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 inhibit mortgage growth. In addition, Edward Jones analyst James Shanahan 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."

Bank of Canada quashes talk of launching its own digital currency

While the Bank of Canada is monitoring the rise of digital currencies, it currently has no plans to launch its own, according to a senior BoC official. Speaking on a Canadian Chamber of Commerce webinar, deputy governor Timothy Lane said the bank doesn't currently see a strong case for issuing a digital currency. Among other hurdles, Lane said launching a digital currency would mean having to reassure Canadians that the government would be unable to monitor private transactions through it.

Laurentian Bank posts positive second-quarter results

Laurentian Bank reported net income of $53.1 million for the second quarter of 2021, up from $8.9 million during the same period last year. The Montreal-based bank's total revenue for Q2 was $249.8 million, compared with $240.1 million a year prior. Additionally, Laurentian's commercial loans and acceptances increased by 4% between October 2020 and April 2021, 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

Canadian 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 stood at BBB- and F3, respectively, and it described the outlook for those ratings as stable. Fitch said its ratings reflect Equitable's "small but growing franchise in Canada" and noted that it has "done an effective job at establishing itself in the niche alternative single-family mortgage market."

Former BoC governor mulls post-pandemic economy

In a recent interview with BNN Bloomberg, former Bank of Canada governor David Dodge said that while a normalized post-pandemic economy is most likely, the market shouldn't rule out the possibility of a new and unpredictable economic reality. Dodge said that while the consensus among experts is that "we'll be back into an economy that looks not wildly different from that which we had in 2019 ... I think there's a good 30% chance that that will not be the case and that we will be into a rather different period than the one we experienced for the last 25 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, fuelled 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 totalled $4 billion (171% higher than a year earlier), while TD recorded a net income profit of $3.7 billion – 144% higher than its performance at 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 50% rise in net income from its financial markets 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 dropped during the pandemic.

Research firm J.D. 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 most likely to report dissatisfaction – particularly on the subject of fees, a consistently contentious issue. Uncertainty around mortgage deferrals also figured prominently in that dissatisfaction, along with changes to RRSP or TFSA 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 clients in a number of areas.

"If 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 stressed that keeping up with technology is crucial. "High digital engagement among customers is associated with a 25-point increase in satisfaction," the report said. "This further emphasizes the banks' need to stay on top of technology advancements and evolve current offerings to meet customer needs."

Jason Provencher
Vice-president, national sales
BRIDGEWATER BANK

Years in the industry
30+

Fast fact
Provencher is an avid hockey card collector whose prized collection includes a Wayne Gretzky rookie card

Q&A

The human connection

● What's new at Bridgewater Bank in 2021?

This year has been all about making business easier 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 deepen our existing partnerships while rewarding brokers for the work they do every day, and this program is designed to do that. We also took a hard look at our policies and processes and improved those as well to work hand-in-hand with the program.

On the personnel side, we expanded our expert underwriting team in Calgary, and we brought on a new team in Ontario for our Eastern brokers, who can now rely on local expertise in their own time zone. They asked and we listened.

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

● What do you see as Bridgewater Bank'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 passion is to get your deal done, to get your client the mortgage they need. In every case, we'll work hard to try and make it work. That's why we hire expert underwriters and BDMs who focus solely on alternative lending – it's what they do all day, every day.

● What are some of the advantages for mortgage brokers when working with Bridgewater?

Again, we think the greatest advantage is being able to reach out and talk to experts about your deal. Alt deals can be complex and require a teamwork approach.

Also, our new loyalty program – it's an easy way for them to earn more just by doing what they already do. Couple that with our vast lending areas that extend into smaller communities where other lenders may not go – that's a significant benefit to brokers.

We are heading into our 25th year as a broker lender. Over those 25 years, we've built a discernible, trusted brand and strong partnerships in the industry, making us a go-to lender.

Finally, we continue to build up a large archive of content, free for the taking – articles that help brokers be successful in this space, which is a great value-add.

● How can brokers get started with Bridgewater?

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