

2008-2012

SUMMARY OF THE CORPORATE PLAN



BUILDING ON INNOVATION
CANADA MORTGAGE AND HOUSING CORPORATION

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BUILDING ON
INNOVATION

2008-2012

**SUMMARY OF THE
CORPORATE PLAN**

INCLUDES SUMMARIES OF THE FOLLOWING:

- 2008 Operating Budget
- 2008 Capital Budget for Furniture, Equipment and Business Premises
- 2008 Capital Budget for Loans and Investments



This Summary of Canada Mortgage and Housing Corporation's (CMHC) 2008-2012 Corporate Plan has been prepared in accordance with section 125 of the *Financial Administration Act* (FAA). It provides an overview of the Corporation's mandate and business structure, analyzes the expected operating environment, and sets out CMHC's corporate objectives and strategies for the next five years. The Summary demonstrates how the Corporation intends to achieve these objectives and measure its performance. It also shows how CMHC will manage the public assets entrusted to the Corporation through the presentation of its financial plan and resource requirements.

A handwritten signature in black ink that reads "Monte Solberg".

Minister of Human Resources and Social Development



Since the preparation of CMHC's 2008-2012 Corporate Plan, the Government of Canada has approved an increase of \$100 billion for outstanding loan insurance in force from \$350 billion to \$450 billion in order to provide sufficient capacity to continue meeting market demand for CMHC mortgage loan insurance. The insurance ceiling also serves as the limit for outstanding guarantees of mortgage-backed securities and Canada Mortgage Bonds provided by the Corporation.



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The following table summarizes CMHC's results and projections for key business areas over the planning period.

Year	2004	2005	2006	2007
Corporate Results	Actual	Actual	Actual	Estimate
Total Assets (\$M)	81,008	101,093	124,218	143,400
Total Liabilities (\$M)	77,582	96,665	118,764	136,233
Total Equity (\$M)	3,426	4,428	5,454	7,167
Total Revenue (\$M)	6,560	7,334	8,383	8,556
Total Expenses (\$M)	5,161	5,870	6,901	7,085
Total Operating Expenses (\$M)	305	303	298	343
Net Income (\$M)	950	1,002	1,026	998
Other Comprehensive Income (\$M)	n/a	n/a	n/a	42
Comprehensive Income (\$M)	n/a	n/a	n/a	1,040
Reserve Fund (\$M)	134	143	143	141
Staff Years	1,814	1,804	1,877	1,919
Insurance				
Annual Insurance Units Approved	652,573	746,157	631,191	575,811
Insurance in Force (\$M)	243,800	273,700	291,400	304,400
Net Insurance Claims Expense (\$M)	51	119	209	238
Premiums and Fees Received (\$M)	1,446	1,492	1,383	1,557
Investments (including cash) (\$M) ¹	7,831	9,053	9,974	12,097
Net Income (\$M)	875	951	981	943
Other Comprehensive Income (\$M)	n/a	n/a	n/a	21
Comprehensive Income (\$M)	n/a	n/a	n/a	964
Unappropriated Retained Earnings (\$M)	0	657	1,313	1,939
Retained Earnings Set Aside for Capitalization (\$M)	3,112	3,406	3,731	4,195
Securitization				
Annual Securities Guaranteed (\$M)	29,592	30,374	36,071	41,500
Securitization Guarantees in Force (\$M)	80,800	103,709	124,200	141,400
Fees Received (\$M)	66	68	85	93
Investments (including cash) (\$M)	266	327	396	532
Net Income (\$M)	32	42	45	51
Other Comprehensive Income (\$M)	n/a	n/a	n/a	21
Comprehensive Income (\$M)	n/a	n/a	n/a	72
Unappropriated Retained Earnings (\$M)	155	197	242	298
Housing Programs				
Housing Program Expenses (\$M) (excluding operating expenses)	2,006	1,973	2,049	2,102
Affordable Housing Initiative Expenditures (\$M)	173	175	167	82
Estimated Households Assisted through long-term Commitments	632,650	633,000	630,000	627,200
Annual New Commitments (units) under Renovation Programs	25,539	21,990	20,535	20,732
Annual New Commitments (units) under Renovation Programs: On-reserve	1,484	1,508	2,421	837
Annual New Commitments (units) under Renovation Programs: Off-reserve	24,055	20,482	18,114	19,895
New commitments On-reserve Non-profit Units	978	1,045	4,393	1,533
Lending				
Loans and Investments in Housing Programs (\$M)	13,669	13,170	12,706	12,277
Borrowings from Capital Markets (\$M)	9,212	9,467	8,625	8,275
Borrowings from the Government of Canada (\$M)	5,045	4,899	4,701	4,446
Net Income (\$M)	43	9	0	4
Canada Housing Trust				
Canada Housing Trust Assets (\$M)	54,975	73,208	96,445	116,012
Canada Housing Trust Liabilities (\$M)	54,975	73,208	96,445	116,012

¹ - Excluding investments related to repurchase activities



Year	2008	2009	2010	2011	2012
Corporate Results	Plan	Plan	Plan	Plan	Plan
Total Assets (\$M)	156,165	175,579	189,625	192,596	192,629
Total Liabilities (\$M)	147,813	165,979	178,671	180,210	178,707
Total Equity (\$M)	8,352	9,600	10,954	12,386	13,922
Total Revenue (\$M)	9,482	9,886	10,665	11,493	11,532
Total Expenses (\$M)	7,905	8,230	8,898	9,630	9,550
Total Operating Expenses (\$M)	355	365	377	414	415
Net Income (\$M)	1,095	1,159	1,254	1,331	1,417
Other Comprehensive Income (\$M)	90	89	100	101	119
Comprehensive Income (\$M)	1,185	1,248	1,354	1,432	1,536
Reserve Fund (\$M)	133	126	119	108	105
Staff Years	1,928	1,900	1,881	1,873	1,864
Insurance					
Annual Insurance Units Approved	578,539	573,920	572,783	571,996	573,460
Insurance in Force (\$M)	315,700	325,600	334,500	342,100	348,500
Net Insurance Claims Expense (\$M)	231	259	272	285	314
Premiums and Fees Received (\$M)	1,585	1,605	1,636	1,665	1,692
Investments (including cash) (\$M) ¹	13,445	14,843	16,419	18,002	19,681
Net Income (\$M)	1,042	1,099	1,186	1,264	1,338
Other Comprehensive Income (\$M)	69	66	77	75	85
Comprehensive Income (\$M)	1,111	1,165	1,263	1,339	1,423
Unappropriated Retained Earnings (\$M)	2,800	3,675	4,704	5,841	7,065
Retained Earnings Set Aside for Capitalization (\$M)	4,376	4,600	4,757	4,884	4,998
Securitization					
Annual Securities Guaranteed (\$M)	40,000	40,000	40,000	40,500	40,500
Securitization Guarantees in Force (\$M)	153,100	171,400	181,000	181,600	196,600
Fees Received (\$M)	91	91	91	92	92
Investments (including cash) (\$M)	630	734	839	947	1,071
Net Income (\$M)	61	67	75	78	82
Other Comprehensive Income (\$M)	21	23	23	26	34
Comprehensive Income (\$M)	82	90	98	104	116
Unappropriated Retained Earnings (\$M)	359	426	501	579	661
Housing Programs					
Housing Program Expenses (\$M) (excluding operating expenses)	2,333	1,985	1,862	1,836	1,835
Affordable Housing Initiative Expenditures (\$M)	73	39	15	8	8
Estimated Households Assisted through long-term Commitments	628,300	625,800	614,700	604,900	594,800
Annual New Commitments (units) under Renovation Programs	19,916	4,707	813	813	813
Annual New Commitments (units) under Renovation Programs: On-reserve	982	782	601	601	601
Annual New Commitments (units) under Renovation Programs: Off-reserve	18,934	3,925	212	212	212
New commitments On-reserve Non-profit Units	858	858	858	858	858
Lending					
Loans and Investments in Housing Programs (\$M)	11,839	11,259	10,742	10,226	9,639
Borrowings from Capital Markets (\$M)	6,718	5,671	4,285	3,349	2,070
Borrowings from the Government of Canada (\$M)	5,881	6,326	7,312	7,724	8,402
Net Income (\$M)	-8	-7	-7	-11	-3
Canada Housing Trust					
Canada Housing Trust Assets (\$M)	127,679	146,108	159,184	161,123	160,112
Canada Housing Trust Liabilities (\$M)	127,679	146,108	159,184	161,123	160,112

¹ - Excluding investments related to repurchase activities

CHAPTER I

INTRODUCTION

Canada Mortgage and Housing Corporation (CMHC) is Canada's national housing agency. For more than 60 years, the Corporation has shaped Canada's housing policies and programs to ensure that Canadians have access to affordable, sound and suitable housing.

CMHC derives its authorities from the *CMHC Act* and the *National Housing Act* (NHA). The *CMHC Act* established CMHC as a Crown corporation and set out the various powers and functions of the Corporation, including lending and borrowing

privileges. The NHA provides CMHC with its mandate, which is the promotion of housing affordability and choice, the availability of low-cost housing finance and the well-being of the housing sector.

The Summary of the 2008-2012 Corporate Plan presents an overview of CMHC's strategic business plan and sets out the objectives and priorities that will guide the Corporation's activities over the next five years.

CORPORATE STRUCTURE

CMHC reports to the Parliament of Canada through the Minister of Human Resources and Social Development. A Board of Directors that is accountable to the Minister governs the Corporation. CMHC's Board of Directors is comprised of the Chairperson, the President and Chief Executive Officer, and eight other members appointed by the Minister with Governor-in-Council approval. The Board is responsible for managing the affairs of the Corporation and the conduct of its business.

CANADA HOUSING TRUST

Established as an Issuer Trustee and a legally separate, non-government entity in 2001, the functions of the Canada Housing Trust (CHT) are limited to the acquisition of interests in eligible housing loans, such as NHA Mortgage-backed Securities (NHA MBS), the purchase of highly-rated investments, certain related financial hedging activities, and the issuance of Canada Mortgage Bonds (CMB). CMBs are guaranteed by CMHC. The beneficiaries of the Trust, after payment of all obligations, are one or more charitable organizations. As required by Accounting Guideline 15 of the Canadian Accounting Standards Board, the CHT has been consolidated on CMHC's financial statements.

