

CANADA MORTGAGE AND HOUSING CORPORATION

# SECURITIZATION BUSINESS SUPPLEMENT

**SECOND QUARTER**  
June 30, 2019

To supplement CMHC's consolidated financial statements, which are prepared in accordance with IFRS, CMHC uses non-IFRS measures to analyze its performance. The following Securitization Business Supplement is prepared for the second quarter ending June 30, 2019, and is intended to help readers better understand CMHC's securitization activity. CMHC believes that this business supplement provides meaningful information that enables greater transparency and clarity with respect to CMHC's securitization activity.

## NEW SECURITIZATION GUARANTEE ACTIVITY

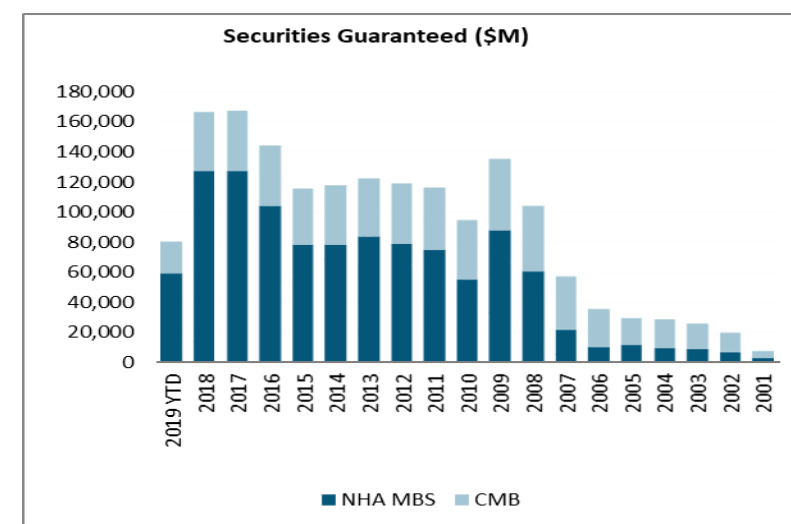
As at June 30, 2019, of the \$140 billion NHA MBS and \$40 billion CMB guarantee limits for 2019, \$80.6 billion of securities were guaranteed (\$59.9 billion of NHA MBS and \$20.75 billion of CMB). Of the approximate 98 active participants in CMHC's securitization programs, 93 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	30-Jun 2019	31-Mar 2019	31-Dec 2018	30-Sep 2018	30-Jun 2018	30-Jun 2018	
<b>Total Guaranteed (\$M)</b>	<b>41,708</b>	<b>38,924</b>	<b>48,556</b>	<b>43,766</b>	<b>37,819</b>	<b>80,632</b>	<b>74,553</b>
NHA Mortgage-Backed Securities (NHA MBS)*	30,958	28,924	38,306	33,766	27,819	59,882	55,053
Canada Mortgage Bonds (CMB)	10,750	10,000	10,250	10,000	10,000	20,750	19,500
<b>NHA MBS (\$M)</b>	<b>30,958</b>	<b>28,924</b>	<b>38,306</b>	<b>33,766</b>	<b>27,819</b>	<b>59,882</b>	<b>55,053</b>
Federally Regulated Institutions	19,106	19,749	28,746	21,766	18,078	38,856	36,273
Provincially Regulated Institutions	3,459	2,223	3,690	2,898	2,893	5,682	6,177
IROC Regulated Institutions**	5,048	3,188	2,956	4,020	2,602	8,236	4,859
Other Institutions	3,344	3,764	2,913	5,083	4,246	7,108	7,744
<b>CMB (\$M)</b>	<b>10,750</b>	<b>10,000</b>	<b>10,250</b>	<b>10,000</b>	<b>10,000</b>	<b>20,750</b>	<b>19,500</b>
Federally Regulated Institutions	6,273	5,401	5,798	5,645	6,049	11,674	11,491
Provincially Regulated Institutions	1,323	1,697	1,757	1,623	1,445	3,020	2,972
IROC Regulated Institutions	2,653	2,030	1,887	2,230	1,991	4,683	3,806
Other Institutions	501	872	808	503	516	1,373	1,231

Component items may not add to totals because of rounding.

