

CANADA MORTGAGE AND HOUSING CORPORATION

# Securitization Business Supplement

**Fourth QUARTER**  
December 31, 2015

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, 2015, 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, 2015, of the \$120 billion guarantee limit for 2015, \$115.7 billion of securities were guaranteed. Of the approximate 82 active participants in CMHC's securitization programs, 76 are regulated institutions.

Securities guaranteed	Three Months Ended				Year-to-Date	
	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2015	31-Dec 2014
<b>Total guaranteed (\$M)</b>	<b>36,078</b>	<b>31,923</b>	<b>24,598</b>	<b>23,124</b>	<b>115,722</b>	<b>117,643</b>
NHA mortgage-backed securities (NHA MBS)*	27,078	22,673	14,598	14,124	78,472	78,643
Canada mortgage bonds (CMB)	9,000	9,250	10,000	9,000	37,250	39,000
<b>NHA MBS (\$M)</b>	<b>27,078</b>	<b>22,673</b>	<b>14,598</b>	<b>14,124</b>	<b>78,472</b>	<b>78,643</b>
Federally regulated institutions	23,452	16,905	9,620	9,018	58,995	60,526
Provincially regulated institutions	359	496	466	602	1,922	1,112
IIROC regulated institutions**	1,427	2,176	1,790	1,652	7,044	6,582
Other institutions	1,840	3,097	2,722	2,852	10,511	10,424
<b>CMB (\$M)</b>	<b>9,000</b>	<b>9,250</b>	<b>10,000</b>	<b>9,000</b>	<b>37,250</b>	<b>39,000</b>
Federally regulated institutions	4,873	4,938	5,120	5,133	20,063	23,146
Provincially regulated institutions	1,744	1,614	1,919	1,313	6,591	4,643
IIROC regulated institutions	1,388	1,623	1,761	1,597	6,368	7,570
Other institutions	996	1,075	1,200	957	4,229	3,641



Component items may not add to totals due to rounding.

\*NHA MBS amount of \$78,472 million consists of \$77,849 million new NHA MBS issued and guaranteed as at December 2015 and \$623 million of replacement NHA MBS issued prior to 2015, but on which guarantee fees were paid by the issuer in 2015 to facilitate usage outside of the CMB Program.

\*\* IIROC: The Investment Industry Regulatory Organization of Canada is the national self-regulatory organization that oversees all investment dealers in Canada. [www.iiroc.ca](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 90 per cent of the \$430.6 billion in guarantees-in-force outstanding as at December 31, 2015, is with regulated institutions, of which 73 per cent is with federally regulated institutions.

Guarantees-in-force	As at:				
	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
<b>Guarantees-in-force (\$M)</b>	<b>430,565</b>	<b>426,687</b>	<b>419,589</b>	<b>420,907</b>	<b>422,482</b>
NHA MBS	215,510	208,382	206,934	212,752	213,577
CMB	215,055	218,305	212,655	208,155	208,905
<b>NHA MBS (\$M)</b>	<b>215,510</b>	<b>208,382</b>	<b>206,934</b>	<b>212,752</b>	<b>213,577</b>
Federally regulated institutions	173,843	168,605	168,677	176,654	180,841
Provincially regulated institutions	1,559	1,480	1,414	1,269	1,066
IIROC regulated institutions	15,987	15,225	15,164	14,342	13,148
Other institutions	24,122	23,073	21,679	20,487	18,522
<b>CMB (\$M)</b>	<b>215,055</b>	<b>218,305</b>	<b>212,655</b>	<b>208,155</b>	<b>208,905</b>
Federally regulated institutions	141,233	143,924	141,371	139,762	141,928
Provincially regulated institutions	19,812	19,185	17,570	15,959	14,646
IIROC regulated institutions	36,413	37,372	36,355	35,638	35,548
Other institutions	17,597	17,824	17,359	16,796	16,783

Component items may not add to totals due to rounding.

Under Section 15 of the NHA, the aggregate outstanding amount of principal guarantees may not exceed \$600 billion.



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-15		30-Sep-15		30-Jun-15		31-Mar-15		31-Dec-14	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2015			1,756	12,250	6,434	15,850	16,818	21,350	26,302	31,100
2016	25,794	32,250	36,669	32,250	43,644	32,250	47,299	32,250	48,189	32,250
2017	31,022	29,650	32,045	29,650	34,072	29,650	35,616	29,650	36,608	29,650
2018	44,069	38,650	45,249	38,650	47,162	38,650	48,560	38,650	49,059	38,650
2019	52,547	30,750	51,927	30,750	52,918	30,750	53,495	30,750	49,911	30,750
2020	58,888	40,005	37,584	35,005	19,501	27,755	7,934	19,755	506	12,255
2021	265	9,250	270	7,250	302	7,250	303	7,250	285	7,250
2022	577	13,000	599	13,000	629	13,000	655	13,000	677	13,000
2023	606	6,000	546	6,000	563	6,000	470	6,000	500	6,000
2024	927	6,000	947	6,000	960	6,000	949	6,000	945	6,000
2025	388	9,500	358	7,500	311	5,500	209	3,500	147	2,000
2026	34		34		35		35		36	-
2027	25		25		25		26		26	-
2028	336		340		345		349		353	-
2033	27		28		28		28		28	-
2034	5		5		5		5		5	
<b>Total</b>	<b>215,510</b>	<b>215,055</b>	<b>208,382</b>	<b>218,305</b>	<b>206,934</b>	<b>212,655</b>	<b>212,752</b>	<b>208,155</b>	<b>213,577</b>	<b>208,905</b>

