risk of higher delinquencies but not all consumers are expected to be impacted equally

How can we identify consumers who are more resilient to a mortgage payment shock?



There are key differentiators among mortgage consumers with a payment shock that can serve as predictive variables for better identifying risk



Aggregate Excess Payment: A consumer's capacity to pay their credit card can help predict risk amongst mortgage holders

Consumers Facing Payment Shock: Aggregate Excess Payment

Aggregate Excess Payment (AEP) – Capacity to Pay

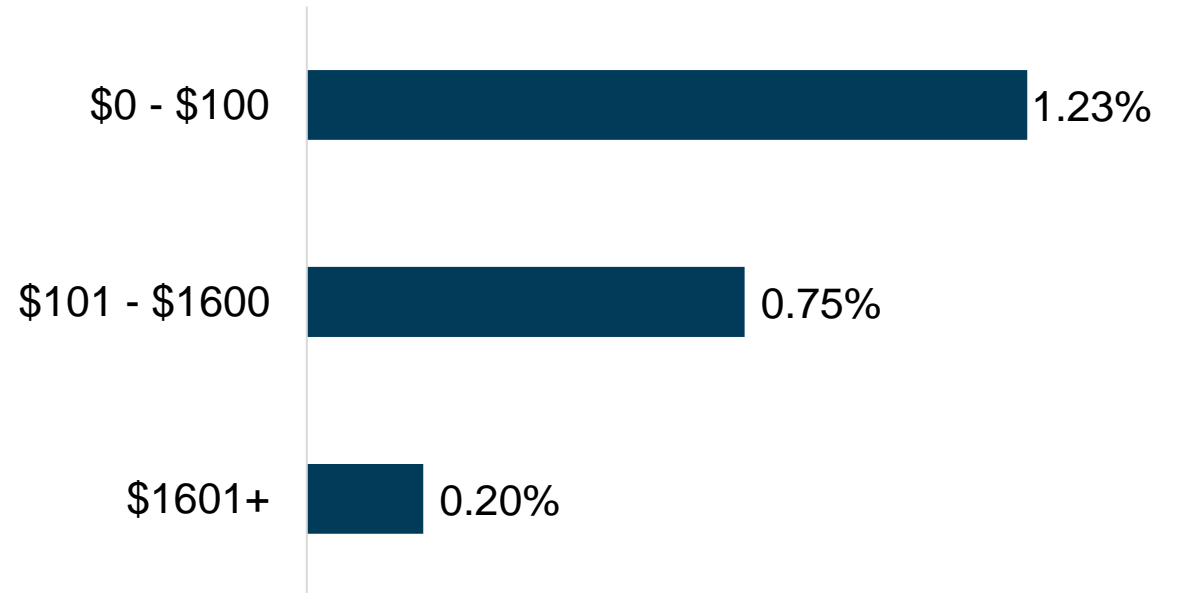
A consumer's total credit card payments in a time period

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A consumer's total minimum amount due on credit cards at the same time

Card Aggregate Excess Payment Over Last 3 Months as of December 31, 2023

Mortgage 90+ DPD in 12 months (Jan'24 to Dec'24)



Total Payment Ratio: A consumer's willingness to pay their bankcard can help predict risk amongst mortgage holders