\* The NHA MBS amount of \$59.9 billion consists of \$57.6 billion in new NHA MBS issued and guaranteed YTD 2019 and \$2.3 billion in replacement NHA MBS issued prior to 2019 but on which NHA MBS guarantee fees were paid in 2019.

\*\* IROC: The Investment Industry Regulatory Organization of Canada is the national self-regulatory organization that oversees all investment dealers in Canada (<http://www.iroc.ca/>).

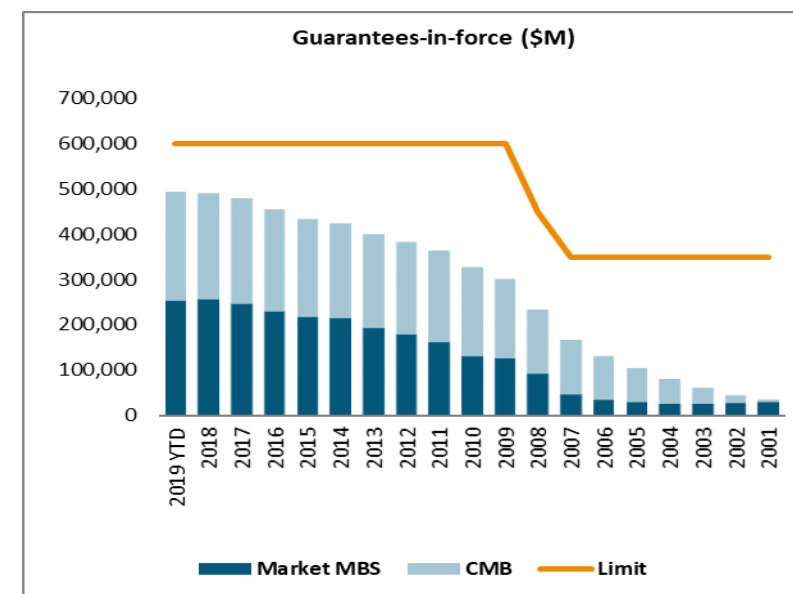


## GUARANTEES-IN-FORCE

The amount of guarantees-in-force outstanding is a function of new guarantee activity and maturities/principal runoff from outstanding guaranteed securities. Approximately 89 per cent of the \$491.6 billion in guarantees-in-force outstanding as at June 30, 2019, is with regulated institutions, and 67 per cent of guarantees-in-force outstanding as at June 30, 2019, is with federally regulated institutions.

Guarantees-in-force	30-Jun 2019	31-Mar 2019	As at: 31-Dec 2018	30-Sep 2018	30-Jun 2018
<b>Guarantees-in-force (\$M)</b>	<b>491,581</b>	<b>494,400</b>	<b>487,772</b>	<b>483,622</b>	<b>478,549</b>
Market NHA MBS	251,333	254,901	253,524	241,874	241,901
CMB	240,249	239,499	234,249	241,749	236,649
<b>Market NHA MBS (\$M)</b>	<b>251,333</b>	<b>254,901</b>	<b>253,524</b>	<b>241,874</b>	<b>241,901</b>
Federally Regulated Institutions	183,570	188,844	186,626	176,370	176,069
Provincially Regulated Institutions	10,232	8,942	9,653	8,435	9,121
IROC Regulated Institutions	22,097	21,980	22,829	22,546	23,896
Other Institutions	35,435	35,134	34,415	34,522	32,814
<b>CMB (\$M)</b>	<b>240,249</b>	<b>239,499</b>	<b>234,249</b>	<b>241,749</b>	<b>236,649</b>
Federally Regulated Institutions	144,659	143,997	141,272	147,535	145,724
Provincially Regulated Institutions	33,010	33,317	31,939	32,719	31,428
IROC Regulated Institutions	43,234	42,373	41,652	41,588	39,994
Other Institutions	19,346	19,811	19,386	19,907	19,504

Component items may not add to totals because of rounding.



