

CANADA MORTGAGE AND HOUSING CORPORATION

# Securitization Business Supplement

First QUARTER  
March 31, 2017

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 first quarter ending March 31, 2017, 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 March 31, 2017, of the \$130 billion NHA MBS and \$40 billion CMB guarantee limits for 2017, \$34.2 billion of securities were guaranteed (\$23.4 billion of NHA MBS and \$10.75 billion of CMB). Of the approximate 89 active participants in CMHC's securitization programs, 84 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Mar 2017	31-Mar 2016
<b>Total Guaranteed (\$M)</b>	<b>34,180</b>	<b>52,116</b>	<b>43,110</b>	<b>27,372</b>	<b>21,834</b>	<b>34,180</b>	<b>21,834</b>
NHA Mortgage-Backed Securities (NHA MBS)*	23,430	42,366	32,860	16,622	12,584	23,430	12,584
Canada Mortgage Bonds (CMB)	10,750	9,750	10,250	10,750	9,250	10,750	9,250
<b>NHA MBS (\$M)</b>	<b>23,430</b>	<b>42,366</b>	<b>32,860</b>	<b>16,622</b>	<b>12,584</b>	<b>23,430</b>	<b>12,584</b>
Federally Regulated Institutions	13,745	28,110	20,077	11,251	8,906	13,745	8,906
Provincially Regulated Institutions	3,478	3,939	2,407	610	265	3,478	265
IIROC Regulated Institutions**	3,731	6,120	7,410	1,949	1,631	3,731	1,631
Other Institutions	2,475	4,197	2,966	2,812	1,783	2,475	1,783
<b>CMB (\$M)</b>	<b>10,750</b>	<b>9,750</b>	<b>10,250</b>	<b>10,750</b>	<b>9,250</b>	<b>10,750</b>	<b>9,250</b>
Federally Regulated Institutions	6,200	5,423	5,298	5,642	4,890	6,200	4,890
Provincially Regulated Institutions	1,796	1,870	2,072	2,213	1,908	1,796	1,908
IIROC Regulated Institutions	1,969	1,486	1,842	1,745	1,551	1,969	1,551
Other Institutions	784	971	1,038	1,150	901	784	901



Component items may not add to totals because of rounding.

\* The NHA MBS amount of \$23,430 million consists of \$21,558 million in new NHA MBS issued and guaranteed in Q1 2017 and \$1,872 million in replacement NHA MBS issued prior to 2017 but on which guarantee fees were paid in Q1 2017.

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

## GUARANTEES-IN-FORCE

The amount of guarantees-in-force outstanding is a function of new guarantee activity and maturities/principal runoff from outstanding guaranteed securities. Approximately 89 per cent of the \$456.8 billion in guarantees-in-force outstanding as at March 31, 2017, is with regulated institutions, and 69 per cent of guarantees-in-force outstanding as at March 31, 2017, is with federally regulated institutions.

Guarantees-in-force	31-Mar	31-Dec	As at:	30-Jun	31-Mar
	2017	2016	30-Sep 2016	2016	2016
<b>Guarantees-in-force (\$M)</b>	<b>456,760</b>	<b>451,825</b>	<b>434,557</b>	<b>426,347</b>	<b>428,532</b>
NHA MBS	227,958	229,034	211,002	208,042	208,727
CMB	228,802	222,791	223,555	218,305	219,805
<b>NHA MBS (\$M)</b>	<b>227,958</b>	<b>229,034</b>	<b>211,002</b>	<b>208,042</b>	<b>208,727</b>
Federally Regulated Institutions	170,488	173,148	161,873	161,760	165,992
Provincially Regulated Institutions	5,053	3,697	2,249	2,218	1,695
IIROC Regulated Institutions	24,559	24,416	20,920	17,407	16,167
Other Institutions	27,858	27,774	25,959	26,657	24,873
<b>CMB (\$M)</b>	<b>228,802</b>	<b>222,791</b>	<b>223,555</b>	<b>218,305</b>	<b>219,805</b>
Federally Regulated Institutions	144,032	140,878	141,745	140,259	139,579
Provincially Regulated Institutions	27,095	25,368	24,767	22,694	21,720
IIROC Regulated Institutions	37,514	36,688	37,287	36,394	37,228
Other Institutions	20,162	19,857	19,755	18,958	21,279