Consumers Facing Payment Shock: Total Payment Ratio

Total Payment Ratio (TPR) – Capacity to Pay

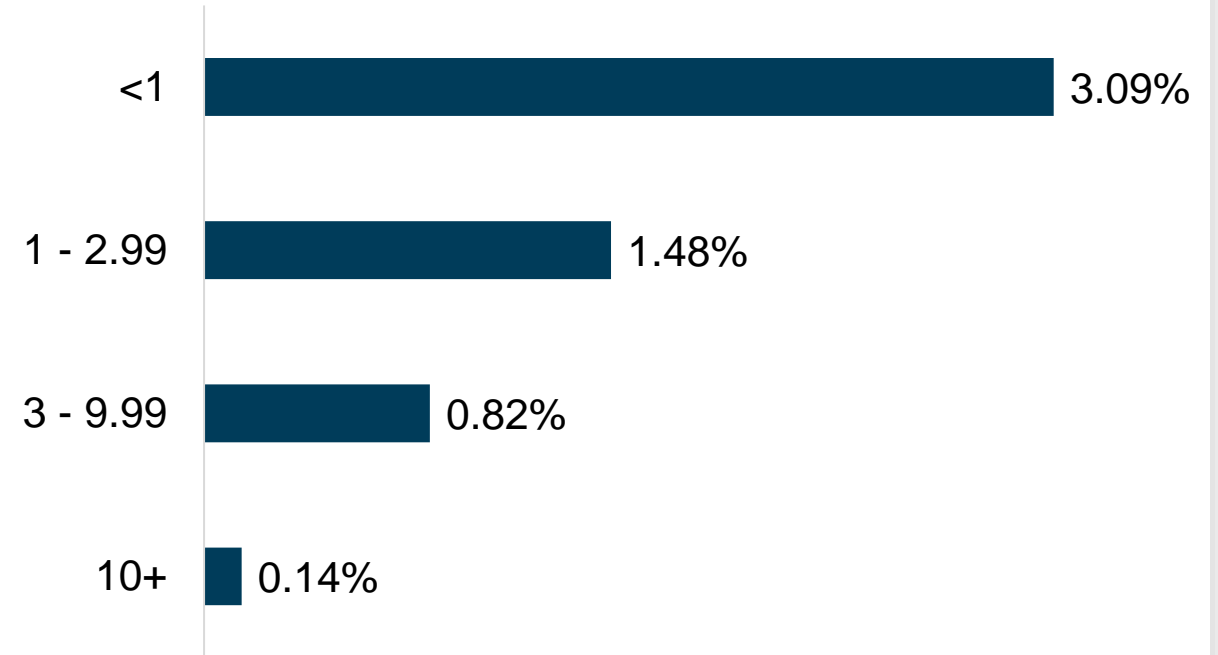
A consumer's total credit card payments in a time period