GRANVILLE ISLAND

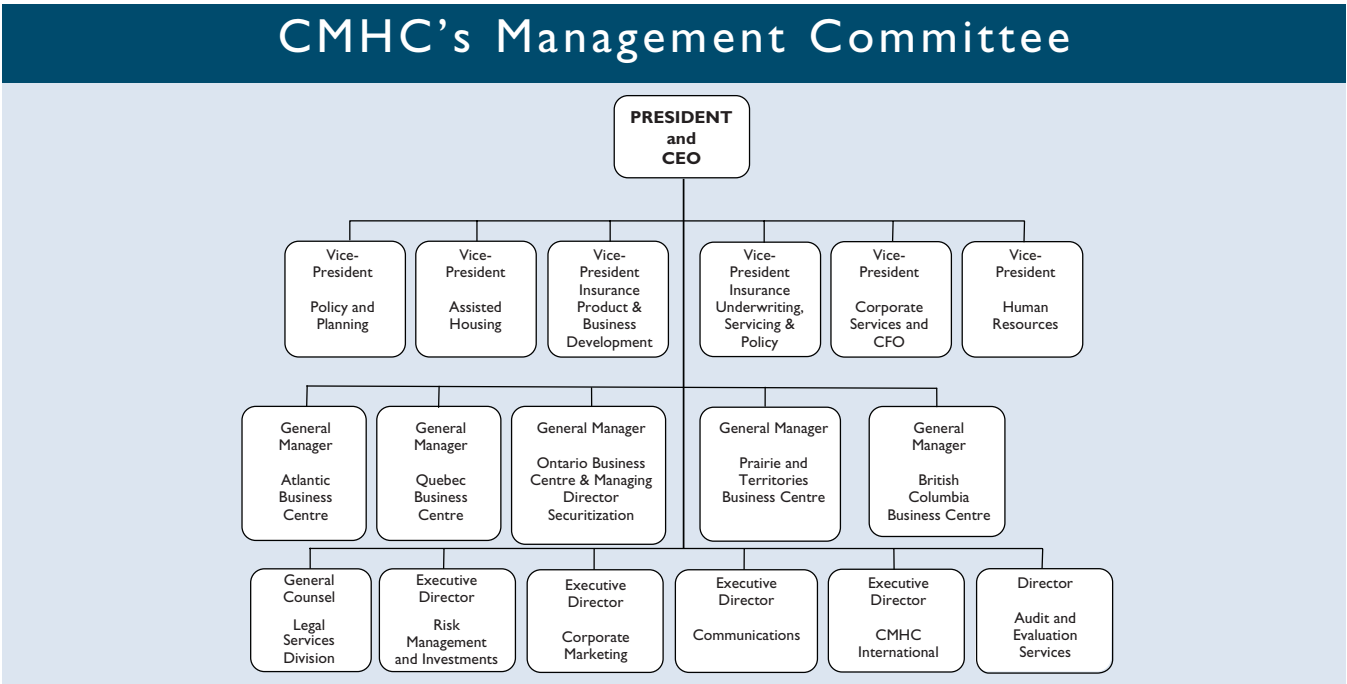
CMHC is responsible for the management and administration of Granville Island on behalf of the Government of Canada, for which CMHC receives a management fee. The island is a cultural, recreational and commercial development in the heart of Vancouver. Operationally, it is expected to be commercially viable. Capital additions are funded through operations.

BUSINESS LINES

As a Crown corporation, CMHC performs many of the traditional functions of a government department but also uses commercial tools in a competitive environment to achieve its public policy objectives. With the exception of its self-financing mortgage loan insurance and securitization operations, CMHC's other business lines are non-commercial in nature and, for the most part, they account for the Corporation's Parliamentary appropriations.

ORGANIZATIONAL STRUCTURE

In addition to its national office in Ottawa, the Corporation has five business centres located in the Atlantic, Quebec, Ontario, Prairie and Territories, and British Columbia regions to provide Canadians with access to CMHC programs, products and services. Vice-Presidents or executive directors at the national office lead the Corporation's functional areas, while general managers are responsible for regional operations.



FINANCIAL REPORTING

CMHC Management is responsible for the integrity and objectivity of the financial statements and related information and for ensuring that this information is prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and applicable law. In carrying out these responsibilities, Management maintains appropriate financial systems and related internal controls to provide reasonable assurance that financial information is reliable, assets are safeguarded, and transactions are properly authorized and in accordance with relevant legislation and the bylaws of the Corporation. Management regularly reports on financial performance and risks to the Audit Committee through its Quarterly Financial and Risk Management Report.

In 2006, the Canadian Accounting Standards Board (AcSB) announced its decision to adopt the International Financial Reporting Standards (IFRS) by converting Canadian GAAP to IFRS over a five-year transition period. CMHC is currently monitoring AcSB developments, and researching the impact on financial reporting and systems. As this project is in the early stages, any resulting accounting changes have not been reflected in the Financial Plan and Financial Statements contained herein.

CORPORATE PLANNING AND REPORTING PROCESS

CMHC's Corporate Plan is guided by the strategic directions provided by the Board of Directors at the beginning of each year's planning cycle, as well as by ongoing assessments of the operating environment and risk landscape at the enterprise level. The Board's input responds to the policy expectations and government priorities communicated by the Minister. To maximize CMHC's flexibility to manage change successfully, the Board reviews the Corporation's performance on a quarterly basis, with a view to allowing adjustments to be made in resources and priorities where appropriate. At the conclusion of each planning cycle, an annual report is produced to inform Parliament and Canadians of CMHC's results.

2008–2012 PLANNING FRAMEWORK

CMHC’s Corporate Plan reflects CMHC’s mandate, the Government of Canada’s policy agenda, and direction provided by the Board of Directors in the areas of assisted housing, housing finance, research and information transfer, sustainable development, and international activities. It also responds to key issues and drivers facing the Corporation over the planning period.

CORPORATE PLAN SUMMARY LAYOUT

Results, plans and performance targets are presented in Chapter II. For each of the seven CMHC priorities, there is a discussion of key issues and drivers, core activities and performance targets, key initiatives, and outcomes. The Corporation’s internal services are set out separately in Chapter III. Chapter IV provides the financial plan summary by each of three objectives; resource requirements; capital budgets; borrowing plan; and investment plan. Final remarks are in Chapter V. Financial statements are presented in a series of tables under Appendix A, while a glossary of terms is in Appendix B.

<div>Objective 1</div> <div>Help Canadians in need</div>
<div>CMHC PRIORITIES</div> <div><ul style="list-style-type: none">• Help Canadians in need access affordable, sound and suitable housing• Support Aboriginal Canadians to improve their living conditions</div>
<div>Objective 2</div> <div>Facilitate access to more affordable, better quality housing for all Canadians</div>
<div>CMHC PRIORITIES</div> <div><ul style="list-style-type: none">• Ensure Canadians have access to mortgage loan insurance products and tools that meet their needs• Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program<ul style="list-style-type: none">• Provide comprehensive, timely and relevant information to enable Canadian consumers as well as the housing sector to make informed decisions</div>
<div>Objective 3</div> <div>Ensure the Canadian housing system remains one of the best in the world</div>
<div>CMHC PRIORITIES</div> <div><ul style="list-style-type: none">• Promote sustainable housing and communities• Support and promote Canada’s world-class housing products, services and systems internationally</div>

CHAPTER II

RESULTS, PLANS AND PERFORMANCE TARGETS

OBJECTIVE I

Help Canadians in need

OVERVIEW

CMHC's priorities are to help Canadians in need access affordable, sound and suitable housing, as well as to support Aboriginal Canadians to improve their living conditions. In 2008, the Corporation will dedicate 26 per cent of its resources to this objective (\$2,324.9 million in Parliamentary appropriations, \$251 million in direct lending, 557.5 staff years, and \$80.5 million in operating expenses).

The Corporation will use these resources to continue to manage existing housing programs and agreements off-reserve, such as existing social housing commitments, the Affordable Housing Initiative, renovation programs and production of affordable housing through community development activities. They will also be used to deliver housing assistance on-reserve, develop market-like conditions in First Nations communities, and increase the capacity of Aboriginal communities and organizations to manage their housing.

CMHC PRIORITY—HELP CANADIANS IN NEED ACCESS AFFORDABLE, SOUND AND SUITABLE HOUSING

ISSUES AND DRIVERS

- In 2001, 1.5 million Canadian households lived in housing that did not meet affordability, adequacy or suitability standards. Renters were over four times as likely as owners to be in core housing need.
- The Government of Canada, through CMHC, provides approximately \$1.7 billion in ongoing subsidies through long-term agreements with housing providers and provincial and territorial governments. Some social housing contributions under these agreements have begun to expire.
- The Government of Canada, through CMHC, also provides \$1 billion under the Affordable Housing Initiative, which will terminate on March 31, 2009.
- In December 2006, the Government of Canada announced a two-year, \$256 million extension to CMHC's renovation programs.

CORE ACTIVITIES

CMHC core activities include managing housing programs and agreements, such as existing social housing commitments, the Affordable Housing Initiative and the renovation programs. The Corporation will also continue to support the production of affordable housing through its community development activities.

KEY INITIATIVES

CMHC has also identified a number of key initiatives for 2008, including:

- Continue to facilitate the development of affordable housing through its community development activities by strategically working with clients and stakeholders, and through associated information products.
- Share and develop information on the current condition of the existing social housing stock and the characteristics of residents.
- Undertake an assessment of the economics of new rental housing.
- Complete evaluations of the Affordable Housing Initiative and CMHC's renovation programs and assess their effectiveness in achieving government objectives in advance of their termination in March, 2009.
- Explore options for the Federal Co-operative Housing Stabilization Fund, which is scheduled to expire in 2010.
- Provide information to the new Canadian Mental Health Commission on housing circumstances of persons with mental illness.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Support affordable housing through existing housing commitments, new programs and initiatives	Housing program expenses (excluding operating expenses)	\$2,049M	\$2,019M ⁽¹⁾	\$1,079M	\$958M	\$2,333M
	Estimated number of households assisted	630,000	630,400	n/a	n/a	628,300
Monitor implementation of Affordable Housing Initiative Agreements to ensure program take-up and recognition of federal contributions	Affordable housing initiative expenditures	\$167.5M	\$82M	\$41M	\$59M	\$73M
Facilitate production of affordable housing	Total affordable housing units facilitated through CMHC's community development function	3,422	1,650	825	1,979	1,900
	Mortgage loan insurance approvals with affordable flexibilities	1,455	1,250	625	926	n/a ⁽²⁾
Ensure effective and full delivery of renovation programs	Estimated new off-reserve renovation programs forgiveness dollars expended	n/a	n/a	n/a	n/a	\$113.4M
Provide mortgage funds through Direct Lending	Annual Direct Lending—new business	\$385.3M	\$122M to \$131M	\$75.5M	\$100.9M	\$191.3M to \$205.6M
	Annual Direct Lending—subsequent renewals	\$1,933M	\$842M to \$906M	\$416.7M	\$522.3M	\$1,204.6M to \$1,295.1M

(1) This target reflects amendments to renovation program spending approved by Treasury Board.

(2) Although there is no 2008 target, it will continue to be monitored.

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
Affordable Housing Initiative	Help low- to moderate-income households pay for sound and suitable housing so that they are able to afford other household necessities, thus reducing the strain on their limited economic resources. (Immediate outcome)
Renovation Programs	Contribute to the health and safety of assisted households, thus reducing pressure on the health care system. Good indoor air quality reduces exposure to health threats. Housing in good repair reduces injury risks. And barrier-free design extends independent living for seniors, and persons with disabilities. (Immediate to intermediate outcome)
Public-private Partnerships	Help clients from the non-profit and private sectors, as well as municipalities, to produce affordable housing without ongoing government subsidy through capacity-building, relationship-building, information-sharing and advice and guidance. (Immediate outcome)
Long-term Subsidies	Maintain and preserve the existing stock of social housing, which provides a stable base for very-low-income households to obtain employment, raise a family, build relationships, and establish and maintain social networks and supports. (Long-term outcome)
Direct Lending	Lowers the federal government's cost of subsidizing social housing, thus alleviating pressure on federal resources. (Intermediate outcome)
Research and Information Transfer	Contribute to better housing policy by raising awareness of housing issues and potential solutions concerning Canadians in need so that government has the information to correctly assess policy options. (Immediate outcome)

CMHC PRIORITY—SUPPORT ABORIGINAL CANADIANS TO IMPROVE THEIR LIVING CONDITIONS

ISSUES AND DRIVERS

- The Aboriginal population is growing at a faster rate than the overall population. In 2001, the Aboriginal population was close to one million or 22 per cent higher than in 1996. This was much higher than the 3.4 per cent growth rate for the non-Aboriginal population during the same period.
- Housing conditions in First Nations communities lag behind conditions seen elsewhere in Canada. With limited new housing construction and a rapidly growing population, many on-reserve communities are faced with housing shortages and overcrowded conditions.
- Overcrowding, due to housing shortages on-reserve, is a factor behind deterioration of the housing stock and mold problems.
- An impediment to market-based housing on-reserve is the lack of access to private-sector financing due to provisions in the *Indian Act* that limit the seizure of property on-reserve to a First Nations community or its members. It is increasingly recognized that market-based solutions can contribute to easing the level of housing need on-reserve. Therefore, Budget 2007 dedicated \$300 million for the development of a First Nations Market Housing Fund to provide First Nations with the opportunity to obtain market-based housing loans from financial

institutions for building, buying or renovating housing on reserve lands.

