

CANADA MORTGAGE AND HOUSING CORPORATION

Securitization Business Supplement

Fourth QUARTER
December 31, 2016

To supplement CMHC's consolidated financial statements, which are prepared in accordance with IFRS, CMHC uses non-IFRS measures to analyze its performance. The following Securitization Business Supplement is prepared for the fourth quarter ending December 31, 2016, and is intended to help readers better understand CMHC's securitization activity. CMHC believes that this business supplement provides meaningful information that enables greater transparency and clarity with respect to CMHC's securitization activity.

NEW SECURITIZATION GUARANTEE ACTIVITY

As at December 31, 2016, of the \$105 billion NHA MBS and \$40 billion CMB guarantee limits for 2016, \$144.4 billion of securities were guaranteed (\$104.4 billion of NHA MBS and \$40 billion of CMB). Of the approximate 88 active participants in CMHC's securitization programs, 82 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	31-Dec 2016	31-Dec 2015
Total Guaranteed (\$M)	52,116	43,110	27,372	21,834	36,078	144,433	115,722
NHA Mortgage-Backed Securities (NHA MBS)*	42,366	32,860	16,622	12,584	27,078	104,433	78,472
Canada Mortgage Bonds (CMB)	9,750	10,250	10,750	9,250	9,000	40,000	37,250
NHA MBS (\$M)	42,366	32,860	16,622	12,584	27,078	104,433	78,472
Federally Regulated Institutions	28,110	20,077	11,251	8,906	23,452	68,344	58,995
Provincially Regulated Institutions	3,939	2,407	610	265	359	7,221	1,922
IIROC Regulated Institutions**	6,120	7,410	1,949	1,631	1,427	17,110	7,044
Other Institutions	4,197	2,966	2,812	1,783	1,840	11,758	10,511
CMB (\$M)	9,750	10,250	10,750	9,250	9,000	40,000	37,250
Federally Regulated Institutions	5,423	5,298	5,642	4,890	4,873	21,252	20,063
Provincially Regulated Institutions	1,870	2,072	2,213	1,908	1,744	8,063	6,591
IIROC Regulated Institutions	1,486	1,842	1,745	1,551	1,388	6,625	6,368
Other Institutions	971	1,038	1,150	901	996	4,060	4,229



Component items may not add to totals because of rounding.

* The NHA MBS amount of \$42,366 million consists of \$41,662 million in new NHA MBS issued and guaranteed in Q4 2016 and \$704 million in replacement NHA MBS issued prior to 2016 but on which guarantee fees were paid in Q4 2016.

** IIROC: The Investment Industry Regulatory Organization of Canada is the national self-regulatory organization that oversees all investment dealers in Canada (www.iiroc.ca).

GUARANTEES-IN-FORCE

The amount of guarantees-in-force outstanding is a function of new guarantee activity and maturities/principal runoff from outstanding guaranteed securities. Approximately 89 per cent of the \$451.8 billion in guarantees-in-force outstanding as at December 31, 2016, is with regulated institutions, and 70 per cent of guarantees-in-force outstanding as at December 31, 2016, is with federally regulated institutions.

Guarantees-in-force	31-Dec 2016	30-Sep 2016	As at: 30-Jun 2016	31-Mar 2016	31-Dec 2015
Guarantees-in-force (\$M)	451,825	434,557	426,347	428,532	430,565
NHA MBS	229,034	211,002	208,042	208,727	215,510
CMB	222,791	223,555	218,305	219,805	215,055
NHA MBS (\$M)	229,034	211,002	208,042	208,727	215,510
Federally Regulated Institutions	173,148	161,873	161,760	165,992	173,843
Provincially Regulated Institutions	3,697	2,249	2,218	1,695	1,559
IIROC Regulated Institutions	24,416	20,920	17,407	16,167	15,987
Other Institutions	27,774	25,959	26,657	24,873	24,122
CMB (\$M)	222,791	223,555	218,305	219,805	215,055
Federally Regulated Institutions	140,878	141,745	140,259	139,579	141,233
Provincially Regulated Institutions	25,368	24,767	22,694	21,720	19,812
IIROC Regulated Institutions	36,688	37,287	36,394	37,228	36,413
Other Institutions	19,857	19,755	18,958	21,279	17,597



Component items may not add to totals because of rounding.

The maturity profile of the outstanding guaranteed obligations is generally distributed across a five-year term, reflecting the predominance of the five-year mortgage term of the mortgages securitized under the NHA MBS Program and the core five-year CMB term.

Guarantees-in-force Maturity Profile (\$M)	As at:									
	31-Dec-16		30-Sep-16		30-Jun-16		31-Mar-16		31-Dec-15	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2016			805	10,500	5,239	15,500	13,673	27,750	25,794	32,250
2017	18,962	29,636	23,556	29,650	27,824	29,650	29,740	29,650	31,022	29,650
2018	36,861	38,650	38,755	38,650	40,722	38,650	42,418	38,650	44,069	38,650
2019	45,095	30,750	46,338	30,750	48,876	30,750	50,969	30,750	52,547	30,750
2020	65,146	40,005	63,980	40,005	63,561	40,005	62,686	40,005	58,888	40,005
2021	60,252	37,750	34,842	32,750	19,034	25,000	6,408	16,500	265	9,250
2022	503	15,500	513	13,000	528	13,000	555	13,000	577	13,000
2023	540	6,000	554	6,000	571	6,000	587	6,000	606	6,000
2024	857	6,000	876	6,000	898	6,000	914	6,000	927	6,000
2025	362	11,500	367	11,500	372	11,500	356	11,500	388	9,500
2026	72	7,000	37	4,750	33	2,250	34		34	
2027	34		25		25		25		25	
2028	318		322		327		331		336	
2033	27		27		27		27		27	
2034	5		5		5		5		5	
Total	229,034	222,791	211,002	223,555	208,042	218,305	208,727	219,805	215,510	215,055

Component items may not add to totals because of rounding.