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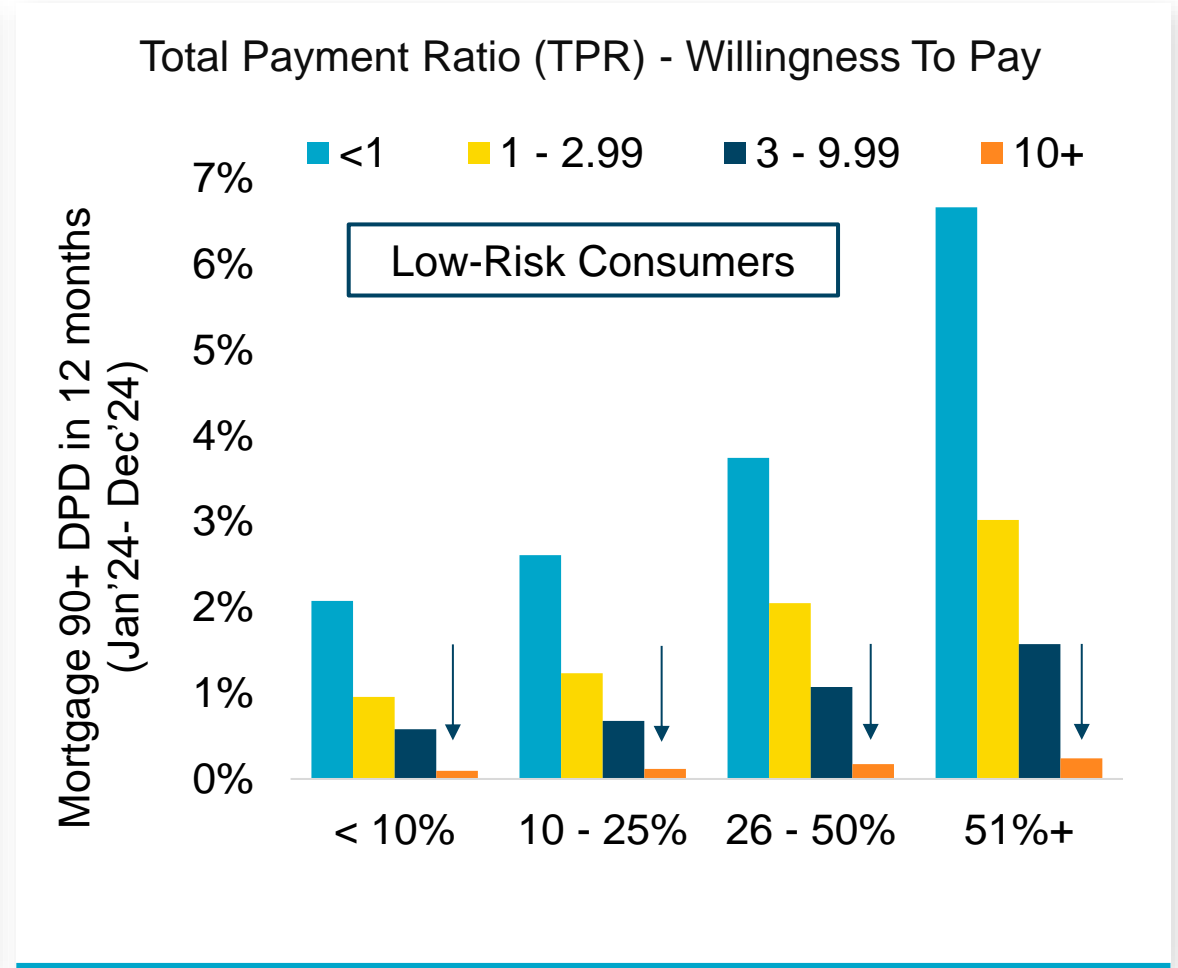
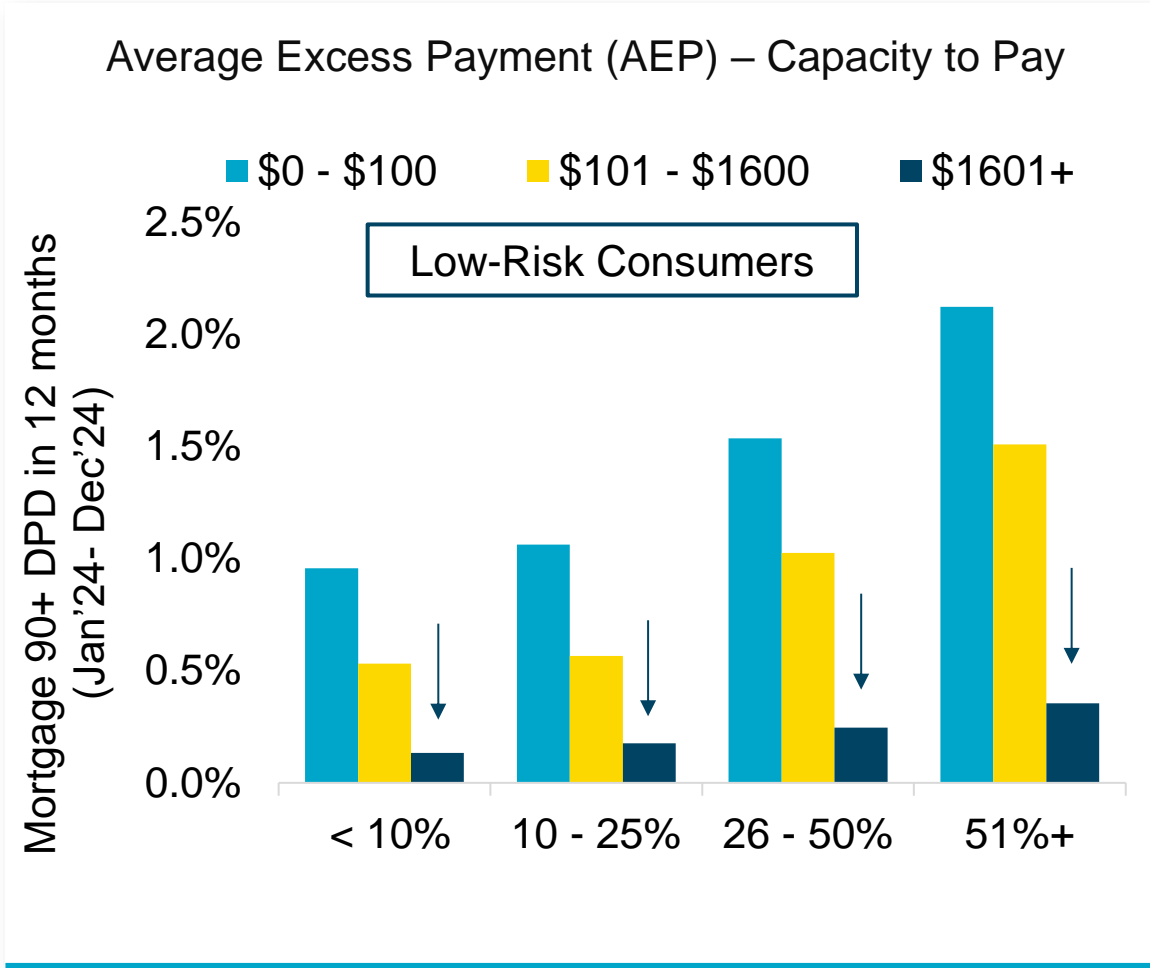
A consumer's total minimum amount due on credit cards in the same time