Component items may not add to totals due to 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 analysed 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, 2015, the 90-day arrears rate—the number of loans in arrears (4,864) as a proportion of the total number of loans (1,946,981)—in the NHA MBS Program was 0.25 per cent.

90-day arrears for mortgages in NHA MBS outstanding	31-Dec 2015	30-Sep 2015	As at: 30-Jun 2015	31-Mar 2015	31-Dec 2014
<b>Overall 90-day arrears rate *</b>	<b>0.25%</b>	<b>0.26%</b>	<b>0.25%</b>	<b>0.27%</b>	<b>0.27%</b>
Federally regulated institutions	0.28%	0.29%	0.28%	0.29%	0.30%
Provincially regulated institutions	0.13%	0.14%	0.12%	0.13%	0.12%
IIROC regulated institutions	0.16%	0.17%	0.17%	0.19%	0.18%
Other institutions	0.10%	0.12%	0.13%	0.15%	0.15%

\*In the July 2013 NHA MBS Guide update, loan delinquency was modified to include at least one monthly equivalent instalment in arrears, in whole or in part. That is, if the total expected mortgage payment was not received, irrespective of the amount of the shortfall, the loan is required to be reported in arrears under the NHA MBS Program. As issuers continue to adapt their reporting systems to this new requirement, there will be a slight uptick in the reported mortgages in arrears. Also, with the new program requirement, the 90-day arrears category will contain mortgages that are >61 days in arrears.

**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 which incentivizes the issuer to fulfill 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.

31-Dec-15 Pool Type	MORTGAGE		NHA MBS			
	Balance Outstanding (\$M)	Spread to Index *	Mortgage Rate	Spread to Index *	MBS Coupon	Interest Spread
<b>Fixed rate</b>						
867	37,753		3.14		1.84	1.30
964	420		2.77		1.53	1.24
965	17,013		3.36		2.48	0.88
966	8,532		2.80		2.12	0.68
967	0.1		9.19		7.50	1.69
970	29		4.05		2.22	1.83
975	276,886		3.10		1.65	1.44
990	4,563		4.03		3.47	0.56
	<b>345,197</b>		<b>3.12</b>		<b>1.75</b>	<b>1.37</b>
<b>Floating rate</b>						
880	6,037	(0.59)	2.10	0.43	1.27	0.83
885	4,003	(0.63)	2.07	0.17	1.01	1.06
980	33,014	(0.59)	2.10	0.22	1.06	1.04
985	40,760	(0.50)	2.20	0.11	0.95	1.25
987	12,111	(0.57)	2.19	(1.09)	1.10	1.09
	<b>95,926</b>		<b>2.15</b>		<b>1.03</b>	<b>1.12</b>
<b>Total</b>	<b>441,122</b>		<b>2.91</b>		<b>1.59</b>	<b>1.32</b>

Component items may not add to totals due to rounding.

\*Adjustable (880/980) and variable rate (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 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 [http://www.cmhc.ca/en/hoficlincl/mobase/mobase\\_006.cfm](http://www.cmhc.ca/en/hoficlincl/mobase/mobase_006.cfm).

### NHA MBS ISSUANCE VOLUMES

NHA MBS issued during the period	Three Months Ended				Year-to-Date	
	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2015	31-Dec 2014
Guaranteed (market) NHA MBS	26,991	22,681	14,212	14,037	77,921	77,704
NHA MBS sold to Canada Housing Trust	8,895	9,186	9,764	8,192	36,037	36,830
Replacement NHA MBS *	11,420	18,256	10,060	12,240	51,976	40,038
<b>Total NHA MBS volumes (\$M)</b>	<b>47,306</b>	<b>50,124</b>	<b>34,035</b>	<b>34,469</b>	<b>165,935</b>	<b>154,572</b>

Component items may not add to totals due to 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 usage outside of the CMB Program requires a payment of a guarantee fee.

### NHA MBS OUTSTANDING

All NHA MBS issued and outstanding	As at:				
	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
Guaranteed (market) NHA MBS	215,510	208,382	206,934	212,752	213,577
NHA MBS sold to Canada Housing Trust	208,773	210,155	203,000	201,197	202,449
Replacement NHA MBS	16,839	15,718	14,259	18,770	13,659
<b>Total NHA MBS outstanding (\$M)</b>	<b>441,122</b>	<b>434,256</b>	<b>424,193</b>	<b>432,719</b>	<b>429,685</b>

Component items may not add to totals due to rounding.