

CANADA MORTGAGE AND HOUSING CORPORATION

# SECURITIZATION BUSINESS SUPPLEMENT

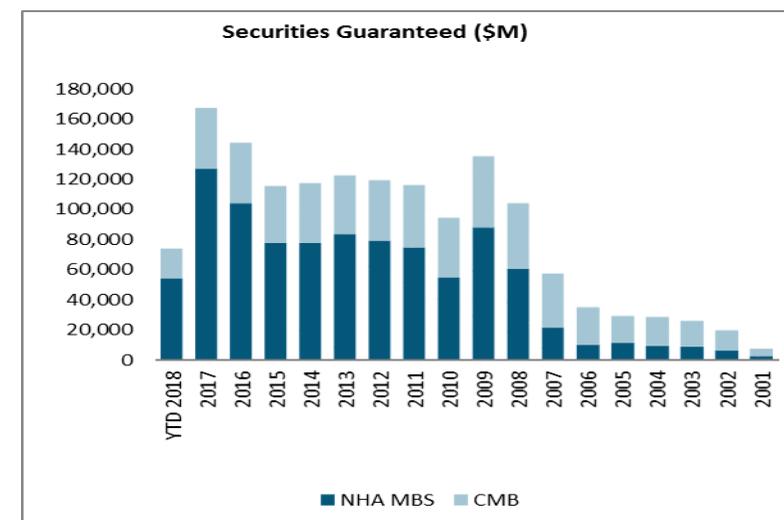
Second QUARTER  
June 30, 2018

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, 2018, 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, 2018, of the \$135 billion NHA MBS and \$40 billion CMB guarantee limits for 2018, \$74.6 billion of securities were guaranteed (\$55.1 billion of NHA MBS and \$19.5 billion of CMB). Of the approximate 95 active participants in CMHC's securitization programs, 90 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date	
	30-Jun 2018	31-Mar 2018	31-Dec 2017	30-Sep 2017	30-Jun 2017	30-Jun 2017
<b>Total Guaranteed (\$M)</b>	<b>37,819</b>	<b>36,733</b>	<b>54,149</b>	<b>41,172</b>	<b>37,730</b>	<b>71,910</b>
NHA Mortgage-Backed Securities (NHA MBS)*	27,819	27,233	44,399	31,672	27,730	55,053
Canada Mortgage Bonds (CMB)	10,000	9,500	9,750	9,500	10,000	19,500
<b>NHA MBS (\$M)</b>	<b>27,819</b>	<b>27,233</b>	<b>44,399</b>	<b>31,672</b>	<b>27,730</b>	<b>55,053</b>
Federally Regulated Institutions	18,078	18,196	32,462	20,325	17,598	36,273
Provincially Regulated Institutions	2,893	3,284	3,537	3,202	2,985	6,177
IIROC Regulated Institutions**	2,602	2,256	4,787	4,183	4,240	4,859
Other Institutions	4,246	3,498	3,614	3,962	2,907	7,744
<b>CMB (\$M)</b>	<b>10,000</b>	<b>9,500</b>	<b>9,750</b>	<b>9,500</b>	<b>10,000</b>	<b>19,500</b>
Federally Regulated Institutions	6,049	5,443	5,645	5,510	5,853	11,491
Provincially Regulated Institutions	1,445	1,527	1,869	1,510	1,764	2,972
IIROC Regulated Institutions	1,991	1,815	1,620	1,734	1,832	3,806
Other Institutions	516	715	615	747	551	1,231



Component items may not add to totals because of rounding.

\* The NHA MBS amount of \$55.1 billion consists of \$51.9 billion in new NHA MBS issued and guaranteed YTD 2018 and \$3.2 billion in replacement NHA MBS issued prior to 2018 but on which guarantee fees were paid YTD 2018.