- A large portion of the northern population relies on assisted housing. Transportation challenges combined with a lack of skilled labour contributes to high construction costs and a slow pace of new construction. The harsh northern climate also increases the cost for ongoing maintenance and operation of electrical, heating and wastewater services in rural and remote areas.

CORE ACTIVITIES

The Corporation's core activities include managing existing housing programs and delivering housing assistance on-reserve by funding housing construction and renovation. CMHC will also continue to support the development of market-like housing conditions on-reserve and increase the capacity of Aboriginal communities and organizations to manage their housing.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Provide subsidy funding to build housing on-reserve	New commitments of on-reserve non-profit units	4,393	1,122 ⁽¹⁾	1,027	1,046	858
Ensure effective and full delivery of renovation programs	Estimated new on-reserve renovation programs forgiveness dollars expended	n/a	\$22M	\$11.0M	\$11.0M	\$16.6M
Support capacity and institutional development of Aboriginal people to manage their own housing needs	Percent of delivery of on-reserve programs and services through First Nations or Aboriginal organizations	93.6%	80%	80%	92%	80%
Support development of market-like housing conditions on-reserve	Homeowner units insured or facilitated through the adoption of market-based housing tools	n/a	150	75	93	170 ⁽²⁾
Support First Nations to improve and maintain viability and quality of their housing stock through increased capacity in managing their housing and implementation of the Housing Quality Initiative	Continuation of capacity development activities while maintaining an average of 43 memoranda of understanding on a yearly basis (new HQI MOUs will continue to be signed with First Nations communities, while some agreements will lapse)	n/a	n/a	n/a	n/a	43

(1) The reduction between 2006 and 2007 is due to the expiry of the two-year, \$295 million investment announced in Budget 2005.

(2) The forecasted 170 homeowner units are not part of the \$300 million First Nations Market Housing Fund.

KEY INITIATIVES

CMHC has also identified a number of key initiatives for 2008, including:

- Encourage adoption of market-based solutions where feasible and desired by First Nations, including improving access to private-sector financing and homeownership on-reserve.
- Support First Nations to improve and maintain the viability and quality of their housing stock through increased capacity to manage their housing and continuation of the Housing Quality Initiative.
- Building upon the achievements in 2007, continue with the implementation of the National Mold Strategy on-reserve in partnership with INAC, Health Canada and the Assembly of First Nations.
- Pursue research to improve living conditions of Aboriginal Canadians, primarily on-reserve.
- Commence construction of durable, energy efficient demonstration housing in Nunavut (Nunavut House) and support a demonstration and monitoring program for the Dawson House.

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
Social Housing On-reserve	The provision of on-reserve social housing levers infrastructure investment and promotes the development of housing systems within Aboriginal communities, including housing-related employment, health facilities, and community services. (Intermediate outcome)
Long-term Subsidies On-reserve	Maintain and preserve the existing stock of social housing on-reserve, which provides a stable base for very low-income Aboriginal households to obtain employment, raise a family, build relationships, and establish and maintain social networks and supports. (Intermediate outcome)
Renovation Programs On-reserve	Contribute to the health and safety of Aboriginal households, by improving and maintaining the existing housing stock, which has deteriorated due to overcrowding and resultant problems, such as mold contamination. (Immediate to intermediate outcome)
Loan Insurance On-reserve	Facilitate homeownership on-reserve so that households can participate fully in the economic, social and cultural spheres of their communities. (Long-term outcome)
First Nations Market Housing Fund	Contribute to the financial security of Aboriginal households through homeownership, which is a key driver for creating wealth and underpins a sense of ownership and belonging in a community. (Intermediate outcome)
Capacity Development On-reserve	Help Aboriginal people develop, maintain, and manage housing, through training assistance and advice, and develop related institutional capabilities. (Intermediate outcome)
Research and Information Transfer On-reserve	Contribute to better housing policy by raising awareness of housing issues and potential solutions concerning the Aboriginal population so that government has the information to correctly assess policy options. Build intellectual capacity and advance housing knowledge in Aboriginal communities. (Immediate outcome)

OBJECTIVE 2

Facilitate access to more affordable, better quality housing for all Canadians

OVERVIEW

CMHC's priorities are to ensure Canadians have access to mortgage loan insurance products and tools that meet their needs, to enhance the supply of low-cost funds for mortgage lending by expanding the securitization program, as well as to provide comprehensive, timely and relevant information to enable Canadian consumers and the housing sector to make informed decisions. In 2008, the Corporation will dedicate 66 per cent of its resources to this objective (\$3.9 million in Parliamentary appropriations, \$315.7 billion of insurance-in-force, \$153.1 billion of guarantees-in-force, 1,247.2 staff years, and \$215.5 million in operating expenses).

CMHC's mortgage loan insurance and securitization activities are undertaken on a commercial basis in a competitive environment in achieving their public policy objectives. Against this backdrop, CMHC will, in a prudent manner, continue to focus its efforts to better serve the needs of relatively under-served borrowers, the general population and financial institutions. It will assess factors influencing the long-term directions of the housing finance industry. In order to enhance the supply of affordable housing finance, CMHC will continue to identify efficiency opportunities. It will also continue to provide comprehensive, relevant and timely housing information to enable Canadian consumers and housing-sector participants to make informed choices and business decisions.

CMHC PRIORITY—ENSURE CANADIANS HAVE ACCESS TO MORTGAGE LOAN INSURANCE PRODUCTS AND TOOLS THAT MEET THEIR NEEDS

ISSUES AND DRIVERS

- Housing starts increased slightly to 229,600 units during 2007. Starts for 2008 are expected to decrease to about 211,700 units due to rising mortgage carrying costs.
- Private mortgage loan insurance providers are increasingly interested in Canada. The federal government has increased the amount of private mortgage loan insurance that can be covered under the federal guarantee from \$100 billion to \$200 billion in 2006. Private insurers receive a 90 per cent federal guarantee.
- In April 2007, Bill C-37 raised the loan-to-value ratio threshold for mortgage loan insurance for federally-regulated lenders from 75 per cent to 80 per cent, therefore reducing the size of the mortgage loan insurance market relative to the overall mortgage market.
- Under Basel II, the risk weight of uninsured mortgages will decline by 30 per cent. As a result, mortgage loan insurance, as a means to reducing the lender's minimum capitalization requirement, will be less valuable.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Provide mortgage loan insurance products and services in all parts of Canada	Total mortgage loan insurance approved in units	631,191	603,061	320,673	382,671	578,539
	Total mortgage loan insurance approved	\$86,940M	\$89,219M	\$47,673M	\$56,436M	\$86,073M
	Per cent of total mortgage loan insurance units approved to address less served markets and/or support specific government priorities	34.2% ⁽¹⁾	33%	33%	36%	33%
	Operating expense ratio	9.8%	10.3%	10.4%	10.9%	12.1%
	Insurance in force	\$291,400M	\$308,800M	\$304,228M	\$302,547M	\$315,700M

(1) The 2006 result (34.2%) has been revised from the previously published result (42.5%).

CORE ACTIVITIES

The Corporation's core activities include providing mortgage loan insurance products and services in all parts of Canada. The focus in 2008 will continue to be on providing innovative products that improve housing choice and affordability for Canadians. In addition, CMHC will continue to deliver public policy benefits while ensuring the long-term profitability of its mortgage loan insurance business so that it continues to operate at no cost to the Canadian taxpayer.

KEY INITIATIVES

CMHC has also identified a number of key initiatives for 2008, including:

- Focus efforts on better serving the needs of financial institutions and Canadians in general, as well as relatively underserved borrower populations.
- Promote awareness and understanding of the public policy benefits of mortgage loan insurance and of

CMHC's role in the Canadian housing finance system.

- Maintain industry leadership in combatting mortgage fraud by continuing to raise awareness and understanding with lender clients.
- Continue to identify new opportunities that may exist through the provision of specialized products and the development of new tools and technologies.
- Continue to assess the effect of the changing regulatory environment on CMHC's mortgage loan insurance business.
- Review CMHC default management tools, with a view to expanding the options available to assist Canadians in financial difficulty to stay in their homes.

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
Mortgage Loan Insurance	Address gaps in the housing finance system so that underserved populations, such as Aboriginal peoples, immigrants and low-income households, can access housing finance at the lowest possible cost. Create equal access to mortgage loan insurance, and therefore homeownership, regardless of geographic location. (Immediate to intermediate outcome)
	Contribute to the financial security of Canadian households through homeownership, which is a key foundation of overall consumer confidence, household spending and wealth creation. (Immediate to intermediate outcome)
	Create economic growth through healthy demand for housing, which stimulates activity in the new construction and renovation industries. The associated expenditures generate ripple effects throughout the economy, creating jobs and business opportunities in communities across the country. (Immediate outcome)
	Portfolio insurance helps lenders manage their capital more efficiently and small lenders to compete on an equal footing with large lenders. It allows more lenders to compete in the mortgage loan insurance market by lowering entry barriers, thus expanding consumer choice. (Immediate outcome)

CMHC PRIORITY—ENHANCE THE SUPPLY OF LOW-COST FUNDS FOR MORTGAGE LENDING BY EXPANDING THE SECURITIZATION PROGRAM

ISSUES AND DRIVERS

- Today, securitization is driven in part by the entry and growth of non-deposit-taking institutions, including large U.S. mortgage companies and smaller Canadian start-ups. Stable interest rates and liquidity in the capital market are also driving the demand for high-quality, fixed-income products, such as MBS and CMB. The share of residential mortgages that are securitized has risen gradually to its current level of over 20 per cent.
- Securitization of alternative mortgage instruments will also be a driver going forward, because these loans have typically not been securitized. As well, lenders in this area are typically smaller in scale than traditional lenders and do not have the same access to low-cost mortgage funds. All of these trends suggest an expanded demand for the NHA MBS and CMB programs.
- In June 2007, the Office of the Superintendent of Financial Institutions announced that it would permit deposit-taking institutions to resume issuing covered bonds on a limited basis. Covered bonds, which are debt obligations secured by the assets of the issuer or of any of its subsidiaries, improve funding diversification and lower costs relative to other funding approaches, but are still more costly than CMBs.

CORE ACTIVITIES

CMHC will focus on identifying efficiencies and new approaches to ensure a steady supply of low-cost mortgage financing.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Ensure an adequate supply of low-cost mortgage financing	Annual securities guaranteed	\$36,071M	\$30,500M	\$15,250M	\$20,724M	\$40,000M
	Operating expense ratio for securitization	6.6%	11.7%	11.7%	5.2%	11.0%

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
Mortgage-backed Securities Canada Mortgage Bonds	Integrate mortgage market lending with capital market lending, therefore leading to greater efficiency and lower costs for lenders. Expand the base for funding of mortgage loans and allow for more efficient pricing. (Immediate outcome)

KEY INITIATIVES

CMHC has also identified a number of key initiatives for 2008, including:

- Develop alternative CMB funding strategies, which may include different term structures and/or currencies.
- Expand the list of mortgage products eligible for securitization.
- Complete the implementation of the recommendations regarding the expansion of the list of eligible replacement assets for the CMB program.
- Complete a proposal for securitization of uninsured, low loan-to-value mortgages.
- Complete a feasibility study to develop a multi-seller pool structure for the NHA MBS program in order to significantly increase the size of individual MBS pools and the liquidity of the secondary MBS market.

