

UPDATE TO THE NHA MBS JULY 1, 2020 GUARANTEE FEES AND 2020 LIMIT FOR NEW GUARANTEES OF MARKET NHA MBS

PURPOSE

To announce a revision to the implementation date of the changes to the NHA MBS guarantee fees schedule that were to apply to NHA MBS guaranteed on or after July 1, 2020, and to announce a revision to the 2020 limits for new guarantees of Market NHA MBS, effective immediately.

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

On December 31, 2019 CMHC issued Advice No. 7 - *Update to the NHA MBS Guarantee Fees and 2020 Limit for New Guarantees of Market NHA MBS*, where it communicated to Issuers changes to the NHA MBS guarantee fees that will apply to NHA MBS guaranteed on or after July 1, 2020; in addition to the 2020 limits of new guarantees of Market NHA MBS. In support of the federal government's response to financial market pressures related to the COVID-19 pandemic, CMHC will postpone the planned changes to the NHA MBS guarantee fees that were scheduled to become effective on July 1, 2020. This postponement also includes the preferential treatment of affordability-linked pools. The NHA MBS guarantee fees for all Market NHA MBS issued up to and including December 31, 2020 will remain as follows:

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Term of NHA MBS	Tier 1 NHA MBS Guarantees	Tier 2 NHA MBS Guarantees
	<= \$9B	> \$9B
1 month to 6 months	0.05%	0.16%
7 months to 1 year 6 months	0.10%	0.33%
1 year 7 months to 2 years 6 months	0.15%	0.50%
2 years 7 months to 3 years 6 months	0.21%	0.70%
3 years 7 months to 4 years 6 months	0.26%	0.85%
4 years 7 months to 5 years 6 months	0.30%	1.00%
5 years 7 months to 6 years 6 months	0.35%	1.15%
6 years 7 months to 7 years 6 months	0.39%	1.30%
7 years 7 months to 8 years 6 months	0.44%	1.45%
8 years 7 months to 9 years 6 months	0.48%	1.60%
9 years 7 months to 10 years 6 months	0.53%	1.75%
10 years 7 months to 11 years 6 months	0.56%	1.85%
11 years 7 months to 12 years 6 months	0.59%	1.95%
12 years 7 months to 13 years 6 months	0.62%	2.05%
13 years 7 months to 14 years 6 months	0.65%	2.15%
Above 14 years 6 months	0.68%	2.25%

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Additionally, to coincide with the announced increase in the IMPP of up to \$150 billion, the Minister of Finance has authorized CMHC to provide up to \$295 billion of new guarantees of Market NHA MBS for 2020.

Revised Effective Date of Change

The postponement of the new guarantee fees will take effect immediately and will apply to NHA MBS guaranteed before January 1, 2021. The new guarantee fees and preferential treatment of affordability-linked pools as communicated in Advice 7 will take effect on January 1, 2021 and apply to NHA MBS guaranteed on or after that date.

The revision to the 2020 limit of new guarantees of Market NHA MBS is effective immediately.

ENQUIRIES

For further details on these policy changes please contact Anna Anderson at (416) 250-3264.

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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