Non-bank financial intermediation, 2007 to 2022

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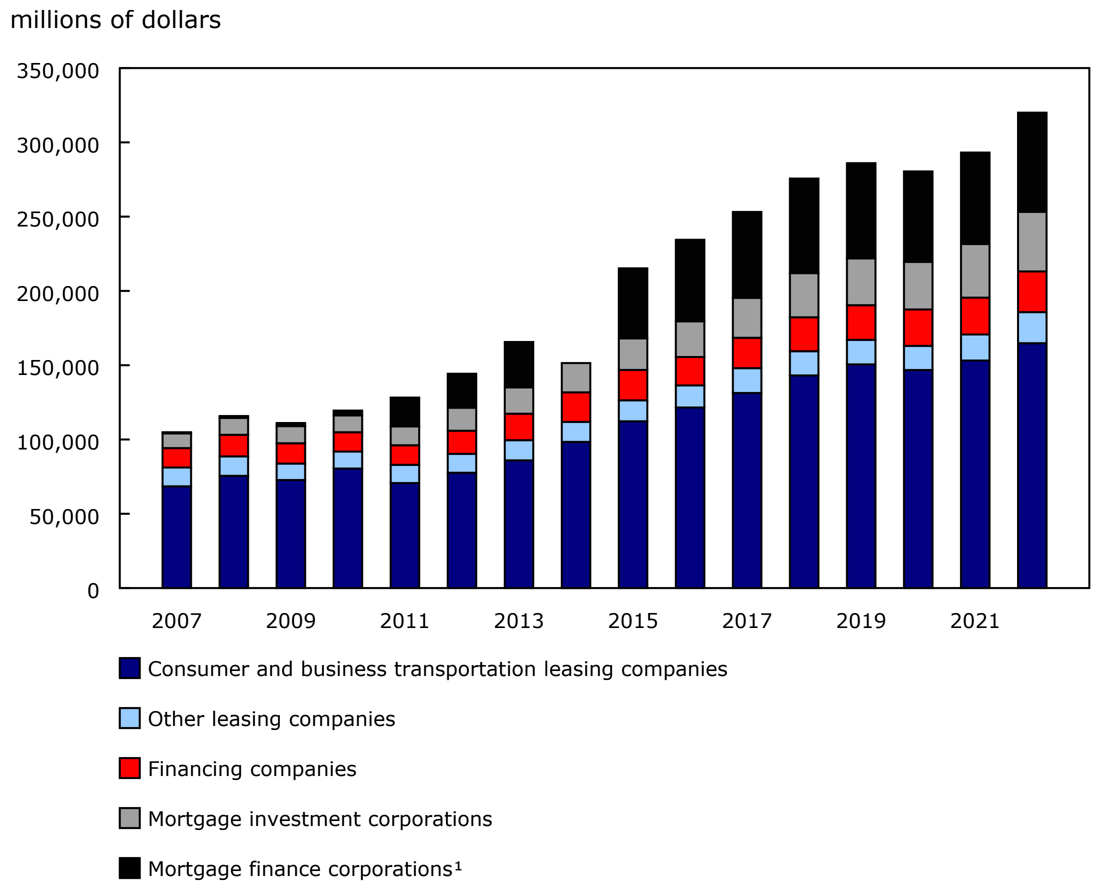
Non-bank financial intermediation is defined as financial intermediation activities, such as lending, that are outside the traditional, regulated financial system where oversight and risk assessment are well established. This release focuses on non-bank credit intermediaries (NBCIs), a subset of non-bank financial intermediaries which encompasses mortgage investment corporations (MICs), mortgage finance corporations (MFCs), consumer and business transportation leasing companies, other leasing companies, and finance companies.

Chart 1
Total financial assets of non-bank credit intermediaries



x suppressed to meet the confidentiality requirements of the *Statistics Act*
1. Data for 2014 are suppressed to meet the confidentiality requirements of the *Statistics Act*.
Source(s): Table 36-10-0607-01.

Mortgage investment and mortgage finance corporations boost lending in 2022

Low interest rates and strong housing demand pushed mortgage borrowing to record-high levels in 2020 and 2021, with household mortgage debt from all lenders growing by $302.8 billion over the two-year period. In 2022, that upward trajectory began to moderate in the face of higher borrowing costs, as the Bank of Canada's policy interest rate increased from a low of 0.25% in March 2022 to 4.25% by the end of the year. In 2022, households added $144.4 billion in mortgage debt, down from the record set in 2021 (+$182.2 billion), but well above the average annual increase in mortgage debt from 2009 to 2019 (+$71.2 billion).

