

CANADA MORTGAGE AND HOUSING CORPORATION

# SECURITIZATION BUSINESS SUPPLEMENT

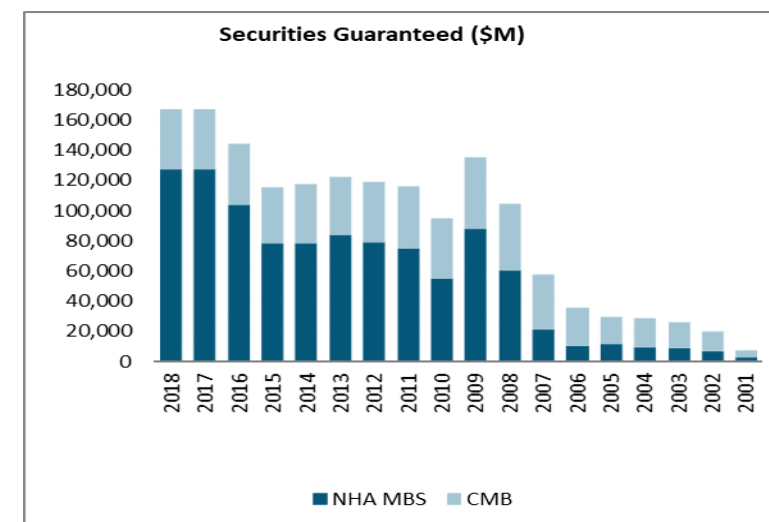
Fourth QUARTER  
December 31, 2018

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 fourth quarter ending December 31, 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 December 31, 2018, of the \$135 billion NHA MBS and \$40 billion CMB guarantee limits for 2018, \$166.9 billion of securities were guaranteed (\$127.1 billion of NHA MBS and \$39.75 billion of CMB). Of the approximate 99 active participants in CMHC's securitization programs, 94 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date	
	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018	31-Dec 2017	31-Dec 2018
<b>Total Guaranteed (\$M)</b>	<b>48,556</b>	<b>43,766</b>	<b>37,819</b>	<b>36,733</b>	<b>54,149</b>	<b>166,875</b>
NHA Mortgage-Backed Securities (NHA MBS)*	38,306	33,766	27,819	27,233	44,399	127,125
Canada Mortgage Bonds (CMB)	10,250	10,000	10,000	9,500	9,750	39,750
<b>NHA MBS (\$M)</b>	<b>38,306</b>	<b>33,766</b>	<b>27,819</b>	<b>27,233</b>	<b>44,399</b>	<b>127,125</b>
Federally Regulated Institutions	28,746	21,766	18,078	18,196	32,462	86,785
Provincially Regulated Institutions	3,690	2,898	2,893	3,284	3,537	12,765
IIROC Regulated Institutions**	2,956	4,020	2,602	2,256	4,787	11,835
Other Institutions	2,913	5,083	4,246	3,498	3,614	15,740
<b>CMB (\$M)</b>	<b>10,250</b>	<b>10,000</b>	<b>10,000</b>	<b>9,500</b>	<b>9,750</b>	<b>39,750</b>
Federally Regulated Institutions	5,798	5,645	6,049	5,443	5,645	22,934
Provincially Regulated Institutions	1,757	1,623	1,445	1,527	1,869	6,352
IIROC Regulated Institutions	1,887	2,230	1,991	1,815	1,620	7,922
Other Institutions	808	503	516	715	615	2,542



Component items may not add to totals because of rounding.

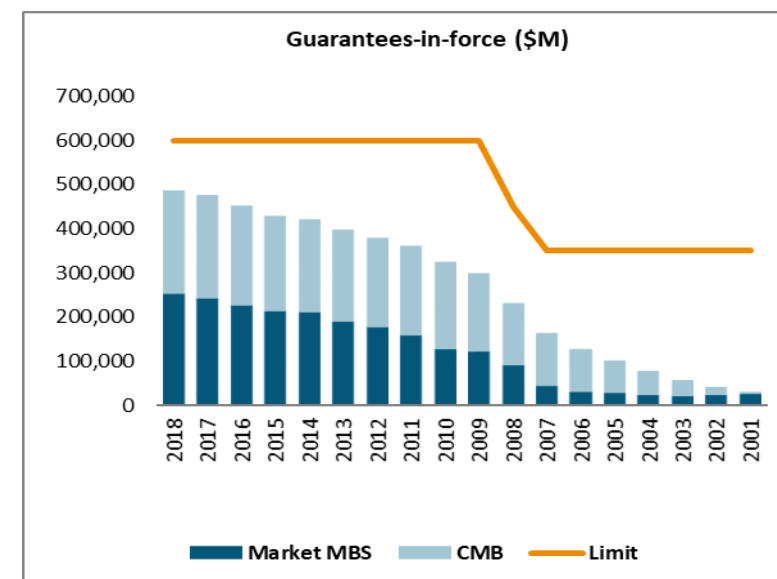
\* The NHA MBS amount of \$127.1 billion consists of \$122.8 billion in new NHA MBS issued and guaranteed YTD 2018 and \$4.4 billion in replacement NHA MBS issued prior to 2018 but on which NHA MBS guarantee fees were paid in 2018.

\*\* 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 \$487.8 billion in guarantees-in-force outstanding as at December 31, 2018, is with regulated institutions, and 67 per cent of guarantees-in-force outstanding as at December 31, 2018, is with federally regulated institutions.