Card Total Payment Ratio Over Last 3 Months as of December 31, 2023

Mortgage 90+ DPD in 12 months (Jan'24 to Dec'24)



CreditVision® Payment Algorithms can help identify segments of low-risk consumers within 'shocked' consumers



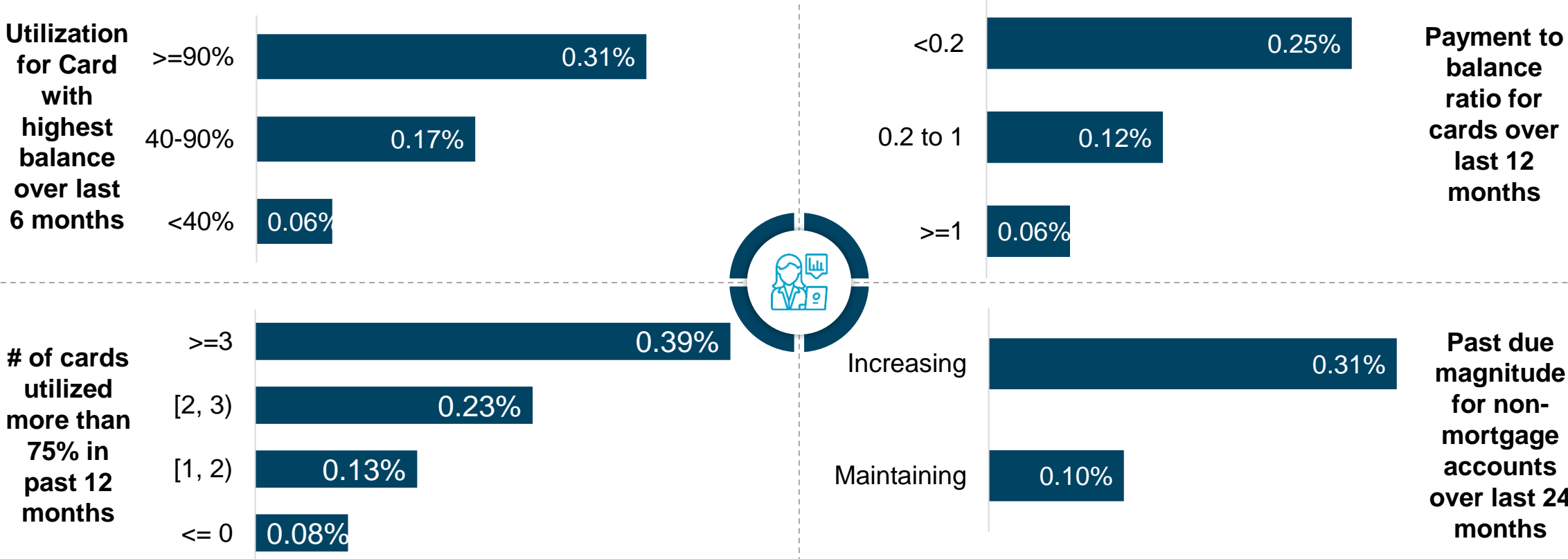
CreditVision[®] continues to drive value, however, we need to account for changing market dynamics