Among the principal NBCI mortgage lending sectors, the mortgage assets of MICs rose 11.3% in 2022 to reach $36.3 billion, a slowdown following a year of strong growth in 2021 (+14.1%). The increase in mortgage assets (+$3.7 billion) for this sector in 2022 was financed mostly through debt and equity. Meanwhile, equity and investment fund shares rose by $1.7 billion, while loan liabilities increased by $1.5 billion.

The mortgage assets of MFCs also rose in 2022, adding $4.6 billion to reach $61.2 billion, marking the first increase since 2018. Part of the MFC business model includes originating mortgages, securitizing them, and selling these to financial institutions such as chartered banks. During 2020 and 2021, MFC mortgage assets declined because they sold more mortgages to other institutions, though they remained very active in the mortgage market.

Transportation leasing sector accelerates, while other leasing and financing sectors remain active

The pace of household non-mortgage borrowing accelerated in 2022, up by $28.1 billion from the previous year. This was the largest dollar value increase since 2009 as the cost of living rose and consumer spending (+11.0%) remained strong in 2022. Household non-mortgage borrowing had decreased by $24.7 billion in 2020, before rising $3.6 billion in 2021.

Among non-mortgage NBCI lenders, the transportation leasing sector saw a 5.8% (+$4.1 billion) increase in non-mortgage loan assets—which include lease receivables—to $73.9 billion in 2022. This level was 10.8% below the 2019 peak of $82.9 billion. The other leasing sector, which is much smaller in size than the transportation leasing sector, posted an increase of 19.1% (+$2.4 billion) in non-mortgage loan assets in 2022 to reach $14.7 billion, following a 14.3% gain in 2021.

Similarly, the financing sector recorded a 15.0% (+$2.3 billion) increase in non-mortgage loan assets in 2022, up from a 0.5% decline in the previous year. This sector encompasses point-of-sale financing, consumer lending and corporate lending.

Note to readers

Non-bank financial intermediation (NBFI) is defined as financial intermediation activities, such as lending, that are outside the traditional, regulated financial system. The current iteration of the economic account of NBFI contains revised estimates for the 2007 to 2021 reference years and preliminary estimates for 2022 covering non-bank credit intermediaries (NBCIs), a subset of non-bank financial intermediaries.

This economic account, developed in partnership with the Bank of Canada, is an extension of the National Balance Sheet Accounts (NBSA) and was established by reclassifying entities from existing institutional sectors in the NBSA to a set of subsectors aligned with the current classification of non-bank financial intermediaries. Additionally, it closely follows the NBSA's classification of financial instruments for assets and liabilities.

*For more information on how this account is constructed, please see the article "An economic account for non-bank financial intermediation as an extension of the National Balance Sheet Accounts" (**13-605-X**).*

NBCIs serve as an important source of funding for both businesses and households. They encompass mortgage investment corporations (MICs), mortgage finance corporations (MFCs), consumer and business transportation leasing companies, other leasing companies, and finance companies.

Mortgage investment corporations

MICs, governed by section 130.1 of the Income Tax Act, are engaged in mortgage lending. Funds are raised through the sale of shares to investors or via debt and these funds are used to provide financing. The return to investors is typically the interest earned on the MIC's portfolio of outstanding loans. Usually, a MIC has 20 or more shareholders and provides short-term loans (6 to 36 months) that are secured by real estate property. MICs offer advantages over traditional banks, as they are more flexible in their lending terms. One can have a personalized structured loan with a short turnaround time for assessing and providing funds that—when compared with other lenders—allows them to charge a higher interest rate. The structure of a MIC represents a vehicle for those with equity to generate profit from the lucrative residential mortgage loan industry.

Mortgage finance corporations

MFCs are large financial institutions that originate and service residential mortgages (usually insured). These mortgages are typically sourced from brokers, but some are sourced from clients directly. These mortgages tend to be packaged and sold to regulated financial institutions. Therefore, they must adhere to mortgage lending rules to satisfy the requirements of both their institutional buyers and the Canada Mortgage and Housing Corporation regarding the public insurance of residential mortgages. As a result of these two considerations, MFCs are often considered to be quasi-regulated. MFCs have a complex relationship with the major banks that is both cooperative and competitive. According to the Bank of Canada, some banks rely on MFCs to underwrite and service broker-originated mortgages, while MFCs also rely on banks to fund their operating capital and a significant share of their mortgage lending. At the same time, MFCs and banks compete for broker-originated mortgages (from the Bank of Canada's "The Rise of Mortgage Finance Companies in Canada: Benefits and Vulnerabilities").