The maturity profile of the outstanding guaranteed obligations is generally distributed across a five-year term, reflecting the predominance of the five-year mortgage term of the mortgages securitized under the NHA MBS Program and the core five-year CMB term.

Guarantees-in-force Maturity Profile (\$M)	As at:									
	30-Jun-19		31-Mar-19		31-Dec-18		30-Sep-18		30-Jun-18	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2018							1,076	17,750	6,721	22,650
2019	10,850	16,000	21,840	26,000	28,592	30,750	32,131	30,750	36,756	30,750
2020	53,249	39,999	56,642	39,999	59,337	39,999	58,329	39,999	61,224	39,999
2021	64,665	37,750	67,177	37,750	70,023	37,750	68,418	37,750	69,714	37,750
2022	49,836	44,250	49,766	44,250	49,887	44,250	49,314	44,250	49,974	44,250
2023	52,039	36,500	48,717	36,500	43,536	36,500	30,593	31,000	15,594	23,250
2024	18,690	25,000	8,904	16,500	782	8,500	816	6,000	793	6,000
2025	336	11,500	359	11,500	310	11,500	308	11,500	318	11,500
2026	35	7,000	39	7,000	42	7,000	46	7,000	50	7,000
2027	244	6,750	248	6,750	253	6,750	260	6,750	262	6,750
2028	970	13,250	1,132	13,250	730	11,250	551	9,000	462	6,750
2029	330	2,250	47							
2033	25		26		26		26		26	
2034	63		5		5		5		5	
<b>Total</b>	<b>251,333</b>	<b>240,249</b>	<b>254,901</b>	<b>239,499</b>	<b>253,524</b>	<b>234,249</b>	<b>241,874</b>	<b>241,749</b>	<b>241,901</b>	<b>236,649</b>

Component items may not add to totals because of rounding.

## MORTGAGE ARREARS RATE IN THE NHA MBS PROGRAM

At the time of an NHA MBS issuance, no pooled mortgage must be in arrears and mortgages must have mortgage default insurance coverage in accordance with the Government of Canada regulations for mortgage insurance. Mortgage arrears of the pooled mortgages are analyzed and monitored, at the Issuer level, on a monthly basis, in the context of the overall financial condition of the Issuer. This information, along with established arrears triggers and the financial viability of the Issuer, is considered when permitting the Issuer new guarantee approvals.

As at June 30, 2019, the 90-day arrears rate—the number of loans in arrears (3,192) as a proportion of the total number of loans (2,050,035)—in the NHA MBS Program was 0.16 per cent.

90 days arrears for mortgages in NHA MBS outstanding	30-Jun 2019	31-Mar 2019	As at:		
			31-Dec 2018	30-Sep 2018	30-Jun 2018
<b>Overall 90 days arrears rate</b>	<b>0.16%</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.17%</b>
Federally Regulated Institutions	0.19%	0.20%	0.21%	0.20%	0.20%
Provincially Regulated Institutions	0.08%	0.09%	0.09%	0.08%	0.08%
IIFROC Regulated Institutions	0.08%	0.10%	0.10%	0.11%	0.12%
Other Institutions	0.03%	0.03%	0.03%	0.06%	0.06%



## INTEREST SPREAD

CMHC establishes a minimum spread requirement between the NHA MBS coupon and the lowest mortgage rate in the pool. This interest spread, which is for the benefit of the Issuer in good standing, is an important feature that incentivizes the Issuer to fulfil its responsibilities under the NHA MBS Program. This program feature ensures that program participants have significant “skin in the game.” In the event of a failure of an Issuer to fulfill its responsibilities under the NHA MBS Program, CMHC, as guarantor and trustee on behalf of the NHA MBS investor, will have access to the interest spread to be used in ensuring the obligations under the NHA MBS are fulfilled.