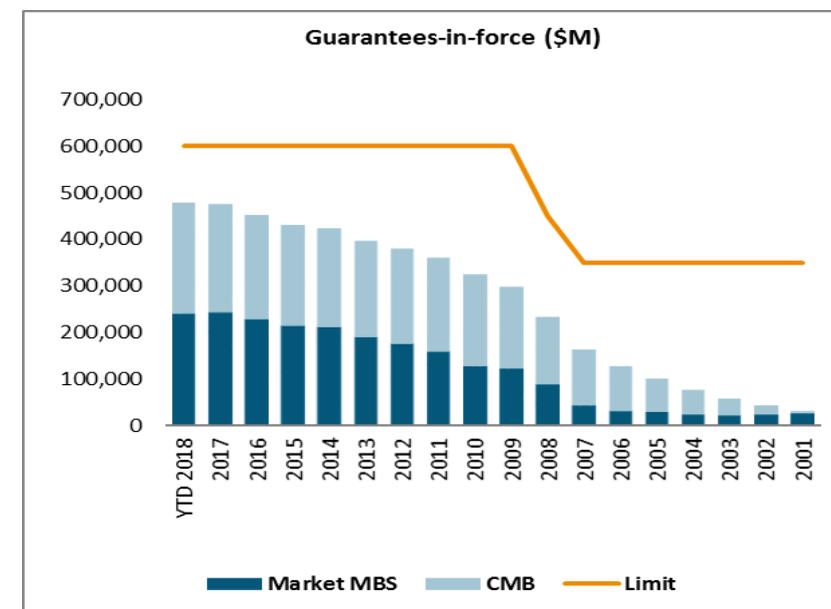
\*\* IIROC: The Investment Industry Regulatory Organization of Canada is the national self-regulatory organization that oversees all investment dealers in Canada (<http://www.iiroc.ca/>).



## 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 \$478.5 billion in guarantees-in-force outstanding as at June 30, 2018, is with regulated institutions, and 67 per cent of guarantees-in-force outstanding as at June 30, 2018, is with federally regulated institutions.

Guarantees-in-force	30-Jun 2018	31-Mar 2018	As at: 31-Dec 2017	30-Sep 2017	30-Jun 2017
<b>Guarantees-in-force (\$M)</b>	<b>478,549</b>	<b>480,920</b>	<b>477,200</b>	<b>458,915</b>	<b>456,092</b>
NHA MBS	241,901	244,272	244,052	225,550	227,321
CMB	236,649	236,649	233,149	233,366	228,772
<b>NHA MBS (\$M)</b>	<b>241,901</b>	<b>244,272</b>	<b>244,052</b>	<b>225,550</b>	<b>227,321</b>
Federally Regulated Institutions	176,069	179,991	179,613	165,451	167,706
Provincially Regulated Institutions	9,121	8,274	7,577	6,135	5,760
IIROC Regulated Institutions	23,896	24,975	26,474	24,731	25,355
Other Institutions	32,814	31,032	30,388	29,233	28,499
<b>CMB (\$M)</b>	<b>236,649</b>	<b>236,649</b>	<b>233,149</b>	<b>233,366</b>	<b>228,772</b>
Federally Regulated Institutions	145,724	145,459	145,385	145,349	144,057
Provincially Regulated Institutions	31,428	31,129	29,985	29,289	27,785
IIROC Regulated Institutions	39,994	39,856	38,243	38,499	37,255
Other Institutions	19,504	20,204	19,535	20,229	19,674



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-18		31-Mar-18		31-Dec-17		30-Sep-17		30-Jun-17	
YEAR	NHA MBS	CMB								
2017							989	9,967	6,266	14,870
2018	6,721	22,650	16,461	32,650	23,403	38,650	28,514	38,650	33,041	38,650
2019	36,756	30,750	37,888	30,750	39,902	30,750	39,319	30,750	41,886	30,750
2020	61,224	39,999	61,128	39,999	63,190	39,999	59,494	39,999	62,905	40,002
2021	69,714	37,750	70,808	37,750	71,642	37,750	65,644	37,750	65,492	37,750
2022	49,974	44,250	49,060	44,250	43,354	44,250	29,109	39,000	15,238	31,750
2023	15,594	23,250	6,947	15,500	588	8,000	598	6,000	620	6,000
2024	793	6,000	815	6,000	826	6,000	834	6,000	837	6,000
2025	318	11,500	334	11,500	334	11,500	343	11,500	364	11,500
2026	50	7,000	54	7,000	58	7,000	61	7,000	74	7,000
2027	262	6,750	270	6,750	364	6,750	303	6,750	257	4,500
2028	462	6,750	474	4,500	359	2,500	311		308	
2033	26		26		26		26		27	
2034	5		5		5		5		5	
<b>Total</b>	<b>241,901</b>	<b>236,649</b>	<b>244,272</b>	<b>236,649</b>	<b>244,052</b>	<b>233,149</b>	<b>225,550</b>	<b>233,366</b>	<b>227,321</b>	<b>228,772</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, 2018, the 90-day arrears rate—the number of loans in arrears (3,340) as a proportion of the total number of loans (2,004,707)—in the NHA MBS Program was 0.17 per cent.

