BANK UPDATE

NEWS BRIEFS

Banks brace for slowdown in mortgage growth

Canada's biggest lenders are bracing for a slowdown in mortgage growth now that stricter qualifying rules have taken effect. While the latest quarterly reports showed that the country's major banks beat earnings predictions, analysts are increasingly concerned that the new mortgage stress test rules, which raised the qualifying rate from 4.79% to 5.25%, could reduce activity and stall growth. In addition, Edward Jones analyst James Shaarman told Reuters that "there's a fair amount of uncertainty in Canada about the strength and magnitude of the economic recovery due to repeated pandemic-related lockdowns." $2.4 billion of mortgage growth in the quarter.

Laurentian's commercial loans and acceptances increased by 4.6% between October 2020 and April 2022, which the bank attributed to the ongoing resilience of the commercial real estate market during the COVID-19 pandemic. Residential mortgage loans decreased by 3% over the same period.

Equitable Bank earns high marks from Fitch Ratings

Canada's alternative lender Equitable Bank has earned a stamp of approval from Fitch Ratings, which described it as "adequately positioned...to take advantage of growing branchless banking trends" that have been "accelerated by the pandemic." Fitch's long-term and short-term issuer default ratings for the bank at BBB- and F3, respectively, and described the outlook for those ratings as "stable." Fitch said its ratings reflected Equitable's "small but growing franchise in Canada," noting that it "has done an effective job of establishing itself in the niche alternative single-family mortgage market.

Former BQ governor mulls post-pandemic economy

In a recent interview with The Financial Post, Bank of Canada governor Stephen Poloz said that while a normalization of post-pandemic economic conditions is likely, the market should not rule out the possibility of a new and unpredictable economic reality. "I think it's possible that the consensus among experts is that we're back into an environment that looks not wildly different from what we had in 2012...I think there's a good chance that will not be the case and that we will be in a rather different period than the one we experienced for the last 26 years.

The Big Six's bumper quarter

Canada's biggest banks recorded strong Q2 earnings — but a recent survey suggests their customers are less than satisfied.

The Big Six Canadian banks had a solid second quarter on the earnings front — several managed to beat analysts' predictions and reported strong results, fueled by significant reductions in provisions for credit losses. TD and RBC were among the banks to announce the most spectacular Q2 results. RBC's profit increased $4 billion (27% higher than a year earlier), while TD recorded a net income of $3.72 billion — 144% higher than its performance in the same time last year. While National Bank saw its shares slide slightly after reporting less impressive earnings than its competitors, its results still topped estimates and included a 5.0% rise in net income from its financial services unit.

The news that most of the Big Six had enjoyed a stellar quarter was welcome news for those institutions, arriving just weeks after a survey suggested that customers' satisfaction with their banks' services during the pandemic. Research firm JD Power reported in May that the country's leading banks were largely responsible for an overall decline in Canadians' satisfaction with their financial institutions. Only 43% of Canadian consumers said they felt supported by their banks, according to J.D. Power, customers whose finances took a hit during the pandemic were more likely to report dissatisfaction — particularly on the subject of fees, a consistently contentious issue. Uncertainty around mortgage delinquencies also figured prominently in those dissatisfactions, along with changes to RRSPs or TFSAs accounts and a lack of convenience concerning products and fees.

“High digital engagement among customers is associated with an increase in satisfaction.”

“Nearly four in 10 customers have been financially affected by the pandemic,” said John Cabell, J.D. Power’s director of banking and payments intelligence. “The subsequent financial insecurity leads to lower trust and satisfaction, especially around understanding of fees, which trigger disputes and dissatisfaction.”

That dissatisfaction appears to have had little impact on the banks' performance during the first half of the year — although Cabell believes banks need to do a much better job in servicing their needs in a number of areas. "But banks want to turn the tide, they should focus on improving interactions with customers, communicating proactively, providing advice and showing support," he said.

The report also stated that keeping up with technology advancements in the banking sector, improving customer experience, and developing new technologies is essential for customeratisfaction and customer needs.

Q&A

The human connection

What's new at BridgeWater in 2023?

This year has been all about meeting business and more profitable for our brokers. The biggest news is that we recently launched our Peak Performance Program — it’s an incentive program that rewards broker loyalty and efficiency. We wanted to expand our existing partnerships with rewarding brokers who do the work they do every day and this program is designed to do that. We also took it a step further by adding our book of business and improving these as well to work more closely with you.

On the personal side, we expanded our expert underwriting team and continued to work on a new team in Toronto and for our brokers in Ottawa, who now rely on local expertise in their own time zone. They have been working on this.

As well, we continued our leadership team with Team Ford, our new VP of enterprise risk, with specific emphasis on mortgage underwriting and fraud mitigation. Ford's impressive CV and expertise in credit risk and financial analytics, combined with our focus on improving technology and process, is winning formula for our next stage of growth.

What do you see as BridgeWater's unique value proposition?

Without question, it's providing that human connection — the ability to call us and talk to an expert when you need one. Our focus is to get you dealt with, to get your client the mortgage they need. In every case, we work hard to try and make it work. That's why we hire expert underwriters and BQs who focus solely on alternative lending — it's what they do, every day.

What are some of the advantages of mortgage brokers when working with BridgeWater?

Again, we think the greatest advantage is being able to reach out to knowledgeable and talk to experts about your deal. All deals can be complex and require a teamwork approach. Also, our new loyalty program — it's an easy way for them to earn more, such as by doing what they already do. Couple that with our vast underwriting radii into smaller communities where other lenders may not go — that's a significant benefit to brokers.

Now that we've expanded into our 25th year as a broker lender. Over those 25 years, we've built a diverse, trusted brand and strong partnerships in the industry, making us a go-to lender. If you're looking to build a large or significant business, free of the heavy lifting — brokers who help brokers be successful in this space, which is a great value-adding approach.

How can brokers get started with BridgeWater?

It's simple. Just talk to us. Call up the BQ team in your region for a consultation and book a success webinar. Visit www.bridgewat.com to sign up for our e-newsletter and check out what we do — including how we've helped clients in real-life situations.