

UPDATE TO THE NHA MBS GUARANTEE FEES AND 2020 LIMIT FOR NEW GUARANTEES OF MARKET NHA MBS

PURPOSE

To announce changes to the NHA MBS guarantee fees schedule that will apply to NHA MBS guaranteed on or after July 1, 2020; and to announce the 2020 limits for new guarantees of Market NHA MBS, effective January 1, 2020.

BACKGROUND

Under the NHA MBS Program, CMHC guarantees timely payment of principal and interest on NHA MBS that are issued by Approved Issuers and backed by pools of eligible insured loans. As compensation for this guarantee, Issuers pay a fee to CMHC based on the principal amount and term of the pool at the date of guarantee. A limit on the amount of new guarantees of Market NHA MBS that may be provided by CMHC is set annually by the Minister of Finance.

POLICY AMENDMENT

CMHC is increasing the NHA MBS guarantee fees across all NHA MBS terms, except for affordability-linked pools, for which fees will not change (please see below for more details on affordability-linked pools). Guarantee fees payable are calculated based on the principal amount and term of the pool at the date of issue and an Issuer's accumulated total NHA MBS guaranteed within the calendar year. For pools other than affordability-linked pools (as defined below) any amounts guaranteed above the Tier 1 threshold will be subject to the higher Tier 2 fees. For purposes of determining the applicable Tier 1 of guarantee fees, annual NHA MBS guarantee amounts are consolidated across Issuers that are related parties. The updated guarantee fees are as follows:

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Term of NHA MBS	Affordability-linked Pools	Other NHA MBS Pools	
		Tier 1 NHA MBS Guarantees	Tier 2 NHA MBS Guarantees
		<= \$9B	> \$9B
1 month to 6 months	0.05%	0.08%	0.22%
7 months to 1 year 6 months	0.10%	0.17%	0.46%
1 year 7 months to 2 years 6 months	0.15%	0.25%	0.70%
2 years 7 months to 3 years 6 months	0.21%	0.35%	0.98%
3 years 7 months to 4 years 6 months	0.26%	0.43%	1.19%
4 years 7 months to 5 years 6 months	0.30%	0.50%	1.40%
5 years 7 months to 6 years 6 months	0.35%	0.58%	1.61%
6 years 7 months to 7 years 6 months	0.39%	0.65%	1.82%
7 years 7 months to 8 years 6 months	0.44%	0.73%	2.03%
8 years 7 months to 9 years 6 months	0.48%	0.80%	2.24%
9 years 7 months to 10 years 6 months	0.53%	0.88%	2.45%
10 years 7 months to 11 years 6 months	0.56%	0.93%	2.59%
11 years 7 months to 12 years 6 months	0.59%	0.98%	2.73%
12 years 7 months to 13 years 6 months	0.62%	1.03%	2.87%
13 years 7 months to 14 years 6 months	0.65%	1.08%	3.01%
Above 14 years 6 months	0.68%	1.13%	3.15%

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For 2020, the Minister of Finance has authorized CMHC to provide for up to \$145 billion of new guarantees of Market NHA MBS, an increase of \$5 billion over the \$140 billion limit for 2019. These changes are being made in support of the Government's efforts to encourage the development of alternative funding options in the private market and to support affordable housing funding supply. Revisions to the NHA MBS Guide reflecting these policy changes will be made concurrent with the next scheduled update.

Affordability-linked Pools

Affordability-linked pools include:

- social housing pools with prefix 990, and
- multi-family pools with prefix 965 and 966 with a minimum 20% of the issued amount represented by eligible multi-family loans insured under the CMHC Affordability Mortgage Loan Insurance (MLI) Flex product¹

For purposes of determining the applicable Tier of guarantee fees, affordability-linked pools guaranteed on or after July 1, 2020 are excluded from an Issuer's accumulated total NHA MBS guaranteed within the calendar year. For greater clarity, in the case of an Aggregator's guaranteed affordability-linked pool with mortgage loans from different originators who are also Issuers, each originator's loan amount in the affordability-linked pool will be excluded from the calculation of its own annual guarantee amount for the purpose of assessing against the threshold.

More details on the operational requirements related to affordability-linked pools will be communicated to Issuers in January 2020.

Effective Date of Change

The new guarantee fees will take effect on July 1, 2020 and apply to NHA MBS guaranteed on or after that date.

The 2020 limit on new guarantees of Market NHA MBS that may be provided by CMHC will take effect on January 1, 2020.

¹ Please refer to the CMHC Insurance Handbook for Approved Lenders for more details.

ENQUIRIES

For further details on these policy changes please contact Geneviève Julien at (416) 250-2711.

For more information on the NHA MBS Program visit the CMHC Web site at www.cmhc.ca or contact CMHC by email at securitization@cmhc.ca or by telephone at 1-800-668-2642.



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