Hence, TransUnion has developed new TruVision[®]
Trended Premium Algorithms and Enriched Attributes
using post-pandemic data



We identified TruVision[®] algorithms that can help in predicting delinquency in next 12 months among mortgage shocked consumers

Mortgage Delinquency* for Prime and Above Consumers Facing Payment Shock > 10%



CreditVision[®] risk score: Prime = 720-759; Prime plus = 760-799; Super prime = 800+

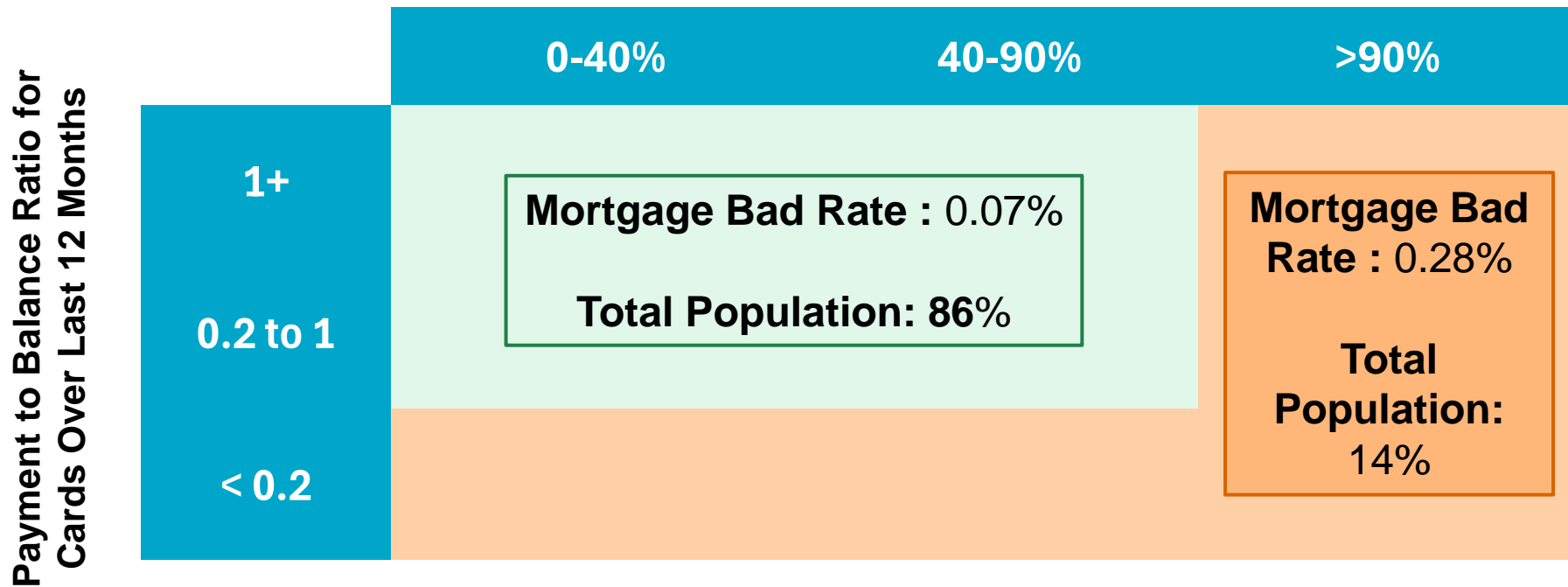
*Unit 90+ DPD in 12 months from Jan'24 to Dec'24



Leveraging utilization and payment-to-balance ratio together can help identify consumers more likely to default after a payment shock