CMHC PRIORITY—PROVIDE COMPREHENSIVE, TIMELY AND RELEVANT INFORMATION TO ENABLE CANADIAN CONSUMERS AS WELL AS THE HOUSING SECTOR TO MAKE INFORMED DECISIONS

ISSUES AND DRIVERS

- Housing markets will continue to evolve. Recent developments requiring attention include rapid house-price appreciation and reduced affordability, growing importance of the secondary rental market, entry of new mortgage players, new finance and insurance products, new financial regulations and growing resolve to address northern and Aboriginal on-reserve housing conditions. Consumer and industry expectations as well as government agendas are also dynamic, most recently focusing on the environment, sustainability, and health.

CORE ACTIVITIES

Core activities have expanded to include new ongoing activities stemming from the key initiatives in 2007. As such, CMHC will continue to provide comprehensive and timely housing information that is relevant to the needs of industry and other stakeholders.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Provide research, housing market analysis and forecasts that meet the needs of industry and other clients	Subscribers to market analysis publications who found them useful	94%	Over 94%	Results available in fourth quarter		Over 94% ⁽¹⁾
	Attendees at Housing Outlook Conferences who found them useful	99.7%	95%	95%	99.5%	95%
	Forecast accuracy for housing starts	-8.9%	Within 10% of actual	Results available in fourth quarter		Within 10% of actual
	Ranking of housing starts forecast accuracy among forecasters	4th amongst 19	CMHC Rank within the top quartile	Results available in fourth quarter		CMHC Rank within the top quartile
	Information transfer seminar attendees who found them useful	94%	90%	90%	94%	90%
	Recipients of newly published <i>Research Highlights</i> who found them useful	68%	70%	70%	71%	70%
	Recipients of newly-published "About your House" fact sheets who found them useful	83%	80%	Not yet available		80%

(1) Achievement of usefulness rate for new market analysis publication suite.

KEY INITIATIVES

CMHC has also identified a number of key initiatives for 2008, including:

- Implement recommendations regarding the conduct of a national retirement homes survey.
- Conclude the feasibility of conducting a national new home sales survey.

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
Research and Information Transfer	Facilitate adoption of best building practices by consumers and the housing and housing finance industry. (Intermediate outcome)
Market Analysis	Contribute to economic growth and efficiency. (Immediate outcome) Help ensure a balance of supply and demand in the housing market. (Immediate outcome)

OBJECTIVE 3

Ensure the Canadian housing system remains one of the best in the world

OVERVIEW

CMHC's priorities are to promote sustainable housing and communities, as well as to support and promote Canada's world-class housing products, services and system internationally. In 2008, the Corporation will dedicate 8 per cent of its resources to this objective (\$3.5 million in Parliamentary appropriations, 123.2 staff years, and \$24.5 million in operating expenses).

CMHC PRIORITY— PROMOTE SUSTAINABLE HOUSING AND COMMUNITIES

ISSUES AND DRIVERS

- Budget 2007 commits significant resources to reducing greenhouse gases and combating climate change through cleaner energy, increased energy efficiency, and cleaner transportation. Residential energy use, which accounts for 15.2 per cent of the country's greenhouse gas emissions, is a major source of emissions.
- Faced with the challenge of accommodating growth in a sustainable way, planners are turning to development principles such as "new urbanism" and "new pedestrianism."
- Five factors—energy prices, the age of Canada's housing stock, health considerations, government incentives and consumer awareness of environmental issues—will shift Canadian preferences towards housing solutions that are healthy, energy-efficient, durable and environmentally friendly.
- In responding to rising consumer demand, government policies and incentive programs and increased industry competition, homebuilders are increasingly embracing green features and energy-efficient housing technologies.
- International demand for sustainable housing and community technologies and practices is clearly rising. This would lead to increasingly sustainable communities. Countries committed to meeting Kyoto targets or targets that may arise from future climate-change agreements, will increasingly seek out technologies designed to encourage and promote home energy efficiency as a way to reducing greenhouse gas emissions.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Support the Government's new environmental plan as it relates to housing, with a view to ensuring that CMHC's strategies are well-aligned with federal objectives and to continuing its work with Health Canada and Natural Resources Canada—the lead agencies responsible for implementing measures in support of the indoor-air component of the Government's Clean Air agenda.
- Promote environmental sustainability that supports the current climate change agenda by illustrating practical actions and results (for example, EQuilibrium Healthy Housing Initiative).

- Examine how CMHC's EQuilibrium Healthy Housing Initiative can be extended to the neighbourhood or community scale.
- Explore how housing finance tools can be used to enhance environmental sustainability.
- Initiate policy research to examine innovative sustainable-housing financing mechanisms and models in Canada, and internationally, to evaluate their applicability to Canada in support of sustainable housing and communities.

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
EQuilibrium Healthy Housing Initiative	Facilitate the adoption of sustainable practices by the housing industry and consumers, thereby helping to address climate change from the housing perspective, leading to reductions in greenhouse gas emissions and the preservation of the environment and quality of life. (Long-term outcome)
Sustainable Community Planning and Design	Improve the environmental sustainability of housing and communities through adoption of sustainable practices, therefore leading to the development of new, sustainable communities, as well as intensification of existing residential neighbourhoods and brownfield development. (Long-term outcome)
Mortgage Loan Insurance	Improve the energy efficiency of new and existing housing, therefore reducing greenhouse gas emissions attributable to the residential sector. (Long-term outcome)

CMHC PRIORITY—SUPPORT AND PROMOTE CANADA’S WORLD-CLASS HOUSING PRODUCTS, SERVICES AND SYSTEMS INTERNATIONALLY

ISSUES AND DRIVERS

- There are considerable opportunities for CMHC to share its experience and expertise in housing.
- The U.S. housing market, which is currently the focal point of the U.S. economy, has slowed markedly in recent quarters.

- A stronger Canadian dollar over the medium- to long-term will pressure exporters to trim their underlying costs in order to remain competitive.
- The global marketplace is increasingly aware of housing solutions from around the world and the benefits that a well-functioning housing sector provides to the economy and society.

CORE ACTIVITIES

Over the planning period, CMHC will continue to develop housing markets internationally by selling its expertise abroad as well as by helping Canadian exporters diversify their export markets and operate in an increasingly competitive environment.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Sell CMHC's expertise abroad	Revenues from selling CMHC's expertise abroad	\$1.86M	\$1.95M	\$0.98M	\$0.96M	\$2.54M
Assist clients to expand their business internationally	Overall satisfaction rate of key clients	82%	75%	n/a	n/a	75%
	Value of CMHC-facilitated sales reported by key export clients	\$79.3M	\$92.8M	\$46.4M	\$46M	\$120M

KEY INITIATIVES

CMHC has also identified a number of key initiatives for 2008, including:

- Support key Canadian clients in the provision of environmentally sound systems and products related to housing, with a view to enabling CMHC to learn about international market opportunities in green building products, identify opportunities for Canadian companies and support the companies to help them meet international requirements and standards.
- Explore the provision of Canadian products and services in the development of new sustainable communities in various markets, including implementation of memoranda of understanding with Mexico, Russia and China, and seek new international opportunities.
- Assist the forestry industry to penetrate new export markets with housing-related products, with a view to developing a strategy to support clients in the forestry industry who are willing to increase the value-added of their products.
- Implement a strategy for facilitating high-rise projects in various markets where demand and

interest is strong, with a view to appraising the Canadian export capability, identifying potential exporters and helping them identify international high-rise housing projects.

- Support the Government of Canada international trade and foreign affairs objectives by signing new consulting contracts in select countries seeking to develop or improve their housing finance products or strategies, with a view to supporting Canada's foreign policies by promoting and supporting Canada's housing system internationally.
- Increase opportunities for Super E® technology in U.K. social housing, because social housing landlords understand the long-term benefits of Super E and are willing to absorb the initial costs for significant savings over time. There is also a need for a concerted effort for matchmaking between Canadian exporters with the U.K. social housing sector.

OUTCOMES

CMHC activities under this priority are intended to achieve the following key outcomes:

CMHC Activities	Outcomes
Housing Export Services	Help Canadian exporters diversify their export markets and operate in an increasingly competitive international market place. (Intermediate outcome)
International Consulting Services	<p>Improve the performance of housing finance institutions abroad and enable market-based reforms to enhance housing affordability and housing choice. (Long-term outcome)</p> <p>Further Canada's foreign policy objectives through the development of better functioning housing markets abroad, thereby contributing to the broader objectives of citizen involvement, social stability and economic prosperity. (Long-term outcome)</p>

CHAPTER III

INTERNAL SERVICES

To remain a strong organization that is able to fulfill its mandate, CMHC draws on sustainable governance practices, progressive human resources policies and practices, sound financial and risk management, efficient and reliable information technology processes and systems, and effective marketing services. Each of these activities supports all three corporate objectives.

CORPORATE GOVERNANCE

OVERVIEW

CMHC has been actively implementing innovations in corporate governance and responding to new federal accountability legislation, a Treasury Board review of governance and accountability practices in Crown corporations, and changes to Canadian GAAP.

ISSUES AND DRIVERS

- The nature of CMHC's activities makes its governance more complex, but still subject to the same expectations of efficiency, accountability and transparency that Canadians hold for their public agencies. As a Crown corporation, CMHC seeks high client satisfaction and reasonable returns, while meeting the rigour of public accountability.
- In February 2004, Treasury Board undertook a comprehensive review of the governance and accountability framework for Crown corporations. As a result, regular reporting to CMHC's Board of Directors has ensured that the Corporation has addressed the majority of the measures proposed in the review.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- The Board of Directors will continue to lead CMHC's implementation of the government's Crown corporation governance measures. Focus will be placed on the need to ensure continued interaction with stakeholders through an annual public meeting or other vehicles suited to CMHC's varied constituencies.
- Continue to monitor government direction on issues such as accountabilities, director remuneration and indemnification, as well as training and development for Crown corporation directors.

HUMAN RESOURCES

OVERVIEW

CMHC has in place a multi-year talent management strategy to ensure that the Corporation will be able to attract and retain the pool of talented employees required to achieve business objectives and that employees work in an environment that maximizes their engagement and contribution, that provides opportunities to learn and develop, and that rewards their performance. Like other organizations, CMHC is facing a number of challenges that make this strategic management of human capital a top priority.

ISSUES AND DRIVERS

- Employers throughout Canada and the world are developing strategies to respond to the impact of an ageing workforce (just over one in five CMHC employees will reach retirement eligibility within five years and about eight per cent are already eligible for retirement). Canadian employers are realizing that leveraging an increasingly diverse population will be a critical strategy to respond to these labour-market challenges.

- A shortage of workers has led to pockets of volatility for employers. While the Corporation has very low separation rates, they have been slowly increasing in recent years.
- As a Crown corporation, CMHC embraces Canada's commitment to official languages and complies with official language policies and regulations. The Corporation continuously strives to meet and even exceed obligations under the *Official Languages Act*.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Continue to implement the vision for Talent Management and demonstrate that the framework is having the desired effect.
- Demonstrate CMHC's leadership as a best employer in diversity by ensuring that CMHC's population is representative of Canada's diversity, and CMHC is able to continue to attract a diverse workforce.
- Continue to strive to meet or exceed CMHC's obligations under the *Official Languages Act*, specifically with respect to language of work, service to the public and enhancement of the vitality of French and English linguistic minority communities.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Manage recruitment, retention, development and succession to ensure CMHC has a skilled, representative and bilingual workforce to meet its business needs	Retention of recent recruits—regular employees (3-5 year retention)	93%	93%	96.5%	96.5%	93%
	Per cent of critical and vulnerable positions with succession plans underway and milestones on schedule	100%	100%	n/a	100%	90%
	Employees in bilingual positions meeting language requirements	89.5%	90%	90%	89.9%	90%
	Close the gap with external market representation based on 2001 Census data by increasing the % of: Aboriginals (AP), Persons with Disabilities (PD), Visible Minorities (VM)	AP – 2.5% PD – 4.2% VM – 12.3%	AP – 2.5% PD – 4.6% VM – 12.6%	AP – 2.5% PD – 4.6% VM – 12.6%	AP – 2.5% PD – 4.1% VM – 11.9%	AP – 2.6% PD – 4.7% VM – 12.3%

FINANCE

OVERVIEW

CMHC's management is responsible for the integrity and objectivity of the Corporation's financial statements and must ensure that they are prepared in accordance with Canadian GAAP. Management must also maintain appropriate financial systems and related internal controls to provide reasonable assurance that the financial information is reliable, that the assets are properly safeguarded and that the transactions are properly authorized.