30-Jun-19 Pool Type	Balance Outstanding (\$M)	MORTGAGE		NHA MBS		
		Spread to Index*	Mortgage Rate	Spread to Index*	MBS Coupon	Interest Spread
<b>Fixed Rate</b>						
867	65,257		2.93		1.74	1.18
964	811		2.80		1.81	0.99
965	21,921		2.99		2.30	0.69
966	21,528		2.79		2.11	0.68
967	5		2.50		1.88	0.62
970	0		6.99		5.88	1.12
975	277,303		2.90		1.71	1.19
990	4,103		3.53		2.97	0.56
	<b>390,928</b>		<b>2.91</b>		<b>1.78</b>	<b>1.13</b>
<b>Floating Rate</b>						
880	7,035	(0.51)	3.42	0.40	2.37	1.04
885	10,046	(0.56)	3.35	0.10	2.07	1.28
980	45,498	(0.77)	3.16	0.14	2.11	1.05
985	30,845	(0.65)	3.35	0.08	2.06	1.29
987	7,076	(0.52)	3.39	(0.95)	2.44	0.95
	<b>100,500</b>		<b>3.27</b>		<b>2.13</b>	<b>1.14</b>
<b>Total</b>	<b>491,428</b>		<b>2.99</b>		<b>1.85</b>	<b>1.13</b>

Component items may not add to totals because of rounding.

\* Adjustable (880/980) and variable (885/985) mortgage rates are based on lenders' prime rates. Floating rate NHA MBS coupons, with the exception of the NHA MBS 987 pool, are based on the one-month Canadian Dollar Offered Rate (CDOR). The coupon rate of the NHA MBS 987 pool is based on a spread to the weighted average mortgage rate in the pool. All spreads and rates shown in the table are weighted averages.



## ADDITIONAL INFORMATION

To complement the monthly reports on CMHC's website, additional details on NHA MBS issuance volumes, including by pool type and issuer, can be found at <https://www.cmhc-schl.gc.ca/en/finance-and-investing/nha-mortgage-backed-securities/securitization-reports>.

## NHA MBS ISSUANCE VOLUMES

NHA MBS issued during the period	Three months ended				Year-to-date		
	30-Jun 2019	31-Mar 2019	31-Dec 2018	30-Sep 2018	30-Jun 2018	30-Jun 2018	
Guaranteed (Market) NHA MBS	30,454	27,162	37,582	33,660	26,434	57,616	51,923
Replacement NHA MBS*	4,939	7,308	3,102	11,415	8,922	12,247	17,632
<b>Total NHA MBS Volumes (\$M)</b>	<b>35,392</b>	<b>34,471</b>	<b>40,683</b>	<b>45,075</b>	<b>35,356</b>	<b>69,863</b>	<b>69,554</b>

Component items may not add to totals because of rounding.

\* NHA MBS designated for future sale to Canada Housing Trust (CHT) under the CMB Program to replace the monthly principal runoff from the NHA MBS assets held by CHT with respect to CMB transactions. Replacement NHA MBS are restricted securities and can only be used as reinvestment assets in CMB transactions issued prior to July 1, 2016.

## NHA MBS OUTSTANDING

All NHA MBS issued and outstanding	30-Jun 2019	31-Mar 2019	As at: 31-Dec 2018	30-Sep 2018	30-Jun 2018
Guaranteed (Market) NHA MBS	251,333	254,901	253,524	241,874	241,901
NHA MBS sold to Canada Housing Trust	233,892	235,112	229,282	234,668	228,204
Replacement NHA MBS	6,203	8,548	8,667	7,834	8,937
<b>Total NHA MBS Outstanding (\$M)</b>	<b>491,428</b>	<b>498,562</b>	<b>491,473</b>	<b>484,376</b>	<b>479,042</b>

Component items may not add to totals because of rounding.