Consumer and business transportation leasing companies

A lease is a long-term contract of one or more years where the lessee pays the depreciation on a good, including an associated interest expense and is offered the option at the end of the lease to buy out the good completely or return it. This sector includes all types of transportation vehicles (planes, trains and automobiles) and fleets, but excludes rentals.

Other leasing companies

Other leasing companies adhere to the same general definition of a lease and cover all other types of leasing, such as equipment, furniture and machinery. Transportation leasing and rentals are excluded.

Finance companies

Finance companies are financial institutions that supply credit for the purchase of consumer goods and services or grant loans directly to individuals and businesses. Unlike banks, finance companies do not take deposits from the public and are not subject to strict banking regulations. Finance companies profit from interest rates charged on the loans provided to clients. These rates are generally higher than the interest rates on bank loans. Finance companies typically obtain funds from a variety of sources, such as through their own borrowing or from an affiliated corporation.

Ensuring that this economic account covers all the relevant entities requires keeping track of new businesses that have entered the NBFI universe and those that have left. For this release, we enhanced the coverage of entities in the finance companies' sector to include additional 'buy-now pay-later' entities.

Table 1
Total financial assets of non-bank credit intermediaries by sector

	2010	2011	2012	2013	2014	2015	2016
	millions of dollars						
Mortgage investment corporations	11,288	12,674	15,500	17,748	19,702	21,238	24,037
Mortgage finance corporations	3,279	19,411	22,870	30,534	x	47,163	54,858
Consumer and business transportation leasing companies	80,460	70,688	77,611	85,963	98,385	112,256	121,537
Other leasing companies	11,418	12,246	12,730	13,578	13,435	14,115	14,865
Financing companies	13,021	13,192	15,545	17,803	19,922	20,445	19,117

	2017	2018	2019	2020	2021	2022
	millions of dollars					
Mortgage investment corporations	26,883	29,710	31,499	32,015	36,080	40,099
Mortgage finance corporations	57,821	63,658	64,099	60,901	61,581	66,741
Consumer and business transportation leasing companies	131,314	143,118	150,559	146,758	153,157	164,814
Other leasing companies	16,704	16,308	16,490	16,246	17,512	20,912
Financing companies	20,436	22,843	23,344	24,525	24,801	27,414

x suppressed to meet the confidentiality requirements of the *Statistics Act*
Source(s): Table **36-10-0607-01**.

Table 2
Total financial assets of non-bank credit intermediaries by sector, year-over-year growth

	2010	2011	2012	2013	2014	2015	2016
	year-over-year % change						
Mortgage investment corporations	-2.0	12.3	22.3	14.5	11.0	7.8	13.2
Mortgage finance corporations	57.0	492.0	17.8	33.5	x	x	16.3
Consumer and business transportation leasing companies	10.6	-12.1	9.8	10.8	14.5	14.1	8.3
Other leasing companies	3.4	7.3	3.9	6.7	-1.1	5.1	5.3
Financing companies	-5.0	1.3	17.8	14.5	11.9	2.6	-6.5

	2017	2018	2019	2020	2021	2022
	year-over-year % change					
Mortgage investment corporations	11.8	10.5	6.0	1.6	12.7	11.1
Mortgage finance corporations	5.4	10.1	0.7	-5.0	1.1	8.4
Consumer and business transportation leasing companies	8.0	9.0	5.2	-2.5	4.4	7.6
Other leasing companies	12.4	-2.4	1.1	-1.5	7.8	19.4
Financing companies	6.9	11.8	2.2	5.1	1.1	10.5

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Source(s): Table **36-10-0607-01**.

Available tables: table 36-10-0607-01.

Definitions, data sources and methods: survey number 1806.

The document "Trends in household non-mortgage loans: The evolution of Canadian household debt before and during COVID-19," which is part of the series *Analysis in Brief* (**11-621-M**), is available.

The document "Trends in the Canadian mortgage market: Before and during COVID-19," which is part of the series *Analysis in Brief* (**11-621-M**), is available.

The document "An economic account for non-bank financial intermediation as an extension of the National Balance Sheet Accounts," which is part of *Latest Developments in the Canadian Economic Accounts* (**13-605-X**), is available.

The Economic accounts statistics portal, accessible from the Subjects module of our website, features an up-to-date portrait of national and provincial economies and their structures.

The publication *Latest Developments in the Canadian Economic Accounts* (**13-605-X**) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* (**13-606-G**) is available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* (**13-607-X**) is available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; **infostats@statcan.gc.ca**) or Media Relations (**statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca**).