ISSUES AND DRIVERS

- In 2006, the Canadian AcSB announced its decision to adopt IFRS by converting Canadian GAAP to IFRS over a five year transition period. The Canadian AcSB has suggested that enterprises begin planning for this conversion early given the complexity of the undertaking.
- Treasury Board Secretariat has recently issued preliminary guidance to Crown corporations with respect to the certification by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) that they maintain adequate controls over financial reporting.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Pursue the development of a conversion strategy to ensure a smooth transition from Canadian GAAP to IFRS in 2011.
- Pursue the development of an implementation strategy to enhance internal controls on financial reporting including exploring a CEO/CFO certification approach.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Manage risks and opportunities to ensure continued financial viability and corporate accountability	Per cent of planned net income achieved	106%	95%	95%	92.5%	95% ⁽¹⁾

(1) CMHC net income only, excluding impact of consolidation elimination entries.

RISK MANAGEMENT AND INVESTMENTS

OVERVIEW

Consistent with enterprise risk management, CMHC Management and the Board of Directors review strategic and operational risks affecting the achievement of objectives on a semi-annual basis. CMHC Management also reviews investment strategies and regularly reports on financial performance and key market and credit risks impacting investment activities to the Audit Committee through its Quarterly Financial and Risk Management Report.

ISSUES AND DRIVERS

- In addition to strategic and operation risk, CMHC is also exposed to credit, market and other financial risk from various sources, either directly from its investment, lending and hedging activities or indirectly, from potential claims arising from the corporation's insurance and securitization activities.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Continue to integrate risk assessments with the strategic planning process to help identify opportunities for future planning.
- Integrate risk assessments with management's quarterly performance review.
- Implement a new strategic asset allocation model for the insurance and securitization investment portfolios.

INFORMATION TECHNOLOGY

OVERVIEW

The rapidly changing technological environment will continue to impact business operations. Public- and private-sector companies are facing challenges in maintaining control over the production, consumption, distribution and management of information content.

ISSUES AND DRIVERS

- Accelerated business time frames, exponential growth of business content, delivery of content in a variety of formats through various channels and dealing with compliance regulations are all drivers

for integrating and improving content management systems.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Continue to implement the Enterprise Content Management technology for additional business areas, with a view to furthering the achievement in 2008.

Core Activities	Performance Measures	2006 Actual	2007 Target	2007 Mid-year		2008 Target
				Plan	Results	
Leverage technology for operational efficiencies	Technology index for key systems	99.8%	99.8%	99.8%	99.9%	99.8%
	Operating budget spent on information technology	15.7%	16.5%	16.5%	16.2%	15.5%

MARKETING

OVERVIEW

CMHC believes that it is important for Canadians to understand the value of quality housing in their lives and the benefits of the Canadian housing system. As Canada's national housing agency, the Corporation strives to raise awareness of the federal government's contribution to affordable housing and its role in building and sustaining a strong housing system through effective marketing strategies.

ISSUES AND DRIVERS

- Traditional branding and mass marketing strategies are fast becoming obsolete. Definable, identifiable niches and consumer market segments are proliferating, as the idea of one huge, amorphous "consumer" is disappearing. Companies are moving away from traditional television, print and radio advertising in favour of targeted Web-based advertising.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Pursue the development and implementation of sub-brands and messaging platforms in select CMHC functional areas in a manner that is consistent with overall corporate brand and messaging, with a view to enhancing CMHC's positioning with key audiences, responding to an evolving external environment and strengthening overall corporate brand.
- Pursue the development of an ethno-marketing outreach strategy targeting the diverse segments of the Canadian population, including Web-based outreach initiatives, with a view to implementing a Web-based strategy to disseminate information to this target audience.

COMMUNICATIONS

OVERVIEW

CMHC works to ensure a coordinated and consistent delivery of information within CMHC, as well as to government organizations, stakeholders and Canadians through the media and other mediums.

ISSUES AND DRIVERS

- The political and business environments in which CMHC operates continue to emphasize requirements for ongoing innovative communications activities. These efforts will strengthen CMHC's presence, both in an increasingly competitive business landscape as well as in a more challenging and evolving media environment. This coincides with government expectations for increased visibility, particularly at the local level through an event-driven communications approach.

KEY INITIATIVES

CMHC has identified a number of key initiatives for 2008, including:

- Cultivate new audiences in Aboriginal and ethnic communities.
- Strengthen the communications function to be more proactive, strategic and integrated across the Corporation.
- Enhance CMHC's association relations by targeting key associations, developing long-term strategic relationships and achieving a consistent approach across the Corporation.

CHAPTER IV

FINANCIAL PLAN SUMMARY

OVERVIEW

The Financial Plan presents the overall results achieved in 2006, those anticipated in 2007 and over the planning horizon from 2008 to 2012. The following table presents highlights of the Consolidated Financial Plan.

Financial Plan (1)								
(\$ millions)	Actual 2006	Plan 2007	Estimate 2007	Plan 2008	2009	2010	2011	2012
Revenues	8,383	8,137	8,556	9,482	9,886	10,665	11,493	11,532
Expenses	6,901	6,606	7,085	7,905	8,230	8,898	9,630	9,550
Net Income before income taxes	1,482	1,530	1,471	1,577	1,656	1,767	1,863	1,982
Net Income after income taxes	1,026	1,033	998	1,095	1,159	1,254	1,331	1,417
Other comprehensive income	n/a	65	42	90	89	100	101	119
Total comprehensive income	n/a	1,098	1,040	1,185	1,248	1,354	1,432	1,536
Total assets	124,218	127,498	143,400	156,165	175,579	189,625	192,596	192,629
Total liabilities	118,764	120,701	136,233	147,813	165,979	178,671	180,210	178,707
Equity	5,454	6,797	7,167	8,352	9,600	10,954	12,386	13,922
Operating expenses	298	384	343	355	365	377	414	415
Staff years	1,877	1,897	1,919	1,928	1,900	1,881	1,873	1,864

(1) CMHC's housing programs and lending activity are operated on a breakeven basis, as is the CHT. The commercial insurance and securitization activities are the main sources of the Corporation's net income.

A number of key elements of the Financial Plan, broken down by CMHC business segment and the CHT, are presented in the following table:

2008 Plan							
(\$ millions)	Housing Programs	Lending	Insurance	Securitization	CHT	Inter-segment Elimination	Total
Revenues	2,448	753	1,886	100	4,414	-119	9,482
Expenses	2,448	761	844	39	4,414	-119	8,387
Comprehensive Income	0	-8	1,111	82	0	0	1,185
Assets	0	13,319	15,790	648	127,679	-1,271	156,165
Liabilities	0	13,161	8,014	230	127,679	-1,271	147,813
Equity	0	158	7,776	418	0	0	8,352

ACCOUNTING CHANGES

Effective January 1, 2007, new accounting standards for financial instruments came into effect for CMHC and the CHT. Under these new accounting standards, all financial assets must be classified within one of four categories and all financial liabilities must be classified within one of two categories. Classification of the assets and liabilities determines how they are recorded in the financial statements in 2007 and beyond.

Both CMHC and the CHT have determined and documented the classifications of all financial assets and liabilities, which are subject to confirmation by the external auditors. The financial statements shown in this Plan have been prepared using the new standards effective January 1 2007.

OBJECTIVE I

Help Canadians in need

HOUSING PROGRAMS

CMHC obtains the necessary authorities and appropriations to fund activities under the Housing Programs on a fiscal-year basis. Accordingly, the following discussion is presented on a fiscal-year basis.

Under housing programs, actual expenditures on grants, contributions, and subsidies (including related administration and delivery costs) were \$2.1 billion in 2006/07 against the plan of \$2.1 billion. Of this amount, approximately \$2 billion was spent on helping Canadians in need.

Major changes for 2007/08 are the \$256 million, two-year extension of the renovation programs and the initial \$150 million payment for the establishment of the First Nations Market Housing Fund.

Planned expenditures for fiscal 2008/09 are estimated at \$2.3 billion and they are estimated at \$2 billion each year for 2009/10 to 2012/13. The expenditure decline reflects the planned end of the federal funding for renovation programs in March 2009, as well as the remainder of funding to the First Nations Market Housing Fund in 2008/09.

CMHC, alone and with the provinces and territories, subsidizes approximately 630,000 units of social housing. Approximately 84 per cent of housing program expenditures relate to commitments made in prior years. These are non-discretionary, ongoing expenditures.

The Financial Plan takes into account the transfer of the administration of social housing under the 10 Social Housing Agreements signed to date. No specific dates have been assumed for the signing of transfer agreements with the remaining provinces: Prince Edward Island, Quebec and Alberta.

In the area of affordable housing, financial assistance, information, advice and guidance are available to potential housing providers through CMHC's Affordable Housing Centre (formerly known as the Canadian Centre for Public-Private Partnerships in Housing). Seed Funding and Proposal Development Funding provide financial assistance to potential housing providers who are in the very early stages of developing an affordable housing proposal. In 2008/09, \$3.8 million and in each subsequent year, \$3.3 million, have been allocated for this purpose and related group training.

The Financial Plan also takes into account new commitment funding of \$4 million per year for the On-reserve Non-profit Program and renovation programs. Within the approved annual budget, temporary funding is provided for the following:

- The two-year extension of renovation programs in the amount of \$128.1 million per year is scheduled to expire in 2009.
- The \$1 billion Affordable Housing Initiative will end on March 31, 2009.

- In April 2007, \$300 million in funding was announced for the establishment of the First Nations Market Housing Fund, a separate non-government entity. The Fund will receive \$150 million in each of 2007/08 and 2008/09 for this purpose.
- On-reserve spending also includes CMHC's portion of the additional funding of \$295 million over five years for housing construction and renovation as announced in Budget 2005. The funding is being shared between INAC and CMHC. Of the \$295 million, CMHC received \$83 million over five years for the construction of 4,498 new non-profit housing units, and \$20 million over two years for the renovation of approximately 1,296 existing housing units. In addition, ongoing funding, for up to 25 years, will be provided for non-profit housing units.
- In 2006, increased funding of \$55.7 million was approved for CMHC and INAC for the Family Violence Prevention Program. Included in this amount was \$2.2 million for the construction of up to 5 new shelters over three years under CMHC's Shelter Enhancement Program.

Under an agreement signed with CMHC in 2005, the Agency for Co-operative Housing is providing to CMHC certain services relating to housing co-operatives funded federally in British Columbia, Alberta, Ontario and Prince Edward Island. The transfer of the administration of co-operatives in these provinces occurred in 2006. CMHC pays the

Agency on a fee-for-service basis. However, the Corporation continues to be responsible for federal co-operative housing programs and policies on behalf of the federal government in addition to the administration of the federal assistance.

In 2006, the federal government initiated an expenditure restraint exercise. CMHC's contribution to this exercise is \$45 million consisting of \$30 million in 2006/2007 and \$15 million in 2007/2008.

LENDING ACTIVITY

Until 1993, loans and investments in housing programs were funded through borrowings from the Government of Canada. Since then, new funding has been through the capital markets. Commencing in 2008, with the implementation of the federal Centralized Borrowing Framework, all funding needs will be met through borrowings from the Government of Canada. CMHC's direct lending rate forecasts are based on its cost of funds plus a small margin to cover administrative expenses.

