

Residential Mortgage Portfolio

In accordance with regulatory guidelines, Innovation Credit Union is required to provide additional credit disclosures regarding our residential mortgage portfolio.

Innovation is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects Innovation’s real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently Innovation uses Canada Mortgage and Housing Corporation (CMHC) and Sagen to provide mortgage default insurance.

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. Innovation is limited to providing HELOCs of no more than 65% of the collateral value.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and a decrease in housing prices, Innovation performs stress tests. The stress testing uses historical delinquency and write-off information over the past 5 years. Our results show that in an economic downturn, Innovation’s capital position would be sufficient to absorb residential mortgage and HELOC losses.

The following tables provide details of Innovation’s residential mortgage portfolio to allow for evaluation of the soundness and condition of Innovation’s residential mortgage operations.

Residential Mortgage Loan Portfolio

| | 2022 | | 2021 | | Change | |
|-------------------|----------------------|----------------|--------------------|----------------|--------------------|--------------|
| | | % of Portfolio | | % of Portfolio | \$ | % |
| Insured | 434,385,443 | 37.4% | 364,937,399 | 40.9% | 69,448,044 | 19.0% |
| Uninsured - Prime | 428,004,662 | 36.8% | 428,436,027 | 48.0% | -431,365 | (0.1%) |
| Uninsured – Alt A | 287,826,930 | 24.7% | 84,852,934 | 9.5% | 202,973,996 | 239.2% |
| Non-conforming | 7,982,114 | 0.7% | 8,829,239 | 1.0% | -847,125 | (9.6%) |
| HELOC | 4,614,157 | 0.4% | 5,018,501 | 0.6% | -404,344 | (8.1%) |
| Total | 1,162,813,306 | 100% | 892,074,100 | 100% | 270,739,206 | 30.3% |

Residential Mortgage Portfolio by Amortization

| Amortization Range | Number | Mortgage Balance | % of Portfolio | Average Balance |
|-----------------------|--------------|----------------------|----------------|-----------------|
| Less than 10 years | 806 | 36,547,718 | 3.1% | 45,345 |
| 10 – 15 years | 1,025 | 103,340,233 | 8.9% | 100,820 |
| 16 – 20 years | 1,739 | 288,903,655 | 24.9% | 166,132 |
| 21 – 25 years | 1,478 | 326,697,037 | 28.1% | 221,040 |
| 26 – 30 years | 802 | 406,800,599 | 35.0% | 507,233 |
| Greater than 30 years | 3 | 524,064 | 0.0% | 174,688 |
| Total | 5,853 | 1,162,813,306 | 100% | 198,670 |

Residential Mortgage Portfolio by Province

| Amortization Range | Number | Mortgage Balance | % of Portfolio | Average Balance |
|----------------------|--------------|----------------------|----------------|-----------------|
| Saskatchewan | 4,877 | 714,186,890 | 61.4% | 146,440 |
| Ontario | 544 | 297,752,012 | 25.6% | 547,338 |
| Alberta | 280 | 78,275,599 | 6.7% | 279,556 |
| British Columbia | 136 | 68,933,299 | 5.9% | 506,862 |
| Manitoba | 7 | 1,959,489 | 0.2% | 279,927 |
| Nova Scotia | 4 | 856,076 | 0.1% | 214,019 |
| Prince Edward Island | 3 | 647,753 | 0.1% | 215,918 |
| Newfoundland | 2 | 202,188 | 0.0% | 101,094 |
| Total | 5,853 | 1,162,813,306 | 100% | 198,670 |

Residential Mortgage Loan Term Portfolio by Loan to Value (LTV)

| Loan to Value (LTV) | Number | Mortgage Balance | % of Portfolio | Average Balance |
|---------------------|--------------|----------------------|----------------|-----------------|
| Less than 25% | 599 | 23,005,729 | 2.0% | 38,407 |
| 25% – 50% | 1,107 | 133,268,990 | 11.5% | 120,388 |
| 50% – 60% | 696 | 118,097,175 | 10.2% | 169,680 |
| 60% – 70% | 958 | 212,290,367 | 18.2% | 221,597 |
| 70% – 80% | 1,596 | 493,104,598 | 42.4% | 308,963 |
| 80% – 90% | 481 | 89,976,980 | 7.7% | 187,062 |
| Greater than 90% | 416 | 93,069,467 | 8.0% | 223,725 |
| Total | 5,853 | 1,162,813,306 | 100% | 198,670 |

Residential Mortgage Loan Term Portfolio by Credit Score

| Equifax Rating | Beacon Score | Number of Members | Mortgage Balance | % of Portfolio |
|----------------|--------------|-------------------|----------------------|----------------|
| Super Prime | 741+ | 2,731 | 599,928,116 | 51.6% |
| Prime | 681 – 740 | 1,262 | 303,346,554 | 26.1% |
| Near Prime | 621 – 680 | 577 | 180,833,097 | 15.6% |
| Sub Prime | 541 – 620 | 198 | 47,811,269 | 4.1% |
| Deep Sub Prime | < 540 | 68 | 8,396,928 | 0.7% |
| No score | | 181 | 22,497,342 | 1.9% |
| Total | | 5,017 | 1,162,813,306 | 100% |

Residential Mortgage Loan Portfolio by Age

| Age | Number of Members | Mortgage Balance | % of Portfolio |
|--------------|-------------------|----------------------|----------------|
| 19 to 24 | 110 | 24,385,813 | 2.1% |
| 25 to 34 | 1007 | 254,963,209 | 21.9% |
| 35 to 44 | 1399 | 378,132,576 | 32.5% |
| 45 to 54 | 1078 | 255,028,824 | 21.9% |
| 55 to 64 | 872 | 168,964,252 | 14.5% |
| 65+ | 551 | 81,338,632 | 7.0% |
| Total | 5,017 | 1,162,813,306 | 100% |

Residential Mortgage Loan Portfolio by Delinquency category

| Delinquency | Number | Mortgage Balance | % of Portfolio |
|---------------------|--------------|----------------------|----------------|
| Not Delinquent | 5,766 | 1,147,914,488 | 98.7% |
| 1 – 29 days | 52 | 9,429,168 | 0.8% |
| 30 – 89 days | 18 | 2,738,823 | 0.2% |
| 90 – 179 days | 4 | 475,146 | 0.0% |
| 180-364 days | 4 | 652,779 | 0.1% |
| 365 days or greater | 9 | 1,602,902 | 0.2% |
| Total | 5,853 | 1,162,813,306 | 100% |

Residential Mortgage Loan Portfolio by Write offs

| | Q4 - 2022 | # | Q4 - 2021 | # |
|--|-----------|---|-----------|---|
| | | | | |

| | | | | |
|------------------------------------|-------------------|-----------|------------------|-----------|
| Insured | \$ 12,931 | 7 | \$ 32,350 | 6 |
| Uninsured | \$276,716 | 5 | \$248,661 | 9 |
| HELOC (Home Equity Line of Credit) | 0 | 0 | 0 | 0 |
| Total Loans | \$ 289,646 | 12 | \$281,011 | 15 |