MORTGAGE ARREARS RATE IN THE NHA MBS PROGRAM

At the time of an NHA MBS issuance, no pooled mortgage must be in arrears and mortgages must have mortgage default insurance coverage in accordance with the Government of Canada regulations for mortgage insurance. Mortgage arrears of the pooled mortgages are analyzed and monitored, at the Issuer level, on a monthly basis, in the context of the overall financial condition of the Issuer. This information, along with established arrears triggers and the financial viability of the Issuer, is considered when permitting the Issuer new guarantee approvals.

As at December 31, 2016, the 90-day arrears rate—the number of loans in arrears (4,418) as a proportion of the total number of loans (1,993,063)—in the NHA MBS Program was 0.22 per cent.

90 days arrears for mortgages in NHA MBS outstanding	31-Dec	30-Sep	As at:		
	2016	2016	30-Jun 2016	31-Mar 2016	31-Dec 2015
Overall 90 days arrears rate	0.22%	0.24%	0.24%	0.25%	0.25%
Federally Regulated Institutions	0.26%	0.28%	0.28%	0.29%	0.28%
Provincially Regulated Institutions	0.11%	0.13%	0.12%	0.16%	0.13%
IIROC Regulated Institutions	0.13%	0.16%	0.15%	0.15%	0.16%
Other Institutions	0.12%	0.12%	0.11%	0.10%	0.10%

INTEREST SPREAD

CMHC establishes a minimum spread requirement between the NHA MBS coupon and the lowest mortgage rate in the pool. This interest spread, which is for the benefit of the Issuer in good standing, is an important feature that incentivizes the Issuer to fulfill its responsibilities under the NHA MBS Program. This program feature ensures that program participants have significant “skin in the game.” In the event of a failure of an Issuer to fulfill its responsibilities under the NHA MBS Program, CMHC, as guarantor and trustee on behalf of the NHA MBS investor, will have access to the interest spread to be used in ensuring the obligations under the NHA MBS are fulfilled.

31-Dec-16	MORTGAGE		NHA MBS			
Pool Type	Balance Outstanding (\$M)	Spread to Index *	Mortgage Rate	Spread to Index *	MBS Coupon	Interest Spread
Fixed Rate						
867	50,498		2.93		1.57	1.36
964	889		2.60		1.51	1.09
965	17,799		3.14		2.33	0.81
966	12,296		2.61		1.92	0.68
967	6		2.52		1.90	0.62
970	0		6.93		6.01	0.92
975	292,394		2.89		1.52	1.36
990	4,284		3.82		3.26	0.56
	378,166		2.91		1.60	1.30
Floating Rate						
	-					
880	5,642	(0.47)	2.22	0.46	1.34	0.89
885	4,102	(0.49)	2.21	0.09	0.97	1.25
980	33,678	(0.55)	2.14	0.27	1.15	0.99
985	32,774	(0.45)	2.30	0.15	1.02	1.28
987	9,998	(0.44)	2.31	(1.07)	1.24	1.07
	86,195		2.23		1.11	1.12
Total	464,361		2.78		1.51	1.27

Component items may not add to totals because of rounding.

* Adjustable (880/980) and variable (885/985) mortgage rates are based on lenders' prime rates. Floating rate NHA MBS coupons, with the exception of the NHA MBS 987 pool, are based on the one-month Canadian Dollar Offered Rate (CDOR). The coupon rate of the NHA MBS 987 pool is based on a spread to the weighted average mortgage rate in the pool. All spreads and rates shown in the table are weighted averages.

ADDITIONAL INFORMATION

To complement the monthly reports on CMHC's website, additional details on NHA MBS issuance volumes, including by pool type and issuer, can be found at http://www.cmhc.ca/en/hoficlincl/mobase/mobase_006.cfm.

NHA MBS ISSUANCE VOLUMES

NHA MBS issued during the period	Three months ended				Year-to-date	
	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	31-Dec 2016
Guaranteed (Market) NHA MBS	41,743	32,282	16,269	12,193	26,991	102,488
NHA MBS sold to Canada Housing Trust*	-	6	10,164	8,122	8,895	18,292
Replacement NHA MBS **	15,313	10,673	14,804	13,289	11,420	54,079
Total NHA MBS Volumes (\$M)	57,056	42,962	41,237	33,604	47,306	174,859

Component items may not add to totals because of rounding.

* All NHA MBS sold to Canada Housing Trust (CHT) in new CMB transactions issued after July 1, 2016, are subject to an NHA MBS guarantee fee. Moving forward, the Guaranteed (Market) NHA MBS category will include NHA MBS sold to CHT.

** NHA MBS designated for future sale to Canada Housing Trust (CHT) under the CMB Program to replace the monthly principal runoff from the NHA MBS assets held by CHT with respect to CMB transactions. Replacement NHA MBS are restricted securities and can only be used as reinvestment assets in CMB transactions issued prior to July 1, 2016.

NHA MBS OUTSTANDING

All NHA MBS issued and outstanding	As at:				
	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015
Guaranteed (Market) NHA MBS	229,034	211,002	208,042	208,727	215,510
NHA MBS sold to Canada Housing Trust	216,752	215,741	209,695	212,994	208,773
Replacement NHA MBS	18,575	14,688	20,934	16,782	16,839
Total NHA MBS Outstanding (\$M)	464,361	441,431	438,671	438,502	441,122

Component items may not add to totals because of rounding.