Since 1991, CMHC has assumed the interest-rate risk from the Government of Canada on all loans financed with borrowings from the Government of Canada. Some borrowers have the right to prepay, without penalty, certain borrowings they have outstanding with CMHC. The Corporation, however, does not have the ability to prepay, without penalty, its corresponding debt with the Government

of Canada. This has resulted in asset/liability mismatches and significant interest-rate risks.

CMHC's Reserve Fund constitutes the retained earnings of the lending activity and fluctuates annually by the amount of income or loss recorded under Canadian GAAP. Excesses over the limit are returned to the Government of Canada. The authorized limit is currently established at \$175 million. A maximum of \$125 million is intended to guard against losses arising from general operations and prepayment/repricing risk, while the remaining \$50 million is intended to accommodate fluctuations in earnings resulting from hedge accounting guidelines.

In 2006, assets totalled \$14,797 million. Both assets and liabilities were in line with planned levels. The lending activity broke even in 2006, which was slightly under the planned profit of \$1 million. Contributing to this performance was the recovery of prepayment losses of \$4 million.

Loans and investments are projected to decline by \$2 billion from \$12 billion in 2008 to \$10 billion in 2012, as repayments on existing loans exceed new lending activity.

Lending—Financial Forecast Results								
(\$ millions)	Actual 2006	Plan 2007	Estimate 2007	Plan 2008	2009	2010	2011	2012
Net interest income	2	20	31	24	26	28	29	29
Gain/loss from financial instruments designated at fair value	19	0	1	-8	-9	-10	-11	-4
Gain/loss on real estate	-5	0	-4	-4	-4	-4	-4	-4
Total comprehensive income	n/a	-3	4	-8	-7	-7	-11	-3
Loans and investments	12,706	12,643	12,277	11,839	11,259	10,742	10,226	9,639
Liabilities	14,629	13,986	13,617	13,161	12,548	11,997	11,453	10,831
Equity	168	176	166	158	151	144	133	130

It is difficult to accurately estimate fair values of financial instruments going forward as their values are sensitive to market interest rates. The projected financial statements are subject to change due to fluctuating market conditions.

OBJECTIVE 2

Facilitate access to more affordable, better quality housing for all Canadians

HOUSING PROGRAMS

Of the \$2.1 billion spent in 2006/07, approximately \$27 million was spent to facilitate access to more affordable, better quality housing for Canadians; in 2007/08 and 2008/09, this amount will rise to \$29 million, which represents 1.3 per cent of total planned housing program expenditures of \$2.3 billion. Activities supported by these funds are housing market research and analysis, as well as research and information transfer to promote desirable housing market outcomes and to improve building performance.

MORTGAGE LOAN INSURANCE

Mortgage loan insurance net income of \$981 million in 2006 was \$53 million higher than projected in the 2006-2010 Financial Plan. At year-end 2006, mortgage loan insurance retained earnings were \$5,044 million, compared to \$4,922 million estimated in the 2006-2010 Financial Plan. An actuarial valuation of the mortgage loan insurance activity as of September 30, 2006 confirmed its long-term solvency.

Mortgage loan insurance in force is forecast to increase to just over \$304 billion by the end of 2007, partly due to high portfolio mortgage loan insurance volumes. Under the NHA, the aggregate outstanding amount of all loans against which a mortgage loan insurance policy is issued is currently limited to \$350 billion. CMHC's retained earnings have helped reduce the government's accumulated deficits over time.

CMHC's retained earnings, including capital reserves, are consolidated with the Government of Canada's public accounts as an asset.

MORTGAGE SECURITIZATION

Issuance of securitized insured residential mortgages during 2006 through CMHC's securitization programs was \$36 billion, which was higher than the anticipated amount of \$30 billion in the 2007-2011 Financial Plan. Exceptionally strong demand for CMB was the result of continued demand for access to low-cost funding by financial institutions, in response to stronger than anticipated housing markets across Canada.

Mortgage Loan Insurance—Financial Forecast Results

(\$ millions)	Actual 2006	Plan 2007	Estimate 2007	Plan 2008	2009	2010	2011	2012
Revenues	1,858	1,782	1,771	1,886	1,994	2,118	2,249	2,385
Expenses	441	314	382	386	424	447	481	514
Comprehensive income	981	1,052	964	1,111	1,165	1,263	1,339	1,423
Unappropriated retained earnings	1,313	1,607	1,939	2,800	3,675	4,704	5,841	7,065

Accordingly, revenues of \$72 million were higher than expectations and net income totalled \$45 million, \$9 million higher than planned. The year-end retained earnings were \$242 million.

Mortgage lenders will continue to actively target CMHC programs, primarily CMB, for securitized funding of NHA-insured mortgages. Issuance of NHA MBS sold directly into the capital markets is forecast to remain at about \$8 billion per year during the forecast horizon. Thirty-two billion dollars per year will be issued through the CMB program, now firmly established as a premier supplier of affordable mortgage funding. Key factors affecting this forecast will be the available supply of mortgage products on the books of CMHC-approved issuers and sellers and bond market conditions.

Because CMHC's retained earnings are also consolidated with the Government of Canada's public accounts, the impacts are the same as those discussed under mortgage loan insurance above.

CANADA HOUSING TRUST

The CHT issues CMBs, which eliminate the prepayment and cash-flow risks inherent in amortizing mortgages, as they offer regular coupon payments and a single repayment of principal at maturity.

CMHC's role in CMB is to act as the financial services adviser (FSA) to CHT and guarantor of the CMB. As FSA, CMHC is responsible for providing advisory services to CHT with respect to the Trust's activities and the issuance and distribution of the bonds. As guarantor, CMHC provides to market investors a timely payment guarantee of principal and interest carrying the full faith and credit of Canada.

The CMB program is expected to continue to follow a quarterly issuance strategy with transactions in the months of March, June, September and December. CMHC has guaranteed CMB sizes ranging from \$2.2 billion to \$9.5 billion for fixed-rate issues and from \$700 million to \$1.2 billion for floating-rate issues. The size and timing of the issues is dependent on originator volumes, investor demand and market conditions.

CMB issuance over the planning period is forecast to reach a long-run level of \$32 billion per year.

Securitization—Financial Forecast Results

(\$ millions)	Actual 2006	Plan 2007	Estimate 2007	Plan 2008	2009	2010	2011	2012
Total comprehensive income	45	50	72	82	90	98	104	116
Retained earnings	242	288	298	359	426	501	579	661

Canada Housing Trust—Financial Forecast Results

(\$ millions)	Actual 2006	Plan 2007	Estimate 2007	Plan 2008	2009	2010	2011	2012
Revenues	3,498	3,460	3,792	4,414	5,083	5,880	6,611	6,550
Expenses	3,498	3,460	3,792	4,414	5,083	5,880	6,611	6,550
Comprehensive income	0	0	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0	0	0

OBJECTIVE 3

Ensure the Canadian housing system remains one of the best in the world

In 2006/07, approximately \$26 million was spent to ensure that the Canadian housing system remains one of the best in the world. In 2007/08 and 2008/09, approximately \$34 million will be spent on this objective. Activities supported by these funds are research and information transfer, international activities and emergency planning. CMHC ensures that business resumption plans are in place and tested to ensure effective and timely resumption of normal business operations following a business interruption (for example power outage, ice storm), which impacts the Corporation's business operations.

GRANVILLE ISLAND

Granville Island is a cultural, recreational and commercial development initiated by the

Government of Canada in 1972, and managed by CMHC. The Island, which is now home to approximately 275 businesses and facilities, employs more than 2,500 people and generates in excess of \$130 million in economic activity annually. There are 12 million visits annually to Granville Island.

In 1979, Granville Island was created from an industrial landfill site with a capital infusion of \$25 million from the federal government. CMHC was asked to assume the property management function at that time. Since 1982, the Island has been self-sufficient with capital maintenance financed through funds generated from operations, contributions and/or from funds received through the disposal of capital property. CMHC is currently developing an updated long-term plan.

RESOURCE REQUIREMENTS

OPERATING BUDGET

The Corporation underspent its revised 2006 operating budget of \$302.4 million by \$27 million. The \$275.4 million actual expenditures were lower than plan largely due to staff year under-consumption, delays in the implementation of new initiatives, savings in professional and technical services, transportation, business premises and training costs, as well as a reduction in pension costs following an actuarial review.

An additional \$1.5 million was added to the 2007 approved base of \$312.6 million in support of the

extension of the renovation programs to March 31, 2009. It is expected that operating expenses for 2007 will be within the revised budget authority of \$314.1 million.

The 2008 operating budget for CMHC reflects planned business volumes for 2008 and the related program performance standards. The 2008 budget reflects an increase of \$7.9 million over the 2007 plan of \$312.6 million, which did not include the two-year extension of the renovation programs.

Operating Budget Requirements*				
	2006 Actual	2007 Plan	2007 Projected	2008 Proposed
Staff years	1,877.0	1,896.5	1,919.6	1,928.0
Personnel (\$ millions)	172.7	181.7	183.8	190.8
Non-personnel (\$ millions)	102.7	130.9	130.3	129.7
Total (\$ millions)	275.4	312.6	314.1	320.5

* Excludes operating expenses of the CHT.

Staff years for mortgage loan insurance and securitization will increase in 2008 due to the introduction of new products requiring more intensive underwriting effort. Additional staff years will also enable CMHC to better respond to competitive pressures to maintain market share. Beyond 2008, mortgage loan insurance initiation volumes are expected to taper slightly. This will be partially offset by increasing volumes in default management, claims settlement and property administration toward the end of the planning horizon.

Staff year requirements in housing programs reflect the two-year extension of the renovation programs to March 31, 2009, and the delay in the delivery of the on-reserve housing programs. Beyond 2009, staff year requirements will remain relatively constant.

In the lending activity, staff year fluctuations over the planning period reflect changes in projected direct lending volumes.

CAPITAL BUDGET FOR FURNITURE, EQUIPMENT AND BUSINESS PREMISES

CMHC's capital budget for furniture, equipment and business premises provides for the fit up of CMHC's office space, ongoing repair and replacement of worn-out assets, the acquisition of new assets, and the principal portion of the long-term lease payments for the national office "C" building.

As planned, commitments against the capital budget for 2006 were \$3.9 million. The projected requirements of \$3.9 million in 2007 are in line with the approved budget.

Capital requirement projection for 2008 is \$4.2 million. Fluctuations from 2007 and 2008 budget levels reflect changing needs as office leases expire and furniture and equipment need replacing. Additionally, the principal portion of the national office lease increases over time.

Commitments for Furniture, Equipment and Business Premises				
(\$ thousands)	2006 Actual	2007 Plan	2007 Projected	2008 Proposed
Furniture & equipment	680	906	555	940
Business premises	1,959	1,556	1,907	1,699
Obligations under capital lease	1,256	1,408	1,408	1,579
Total	3,895	3,870	3,870	4,218

CAPITAL BUDGET FOR LOANS AND INVESTMENTS

The Corporation's capital budget for loans and investments provides for borrowings for loans to acquire, construct, refinance or renovate housing under the various programs of the NHA. Capital commitments in 2006 totalled \$529 million and for 2007 they are estimated at \$301 million. These amounts exceed original plan levels due mainly to the extension of the renovation programs.

The 2008 capital budget for loans and investments will total \$373 million, which represents an increase of \$94 million over the 2008 reference level of \$279 million. The increase reflects the two-year extension of the renovation programs ending March 31, 2009 and the delay in the delivery of CMHC's share of the \$295 million on-reserve initiative announced in Budget 2007. This is expected to be partially offset by lower direct lending renewals.

Summary of Commitments for Loans and Investments

(\$ millions)	2006 Actual	2007 Plan	2007 Estimate	2008 Plan
Total	529	237	301	373

BORROWING PLAN

All borrowing, investing, and risk management activities are subject to CMHC's Funding, Investment and Risk Management Policy Framework, which is reviewed and approved annually by the Board of Directors.