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-Mar-17		31-Dec-16		30-Sep-16		30-Jun-16		31-Mar-16	
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
2017	13,621	24,900	18,962	29,636	23,556	29,650	27,824	29,650	29,740	29,650
2018	35,352	38,650	36,861	38,650	38,755	38,650	40,722	38,650	42,418	38,650
2019	43,268	30,750	45,095	30,750	46,338	30,750	48,876	30,750	50,969	30,750
2020	63,504	40,002	65,146	40,005	63,980	40,005	63,561	40,005	62,686	40,005
2021	63,091	37,750	60,252	37,750	34,842	32,750	19,034	25,000	6,408	16,500
2022	6,679	23,750	503	15,500	513	13,000	528	13,000	555	13,000
2023	636	6,000	540	6,000	554	6,000	571	6,000	587	6,000
2024	841	6,000	857	6,000	876	6,000	898	6,000	914	6,000
2025	366	11,500	362	11,500	367	11,500	372	11,500	356	11,500
2026	69	7,000	72	7,000	37	4,750	33	2,250	34	
2027	187	2,500	34		25		25		25	
2028	313		318		322		327		331	
2033	27		27		27		27		27	
2034	5		5		5		5		5	
<b>Total</b>	<b>227,958</b>	<b>228,802</b>	<b>229,034</b>	<b>222,791</b>	<b>211,002</b>	<b>223,555</b>	<b>208,042</b>	<b>218,305</b>	<b>208,727</b>	<b>219,805</b>

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 March 31, 2017, the 90-day arrears rate—the number of loans in arrears (4,332) as a proportion of the total number of loans (2,003,851)—in the NHA MBS Program was 0.22 per cent.

90 days arrears for mortgages in NHA MBS outstanding	As at:				
	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016
<b>Overall 90 days arrears rate</b>	<b>0.22%</b>	<b>0.22%</b>	<b>0.24%</b>	<b>0.24%</b>	<b>0.25%</b>
Federally Regulated Institutions	0.26%	0.26%	0.28%	0.28%	0.29%
Provincially Regulated Institutions	0.09%	0.11%	0.13%	0.12%	0.16%
IIFROC Regulated Institutions	0.12%	0.13%	0.16%	0.15%	0.15%
<b>Other Institutions</b>	<b>0.09%</b>	<b>0.12%</b>	<b>0.12%</b>	<b>0.11%</b>	<b>0.10%</b>

## 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-Mar-17	MORTGAGE		NHA MBS			
Pool Type	Balance Outstanding (\$M)	Spread to Index *	Mortgage Rate	Spread to Index *	MBS Coupon	Interest Spread
<b>Fixed Rate</b>						
867	56,334		2.89		1.53	1.37
964	932		2.60		1.53	1.07
965	17,893		3.12		2.32	0.80
966	13,390		2.60		1.92	0.68
967	6		2.52		1.90	0.62
970	0		6.93		6.01	0.92
975	290,751		2.86		1.52	1.34
990	4,465		3.71		3.15	0.56
	<b>383,772</b>		<b>2.88</b>		<b>1.59</b>	<b>1.29</b>
<b>Floating Rate</b>						
880	5,600	(0.46)	2.23	0.46	1.37	0.86
885	4,416	(0.47)	2.23	0.08	0.99	1.24
980	33,380	(0.55)	2.15	0.27	1.18	0.97
985	31,437	(0.45)	2.30	0.15	1.06	1.24
987	9,866	(0.44)	2.31	(1.07)	1.24	1.07
	<b>84,699</b>		<b>2.23</b>		<b>1.14</b>	<b>1.09</b>
<b>Total</b>	<b>468,471</b>		<b>2.76</b>		<b>1.51</b>	<b>1.25</b>

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](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-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Mar	
	2017	2016	2016	2016	2016	2016	
Guaranteed (Market) NHA MBS	21,559	41,743	32,282	16,269	12,193	21,559	12,193
NHA MBS sold to Canada Housing Trust*		-	6	10,164	8,122		8,122
Replacement NHA MBS **	9,776	15,313	10,673	14,804	13,289	9,776	13,289
<b>Total NHA MBS Volumes (\$M)</b>	<b>31,335</b>	<b>57,056</b>	<b>42,962</b>	<b>41,237</b>	<b>33,604</b>	<b>31,335</b>	<b>33,604</b>

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. From July 2016 onwards, 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-Mar	31-Dec	30-Sep	30-Jun	31-Mar
	2017	2016	2016	2016	2016
Guaranteed (Market) NHA MBS	227,958	229,034	211,002	208,042	208,727
NHA MBS sold to Canada Housing Trust	223,288	216,752	215,741	209,695	212,994
Replacement NHA MBS	17,224	18,575	14,688	20,934	16,782
<b>Total NHA MBS Outstanding (\$M)</b>	<b>468,471</b>	<b>464,361</b>	<b>441,431</b>	<b>438,671</b>	<b>438,502</b>

Component items may not add to totals because of rounding.