90 days arrears for mortgages in NHA MBS outstanding	30-Jun	31-Mar	As at:	30-Sep	30-Jun
	2018	2018	31-Dec 2017	2017	2017
<b>Overall 90 days arrears rate</b>	<b>0.17%</b>	<b>0.18%</b>	<b>0.17%</b>	<b>0.19%</b>	<b>0.19%</b>
Federally Regulated Institutions	0.20%	0.21%	0.21%	0.23%	0.23%
Provincially Regulated Institutions	0.08%	0.08%	0.09%	0.08%	0.08%
IIROC Regulated Institutions	0.12%	0.12%	0.10%	0.12%	0.12%
Other Institutions	0.06%	0.06%	0.07%	0.08%	0.08%



## 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-18	MORTGAGE		NHA MBS			
Pool Type	Balance Outstanding (\$M)	Spread to Index *	Mortgage Rate	Spread to Index *	MBS Coupon	Interest Spread
<b>Fixed Rate</b>						
867	66,721		2.83		1.62	1.21
964	785		2.68		1.69	0.99
965	19,955		3.01		2.29	0.73
966	17,703		2.68		2.01	0.67
967	5		2.52		1.89	0.62
970	0		6.99		5.88	1.12
975	280,649		2.80		1.58	1.22
990	4,328		3.54		2.99	0.55
	<b>390,146</b>		<b>2.81</b>		<b>1.65</b>	<b>1.16</b>
<b>Floating Rate</b>						
880	7,434	(0.46)	2.97	0.44	2.09	0.88
885	7,528	(0.49)	2.96	0.06	1.71	1.25
980	38,348	(0.60)	2.83	0.22	1.87	0.96
985	26,783	(0.50)	3.00	0.14	1.79	1.22
987	8,804	(0.47)	2.97	(1.03)	1.94	1.03
	<b>88,897</b>		<b>2.92</b>		<b>1.86</b>	<b>1.06</b>
<b>Total</b>	<b>479,042</b>		<b>2.83</b>		<b>1.69</b>	<b>1.14</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	31-Mar	31-Dec	30-Sep	30-Jun	30-Jun	30-Jun
	2018	2018	2017	2017	2017	2018	2017
Guaranteed (Market) NHA MBS	26,434	25,489	43,750	31,593	26,316	51,923	47,875
Replacement NHA MBS *	8,922	8,710	8,935	11,136	5,793	17,632	15,569
<b>Total NHA MBS Volumes (\$M)</b>	<b>35,356</b>	<b>34,199</b>	<b>52,685</b>	<b>42,730</b>	<b>32,109</b>	<b>69,554</b>	<b>63,444</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	As at:				
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
	2018	2018	2017	2017	2017
Guaranteed (Market) NHA MBS	241,901	244,272	244,052	225,550	227,321
NHA MBS sold to Canada Housing Trust	228,204	230,485	228,040	225,988	221,816
Replacement NHA MBS	8,937	11,514	11,684	11,551	12,718
<b>Total NHA MBS Outstanding (\$M)</b>	<b>479,042</b>	<b>486,270</b>	<b>483,776</b>	<b>463,089</b>	<b>461,855</b>

Component items may not add to totals because of rounding.