CMHC borrows to fund direct social housing lending initiatives and other loans and investments in housing programs. Prior to 1993, CMHC obtained funding by borrowing from the Government of Canada. Since 1993 and with the inception of Direct Lending, CMHC has been an opportunistic borrower in the capital markets, seeking to issue debt into those markets which provide the most cost-effective funding.

In 2008, the Government of Canada will implement the Centralized Borrowing Framework from which CMHC will borrow upon full implementation. Through the Centralized Borrowing Framework, CMHC will have the capability to fund direct lending and other loans and investments in housing programs in a variety of terms and to continue to undertake appropriate hedging activities. Until such time, CMHC will continue to borrow from the capital markets.

INVESTMENT PLAN

The objective of the mortgage loan insurance and securitization investment portfolios is to maximize the total investment return on a pre-tax basis after investment-related operating expenses. Sufficient liquidity is maintained to meet projected business requirements and the economic value of the investment portfolios is safeguarded. Investment decisions are subject to appropriate risk considerations and to the constraints outlined in CMHC's Funding, Investment and Risk Management Policies.

The market value of investments under management totalled \$11,589 million as at June 30, 2007, compared to \$10,190 million as at June 30, 2006. The majority of these investments, \$11,137 million, relate to mortgage loan insurance investment activity, while the remaining \$452 million relate to mortgage securitization activity.

CMHC also invests for cash management and hedging purposes in relation to its direct lending activities. The par value of these investments totalled \$1,660 million as at June 30, 2007, compared to \$1,107 million as at June 30, 2006.



CHAPTER V

FINAL REMARKS

Created in 1946 by the *CMHC Act* to provide affordable homes to returning war veterans, the Corporation has since evolved into a major national institution and a leading provider of mortgage loan insurance and securitization, housing assistance to low-income households and housing research, as well as Canada's source of housing expertise to the world.

Over the years, the environment in which the Corporation has worked has changed constantly. The Corporate Plan process has proved to be an effective instrument for anticipating change and establishing

priorities for the use of resources entrusted to the Corporation by Canadians. This Summary of the Corporate Plan assesses the environment in which the Canadian housing system will operate over the next five years and outlines how the Corporation will allocate its resources in pursuit of the mandate assigned to it by the federal government.

APPENDIX A - FINANCIAL STATEMENTS

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Table I
Consolidated Financial Statements
Balance Sheet (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Assets							
Investment in NHA Mortgage-Backed Securities	76,599	97,174	108,283	120,943	129,042	130,070	129,473
Loans and Investments in Housing Programs	12,706	12,277	11,839	11,259	10,742	10,226	9,639
Investment Securities	12,942	19,095	20,969	23,609	26,067	27,784	29,348
Cash and Cash Equivalents	8,453	3,985	4,283	5,097	5,760	5,881	5,813
Other Assets	13,518	10,869	10,791	14,671	18,014	18,635	18,356
Total Assets	124,218	143,400	156,165	175,579	189,625	192,596	192,629
Liabilities							
Canada Mortgage Bonds	94,667	113,869	125,242	144,263	156,859	159,214	158,195
Borrowings from Capital Markets	8,625	8,275	6,718	5,671	4,285	3,349	2,070
Borrowings from the Government of Canada	4,701	4,446	5,881	6,326	7,312	7,724	8,402
Unearned Premiums and Fees	4,934	5,283	5,603	5,901	6,177	6,433	6,666
Derivative-related amounts	9	1,222	1,075	449	640	124	2
Other Liabilities	5,828	3,138	3,294	3,369	3,398	3,366	3,372
Total Liabilities	118,764	136,233	147,813	165,979	178,671	180,210	178,707
Equity of Canada							
Contributed Capital	25	25	25	25	25	25	25
Accumulated Other Comprehensive Income	0	569	659	748	848	949	1,068
Retained Earnings	5,429	6,573	7,668	8,827	10,081	11,412	12,829
	5,454	7,167	8,352	9,600	10,954	12,386	13,922
Total Liabilities & Equity	124,218	143,400	156,165	175,579	189,625	192,596	192,629

Table 2**Consolidated Financial Statements**

Statement of Income and Comprehensive Income (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Revenues	8,383	8,556	9,482	9,886	10,665	11,493	11,532
Expenses	6,901	7,085	7,905	8,230	8,898	9,630	9,550
Income Before Taxes	1,482	1,471	1,577	1,656	1,767	1,863	1,982
Taxes	456	473	482	497	513	532	565
Net Income	1,026	998	1,095	1,159	1,254	1,331	1,417
Other Comprehensive Income	n/a	42	90	89	100	101	119
Comprehensive Income	n/a	1,040	1,185	1,248	1,354	1,432	1,536

Table 3**Consolidated Financial Statements**

Statement of Equity (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Unappropriated	1,555	2,237	3,159	4,101	5,205	6,420	7,726
Appropriated	3,731	4,195	4,376	4,600	4,757	4,884	4,998
Reserve Fund	143	141	133	126	119	108	105
Accumulated Other Comprehensive Earnings	n/a	569	659	748	848	949	1,068
Contributed Capital	25	25	25	25	25	25	25
Total Equity	5,454	7,167	8,352	9,600	10,954	12,386	13,922

Table 4**Consolidated Financial Statements**

Statement of Cash Flows (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Cash Flows provided by (used in) Operating Activities	813	2,213	1,483	659	1,936	1,123	1,657
Cash Flows provided by (used in) Investment Activities	-20,298	-23,981	-12,290	-18,400	-13,343	-2,837	-110
Cash Flows provided by (used in) Financing Activities	20,963	17,300	11,105	18,555	12,070	1,835	-1,615
Increase (Decrease) in Cash and Cash Equivalents	1,478	-4,468	298	814	663	121	-68

Table 5

Housing Programs

Statement of Expenditures and Recoveries (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Cash Flow Requirements—Contributions							
Objective 1							
Assisted Housing Programs	1,645	1,772	1,692	1,673	1,654	1,647	1,640
Affordable Housing Initiative	167	82	73	39	15	8	8
On-reserve Housing Programs	104	118	440	157	164	168	174
Housing Repair and Improvement Programs	124	120	118	106	19	3	3
Research and information dissemination that addresses distinct housing needs, including those of Aboriginal peoples	2	2	2	2	2	2	2
Objective 2							
Canadian Housing Market Research and Analysis	0	0	0	0	0	0	0
Research and information dissemination to promote desirable housing market outcomes and improve building performance	4	4	4	4	4	4	4
Objective 3							
International Activities	0	0	0	0	0	0	0
Research and information dissemination to promote sustainable housing and communities, as well as lead the development and implementation of federal housing policy	3	4	4	4	4	4	4
Subtotal—Contributions	2,049	2,102	2,333	1,985	1,862	1,836	1,835
Operating Expenses	109	115	115	114	114	127	127
Total Cash Flow Requirements	2,158	2,217	2,448	2,099	1,976	1,963	1,962

Table 6**Lending Activity—Financial Statements**

Balance Sheet (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Assets							
Loans and Investments in Housing Programs	12,706	12,277	11,839	11,259	10,742	10,226	9,639
Cash and Cash Equivalents and Investment Securities	955	838	819	788	764	739	708
Other Assets	1,136	668	661	652	635	621	614
Total Assets	14,797	13,783	13,319	12,699	12,141	11,586	10,961
Liabilities							
Capital Market Borrowings	8,625	8,275	6,718	5,671	4,285	3,349	2,070
Borrowings from the Government of Canada	4,701	4,446	5,881	6,326	7,312	7,724	8,402
Accounts Payable and Other Liabilities	1,303	896	562	551	400	380	359
Total Liabilities	14,629	13,617	13,161	12,548	11,997	11,453	10,831
Equity							
Contributed Capital	25	25	25	25	25	25	25
Accumulated Other Comprehensive Earnings	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Reserve Fund	143	141	133	126	119	108	105
Total Liabilities and Equity	14,797	13,783	13,319	12,699	12,141	11,586	10,961

Table 7**Lending Activity—Financial Statements**

Statement of Income, Comprehensive Income and Reserve Fund (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Net Interest Income	2	31	24	26	28	29	29
Gain (Loss) from Financial Instruments Designated at Fair Value	19	1	-8	-9	-10	-11	-4
Other Income	-3	-3	-3	-3	-3	-3	-3
Income Before Operating Expenses	18	29	13	14	15	15	22
Operating Expenses	18	23	24	24	25	29	26
Income Before Taxes	0	6	-11	-10	-10	-14	-4
Taxes	0	2	-3	-3	-3	-3	-1
Net Income	0	4	-8	-7	-7	-11	-3
Other Comprehensive Income	n/a	0	0	0	0	0	0
Effect of accounting policy change at January 1, 2007	n/a	-6	n/a	n/a	n/a	n/a	n/a
Reserve Fund, Beginning of Year	143	143	141	133	126	119	108
Reserve Fund, End of Year	143	141	133	126	119	108	105

Table 8**Lending Activity—Financial Statements**

Statement of Cash Flows (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Cash Flows provided by (used in) Operating Activities	37	72	-33	18	-8	-11	-16
Cash Flows provided by (used in) Investment Activities	527	873	443	587	524	522	603
Cash Flows provided by (used in) Financing Activities	-1,147	-985	-417	-616	-525	-519	-597
Increase (Decrease) in Cash and Cash Equivalents	-583	-40	-7	-11	-9	-8	-10

Table 9**Insurance—Financial Statements**

Balance Sheet (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Assets							
Investments in Securities/Cash and Cash Equivalents/Real Estate	12,858	14,087	15,587	17,140	18,722	20,312	21,999
Other Assets	522	106	203	288	269	298	308
Total Assets	13,380	14,193	15,790	17,428	18,991	20,610	22,307
Liabilities							
Unearned Premiums and Provision for Claims	5,175	5,522	5,855	6,176	6,476	6,755	7,028
Other Liabilities	3,161	2,006	2,159	2,311	2,311	2,312	2,313
Total Liabilities	8,336	7,528	8,014	8,487	8,787	9,067	9,341
Retained Earnings							
Accumulated Other Comprehensive Income	n/a	531	600	666	743	818	903
Appropriated	3,731	4,195	4,376	4,600	4,757	4,884	4,998
Unappropriated	1,313	1,939	2,800	3,675	4,704	5,841	7,065
Total Retained Earnings	5,044	6,665	7,776	8,941	10,204	11,543	12,966
Total Liabilities & Equity	13,380	14,193	15,790	17,428	18,991	20,610	22,307

Table 10**Insurance—Financial Statements**

Statement of Income, Comprehensive Income and Equity (In Millions of Dollars)

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Revenues	1,858	1,771	1,886	1,994	2,118	2,249	2,385
Expenses	441	382	386	424	447	481	514
Income Before Taxes	1,417	1,389	1,500	1,570	1,671	1,768	1,871
Taxes	436	446	458	471	485	504	533
Net Income	981	943	1,042	1,099	1,186	1,264	1,338
Other Comprehensive Income	n/a	21	69	66	77	75	85
Effect of accounting policy change at Jan. 1, 2007	n/a	657	0	0	0	0	0
Total Equity, Beginning of Year	4,063	5,044	6,665	7,776	8,941	10,204	11,543
Total Equity, End of Year	5,044	6,665	7,776	8,941	10,204	11,543	12,966

Table 11**Insurance—Financial Statements****Statement of Cash Flows (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Cash Flows provided by (used in) Operating Activities	780	1,196	1,116	1,149	1,313	1,309	1,371
Cash Flows provided by (used in) Investment Activities	-971	-262	-1,266	-1,299	-1,313	-1,309	-1,371
Cash Flows provided by (used in) Financing Activities	155	-918	150	150	0	0	0
Increase (Decrease) in Due from (to) Lending Activity	-36	16	0	0	0	0	0