Prime and Above Consumers with More than 10% Mortgage Payment Shock

Utilization for Credit Card with Highest Balance over Last 6 Months



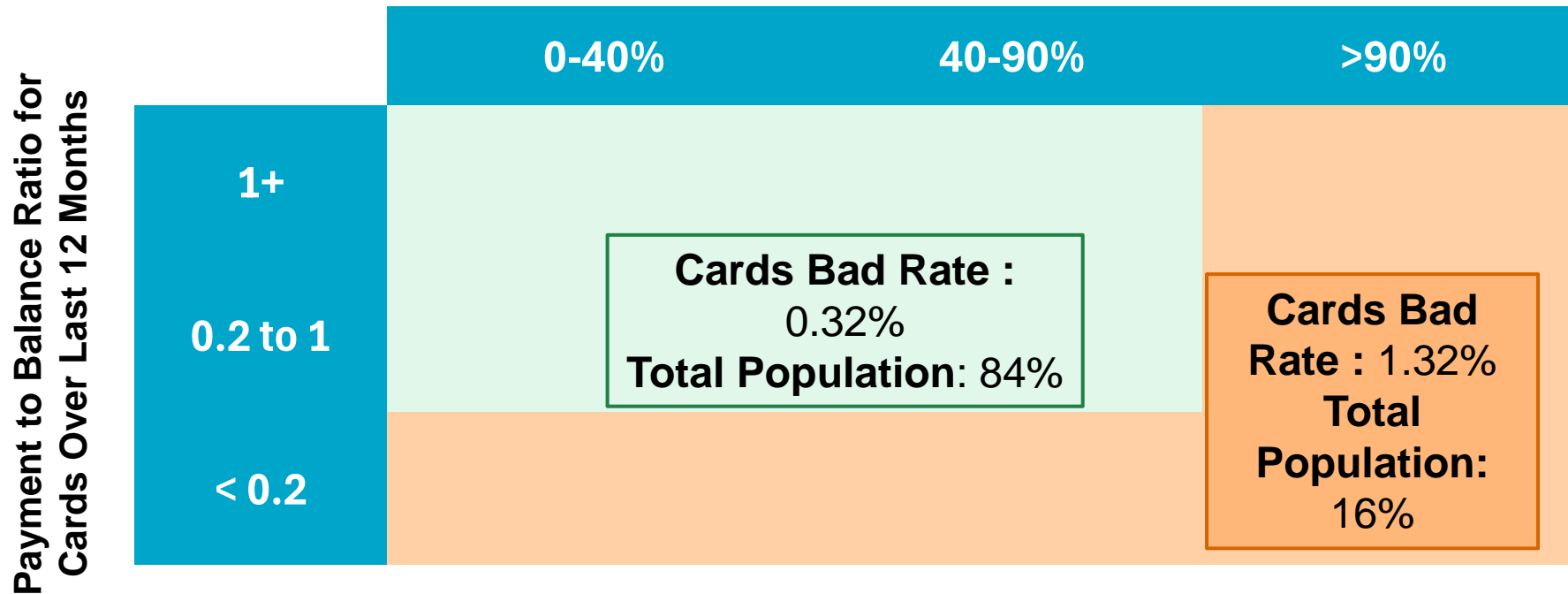
Not all consumers are expected to be impacted equally by a payment shock and TruVision® algorithms can help further segment consumers who are more resilient to payment increases



This approach works equally well for a credit card portfolio

Prime and Above Consumers with More than 10% Mortgage Payment Shock

Utilization for Credit Card with highest balance over last 6 months



Payment hierarchy suggests consumers are more likely to go default on their credit cards before their mortgage. Payment Algorithms can help lenders effectively manage risk for originations and account management



Key Takeaways



To summarize our learnings from the mortgage payment shock study:

- Over **2 million Canadians** have experienced increased mortgage payments since interest rate hikes began with majority of them seeing an increase of less than \$500 per month
- **Younger Canadians** and consumers in **GTA and GVA** appear to have seen the largest increase in payments but have shown resilience
- Consumers are prioritizing mortgage payments, leading to increased **delinquencies in other credit products** in their wallet
- Not all consumers are equally vulnerable, therefore trended data can help identify **low-risk segments** within shocked consumers



How can you leverage this information for smarter decisions?



Proactively identify vulnerable borrowers through customized analysis powered by trended algorithms and actual payment data



Tailor engagement strategies by prioritizing outreach to consumers who have seen recent high mortgage payment increases



Monitor cross-product credit behavior and track rising card balances and delinquencies to detect early signs of financial stress



Gain a competitive edge by updating models to reflect post-pandemic consumer behavior and market dynamics



Thank You