Guarantees-in-force	31-Dec 2018	30-Sep 2018	As at: 30-Jun 2018	31-Mar 2018	31-Dec 2017
<b>Guarantees-in-force (\$M)</b>	<b>487,772</b>	<b>483,622</b>	<b>478,549</b>	<b>480,920</b>	<b>477,200</b>
NHA MBS	253,524	241,874	241,901	244,272	244,052
CMB	234,249	241,749	236,649	236,649	233,149
<b>NHA MBS (\$M)</b>	<b>253,524</b>	<b>241,874</b>	<b>241,901</b>	<b>244,272</b>	<b>244,052</b>
Federally Regulated Institutions	186,626	176,370	176,069	179,991	179,613
Provincially Regulated Institutions	9,653	8,435	9,121	8,274	7,577
IIROC Regulated Institutions	22,829	22,546	23,896	24,975	26,474
Other Institutions	34,415	34,522	32,814	31,032	30,388
<b>CMB (\$M)</b>	<b>234,249</b>	<b>241,749</b>	<b>236,649</b>	<b>236,649</b>	<b>233,149</b>
Federally Regulated Institutions	141,272	147,535	145,724	145,459	145,385
Provincially Regulated Institutions	31,939	32,719	31,428	31,129	29,985
IIROC Regulated Institutions	41,652	41,588	39,994	39,856	38,243
Other Institutions	19,386	19,907	19,504	20,204	19,535



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:									
	31-Dec-18		30-Sep-18		30-Jun-18		31-Mar-18		31-Dec-17	
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	16,461	32,650	23,403	38,650
2019	28,592	30,750	32,131	30,750	36,756	30,750	37,888	30,750	39,902	30,750
2020	59,337	39,999	58,329	39,999	61,224	39,999	61,128	39,999	63,190	39,999
2021	70,023	37,750	68,418	37,750	69,714	37,750	70,808	37,750	71,642	37,750
2022	49,887	44,250	49,314	44,250	49,974	44,250	49,060	44,250	43,354	44,250
2023	43,536	36,500	30,593	31,000	15,594	23,250	6,947	15,500	588	8,000
2024	782	8,500	816	6,000	793	6,000	815	6,000	826	6,000
2025	310	11,500	308	11,500	318	11,500	334	11,500	334	11,500
2026	42	7,000	46	7,000	50	7,000	54	7,000	58	7,000
2027	253	6,750	260	6,750	262	6,750	270	6,750	364	6,750
2028	730	11,250	551	9,000	462	6,750	474	4,500	359	2,500
2033	26		26		26		26		26	
2034	5		5		5		5		5	
<b>Total</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>	<b>244,272</b>	<b>236,649</b>	<b>244,052</b>	<b>233,149</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 December 31, 2018, the 90-day arrears rate—the number of loans in arrears (3,479) as a proportion of the total number of loans (2,064,263)—in the NHA MBS Program was 0.17 per cent.

90 days arrears for mortgages in NHA MBS outstanding	31-Dec	30-Sep	As at:		31-Dec
	2018	2018	30-Jun	31-Mar	2017
	2018	2018	2018	2018	2017
<b>Overall 90 days arrears rate</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.18%</b>	<b>0.17%</b>
Federally Regulated Institutions	0.21%	0.20%	0.20%	0.21%	0.21%
Provincially Regulated Institutions	0.09%	0.08%	0.08%	0.08%	0.09%
IIROC Regulated Institutions	0.10%	0.11%	0.12%	0.12%	0.10%
Other Institutions	0.03%	0.06%	0.06%	0.06%	0.07%

## 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.

12/312018 Pool Type	Balance Outstanding (\$M)	MORTGAGE Spread to Index *	Mortgage Rate	NHA MBS Spread to Index *	MBS Coupon	Interest Spread
<b>Fixed Rate</b>						
867	67,833		2.87		1.69	1.17
964	830		2.76		1.77	0.98
965	20,667		3.00		2.30	0.69
966	19,460		2.75		2.09	0.66
967	5		2.51		1.89	0.62
970	0		6.99		5.88	1.12
975	282,375		2.84		1.66	1.18
990	4,276		3.52		2.97	0.55
	<b>395,445</b>		<b>2.86</b>		<b>1.73</b>	<b>1.12</b>
<b>Floating Rate</b>						
880	7,269	(0.49)	3.43	0.41	2.57	0.86
885	9,774	(0.56)	3.39	0.10	2.26	1.13
980	43,041	(0.71)	3.23	0.16	2.32	0.90
985	27,758	(0.58)	3.42	0.11	2.27	1.15
987	8,185	(0.52)	3.39	(0.98)	2.41	0.98
	<b>96,027</b>		<b>3.33</b>		<b>2.33</b>	<b>1.00</b>
<b>Total</b>	<b>491,473</b>		<b>2.95</b>		<b>1.85</b>	<b>1.10</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		
	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017
Guaranteed (Market) NHA MBS	37,582	33,660	26,434	25,489	43,750	123,164	123,218
Replacement NHA MBS *	3,102	11,415	8,922	8,710	8,935	32,149	35,640
<b>Total NHA MBS Volumes (\$M)</b>	<b>40,683</b>	<b>45,075</b>	<b>35,356</b>	<b>34,199</b>	<b>52,685</b>	<b>155,313</b>	<b>158,859</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:				
	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018	31-Dec 2017
Guaranteed (Market) NHA MBS	253,524	241,874	241,901	244,272	244,052
NHA MBS sold to Canada Housing Trust	229,282	234,668	228,204	230,485	228,040
Replacement NHA MBS	8,667	7,834	8,937	11,514	11,684
<b>Total NHA MBS Outstanding (\$M)</b>	<b>491,473</b>	<b>484,376</b>	<b>479,042</b>	<b>486,270</b>	<b>483,776</b>

Component items may not add to totals because of rounding.