Table 12**Securitization—Financial Statements****Balance Sheet (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Assets							
Investment Securities	392	527	625	729	834	942	1,066
Other Assets	45	27	23	19	14	10	1
Total Assets	437	554	648	748	848	952	1,067
Liabilities							
Unearned Guarantee Fees	169	191	202	210	212	213	212
Unearned Application & Compensatory Fees	11	17	20	21	21	20	20
Accounts Payable and Accrued Liabilities	15	10	8	9	9	9	9
Total Liabilities	195	218	230	240	242	242	241
Accumulated Other Comprehensive Income	n/a	38	59	82	105	131	165
Retained Earnings	242	298	359	426	501	579	661
Total Liabilities & Equity	437	554	648	748	848	952	1,067

Table 13**Securitization—Financial Statements****Statement of Income, Comprehensive Income and Equity (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Revenues	72	86	100	110	121	125	130
Expenses	7	10	12	14	15	16	15
Income Before Taxes	65	76	88	96	106	109	115
Taxes	20	25	27	29	31	31	33
Net Income	45	51	61	67	75	78	82
Other Comprehensive Income	n/a	21	21	23	23	26	34
Effect of accounting policy change at January 1, 2007	n/a	22	0	0	0	0	0
Total Equity, Beginning of Year	197	242	336	418	508	606	710
Total Equity, End of Year	242	336	418	508	606	710	826

Table 14**Securitization—Financial Statements****Statement of Cash Flows (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Cash Flows provided by (used in) Operating Activities	65	78	68	71	72	74	76
Cash Flows provided by (used in) Investment Activities	-66	-80	-68	-71	-72	-74	-76
Increase (Decrease) in Due from (to) Lending Activity	-1	-2	0	0	0	0	0

Table 15**Canada Housing Trust—Financial Statements****Balance Sheet (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Assets							
Investments in NHA Mortgage-Backed Securities	76,599	97,174	108,283	120,943	129,042	130,070	129,473
Other Assets	19,846	18,838	19,396	25,165	30,142	31,053	30,639
Total Assets	96,445	116,012	127,679	146,108	159,184	161,123	160,112
Liabilities							
Canada Mortgage Bonds	95,483	115,004	126,505	145,658	158,388	160,877	160,000
Other Liabilities	962	1,008	1,174	450	796	246	112
Total Liabilities	96,445	116,012	127,679	146,108	159,184	161,123	160,112
Accumulated Other Comprehensive Income	n/a	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Total Liabilities & Equity	96,445	116,012	127,679	146,108	159,184	161,123	160,112

Table 16**Canada Housing Trust—Financial Statements****Statement of Income and Comprehensive Income (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Revenues	3,498	3,792	4,414	5,083	5,880	6,611	6,550
Expenses	3,498	3,792	4,414	5,083	5,880	6,611	6,550
Income Before Taxes	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	0
Net Income	0	0	0	0	0	0	0
Other Comprehensive Income	n/a	0	0	0	0	0	0
Comprehensive Income	0	0	0	0	0	0	0

Table 17**Canada Housing Trust—Financial Statements****Statement of Cash Flows (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Cash Flows provided by (used in) Operating Activities	-109	446	-141	-2	-166	-85	-123
Cash Flows provided by (used in) Investment Activities	-20,697	-32,704	-18,955	-10,823	-18,113	-12,386	-6,984
Cash Flows provided by (used in) Financing Activities	22,951	30,800	19,400	11,650	18,950	12,600	7,050
Increase (Decrease) in Cash and Cash Equivalents	2,145	-1,458	304	825	671	129	-57

Table 18**Other****Statement of Transactions with the Consolidated Revenue Fund (CRF)****Years Ended 31 December (In Millions of Dollars)**

Description	2006 Actual	2007 Estimate	2008	2009	2010	2011	2012
Borrowings, Lending Activity	0	0	3,714	939	1,238	1,379	1,117
Grants, Contributions and Subsidies	2,158	2,217	2,448	2,099	1,975	1,963	1,962
Total Cash Drawn from CRF	2,158	2,217	6,162	3,038	3,213	3,342	3,079
Cash Paid to CRF							
Repayment of Borrowings, Lending Activity	199	255	210	210	204	147	313
Interest Paid on Borrowings	434	416	399	379	361	343	322
Other	592	390	610	574	477	543	577
Total Cash Paid to CRF	1,226	1,061	1,219	1,163	1,042	1,033	1,212
Net Cash Drawn from CRF	932	1,156	4,943	1,875	2,171	2,309	1,867

Table 19**Other****Statement of Transactions with the Consolidated Revenue Fund (CRF)****Fiscal Years Ended 31 March (In Millions of Dollars)**

Description	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013
Borrowings, Lending Activity	0	2,295	2,294	1,217	1,260	1,340	1,087
Grants, Contributions and Subsidies	2,102	2,255	2,235	2,040	1,965	1,962	1,961
Total Cash Drawn from CRF	2,102	4,550	4,629	3,257	3,225	3,302	3,048
Cash Paid to CRF							
Repayment of Borrowings, Lending Activity	200	258	210	206	202	216	197
Interest Paid on Borrowings	449	413	393	374	357	339	316
Other	593	390	610	574	477	543	577
Total Cash Paid to CRF	1,242	1,061	1,213	1,154	1,036	1,098	1,090
Net Cash Drawn from CRF	860	3,489	3,416	2,103	2,189	2,204	1,958

APPENDIX B - GLOSSARY

The following is sorted by section and alphabetically within each section.

Introduction	
Canada Mortgage Bonds (CMB)	A bond with a semi-annual coupon, at a fixed-or floating-rate, that pays principal at maturity. It is issued by the CHT. Like NHA MBS, CMB carries the full guarantee of the Government of Canada.
Generally Accepted Accounting Principles (GAACP)	The specific rules, practices, procedures, broad principles and conventions of general application, including underlying concepts, that most profit-seeking companies use to prepare their financial statements. They allow the preparation of financial statements that are reasonably fair, complete, understandable, and comparable between enterprises and accounting periods.
National Housing Act Mortgage-Backed Securities (NHA MBS)	A security which represents an undivided interest in a pool of residential mortgages insured under the NHA and has the full guarantee of the Government of Canada. The principal and interest paid by borrowers on the mortgages in an NHA MBS pool are paid to investors on a monthly basis. These payments can vary from month to month if, for example, borrowers make unscheduled payments, such as advance payments of principal on a mortgage. Securities under the NHA MBS program are issued by Approved Issuers (primarily lending institutions).
Objective 1—Help Canadians in need	
Affordable Housing Initiative (AHI)	The vehicle initiated in 2001 through which the federal government, through CMHC, provides contributions to increase the supply of off-reserve affordable housing, in partnership with the provinces and territories. Each provincial or territorial housing agency has designed its own housing programs within certain terms and conditions and is responsible for program delivery and administration, including the selection of housing projects that are chosen to receive AHI funding.
Agency for Co-operative Housing	A private corporation that delivers certain portfolio and default management services for CMHC-funded co-operatives in B.C., Alberta, Ontario and P.E.I. As part of the service agreement signed with CMHC, the Agency provides information to co-operatives, assesses and takes action to mitigate risks, and administers, monitors and seeks compliance with operating agreements between CMHC and the cooperatives.
Community Development	Drawing on the full range of products, services and programs, CMHC is advancing affordable housing solutions. CMHC experts provide information as well as advice and guidance to assist housing proponents with the development of affordable housing. Seed Funding and Proposal Development Funding are available to assist in the early stages of developing an affordable housing proposal. Access to financing through lower mortgage loan insurance premiums and more flexible underwriting criteria is also available.
Core Housing Need	Households that occupy housing that falls below any of the dwelling adequacy, suitability or affordability standards, and which would have to spend 30 per cent or more of their before-tax income to pay for the median rent of alternative local market housing that meets all three standards, are said to be in core housing need.
First Nations Market Housing Fund	A \$300 million, legally separate non-governmental fund that will provide additional financial backing to guarantees given to financial institutions by First Nations that meet certain criteria to facilitate First Nations members to obtain market-based loans from financial institutions and build, buy or renovate housing on reserve land. It will also support capacity development.
Housing Quality Initiative	CMHC delivers tailored training sessions to selected First Nations on client counselling, property management, home maintenance, arrears management, indoor air quality, and other topics. The initiative also prepares Aboriginal trainers to deliver the sessions on a continuing basis.
Renovation Programs Programs that help low-income households, landlords, persons with disabilities and Aboriginal people bring their homes up to minimum health and safety standards. CMHC's suite of renovation programs include:	Residential Rehabilitation and Assistance Program (RRAP): A program which provides financial assistance to low-income households who live on- and off-reserve to enable them to repair their homes, as well as to assist landlords to repair rental dwellings. Shelter Enhancement Program (SEP): A program which provides financial assistance to repair, rehabilitate and improve existing shelters, both on- and off-reserve, for women, children and youth who are victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing. Emergency Repair Program (ERP): A program which provides financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their house. Home Adaptations for Seniors' Independence (HASI): A program which provides financial assistance to low-income seniors to carry out minor adaptations to assist them to live independently in their own homes.
Social Housing Stock	An existing stock of some 630,000 housing units created through long-term federally-funded social housing programs, a significant portion of which are owned and administered by the provinces and territories and non-profit and co-operative housing sponsors.

Objective 2—Facilitate access to more affordable, better quality housing for all Canadians	
Basel II	Basel II is the 1988 Basel Capital Accord with considerably more sophistication and wider reach. At a high level, Basel II aims to align the minimum regulatory capital of a bank with its financial and non-financial risk profile, while taking into account the effectiveness of the corresponding risk management practices. There are three mutually-reinforcing pillars: minimum capital requirements, supervisory review and market discipline.
Loan-to-value Ratio	The ratio of the loan to the appraised value, purchase price of or other value ascribed to the property.
Mortgage Loan Insurance	CMHC insures Approved Lenders against the risk of financial losses caused by borrowers defaulting on their mortgage loans. Private-sector insurers may do the same.
Multi-seller Pool Structure	The NHA MBS program processes pools of residential mortgages issued by Approved Lenders. The current pool structure calls for one Approved Lender (seller) for each individual pool. If feasible, future pool structure may allow for more than one Approved Lender (multiple sellers) to back the same individual pool.
Securitization	The process of converting loans or other assets into financial securities which are sold into the capital markets, providing investors with an interest in the pool of loans or assets underlying the security.
Objective 3—Ensure the Canadian housing system remains one of the best in the world	
Equilibrium Healthy Housing Initiative	A national housing initiative led by CMHC that brings the private and public sectors together to develop homes, and eventually communities, incorporating the principles of occupancy health and comfort, energy efficiency, renewable energy production, resource conservation, reduced environmental impact and affordability.
Dawson House/Nunavut House	Two Northern Sustainable Housing projects that CMHC is working on to demonstrate culturally appropriate northern housing that are designed to consume 50 per cent less energy on an annual basis than homes designed to the model National Energy Code for Houses.
New Pedestrianism	New Pedestrianism focuses on reducing or even eliminating the role of the car in urban planning and creating urban spaces that are friendly to pedestrians and cyclists.
New Urbanism	The Charter of the New Urbanism of the Congress for the New Urbanism says that: “neighborhoods should be diverse in use and population; communities should be designed for the pedestrian and transit as well as the car; cities and towns should be shaped by physically defined and universally accessible public spaces and community institutions; urban places should be framed by architecture and landscape design that celebrate local history, climate, ecology, and building practice.”
Internal Services	
Enterprise Content Management	The technologies, tools, and methods used to capture, manage, store, preserve, and deliver content across an enterprise, including documents, images, e-mail messages, video, and more.