

CANADA MORTGAGE AND HOUSING CORPORATION

# Securitization Business Supplement

**THIRD QUARTER**  
September 30, 2019

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 third quarter ending September 30, 2019, 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

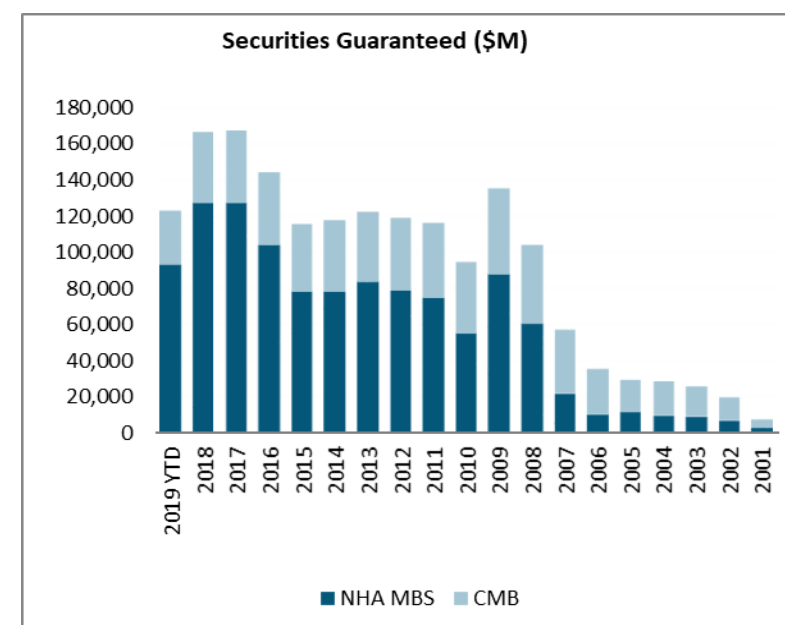
As at September 30, 2019, of the \$140 billion NHA MBS and \$40 billion CMB guarantee limits for 2019, \$123.56 billion of securities were guaranteed (\$93.31 billion of NHA MBS and \$30.25 billion of CMB). Of the approximate 98 active participants in CMHC's securitization programs, 93 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	30-Sep 2019	30-Jun 2019	31-Mar 2018	31-Dec 2018	30-Sep 2018	30-Sep 2018	
<b>Total Guaranteed (\$M)</b>	<b>42,930</b>	<b>41,708</b>	<b>38,924</b>	<b>48,556</b>	<b>43,766</b>	<b>123,562</b>	<b>118,319</b>
NHA Mortgage-Backed Securities (NHA MBS)*	33,430	30,958	28,924	38,306	33,766	93,312	88,819
Canada Mortgage Bonds (CMB)	9,500	10,750	10,000	10,250	10,000	30,250	29,500
<b>NHA MBS (\$M)</b>	<b>33,430</b>	<b>30,958</b>	<b>28,924</b>	<b>38,306</b>	<b>33,766</b>	<b>93,312</b>	<b>88,819</b>
Federally Regulated Institutions	20,340	19,106	19,749	28,746	21,766	59,195	58,039
Provincially Regulated Institutions	3,892	3,459	2,223	3,690	2,898	9,574	9,075
IIROC Regulated Institutions**	6,502	5,048	3,188	2,956	4,020	14,739	8,879
Other Institutions	2,696	3,344	3,764	2,913	5,083	9,804	12,827
<b>CMB (\$M)</b>	<b>9,500</b>	<b>10,750</b>	<b>10,000</b>	<b>10,250</b>	<b>10,000</b>	<b>30,250</b>	<b>29,500</b>
Federally Regulated Institutions	5,327	6,273	5,401	5,798	5,645	17,001	17,136
Provincially Regulated Institutions	1,687	1,323	1,697	1,757	1,623	4,707	4,595
IIROC Regulated Institutions	1,771	2,653	2,030	1,887	2,230	6,454	6,035
Other Institutions	715	501	872	808	503	2,088	1,734

Component items may not add to totals because of rounding.

\* The NHA MBS amount of \$93.3 billion consists of \$90.7 billion in new NHA MBS issued and guaranteed YTD 2019 and \$2.6 billion in replacement NHA MBS issued prior to 2019 but on which NHA MBS guarantee fees were paid in 2019.

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

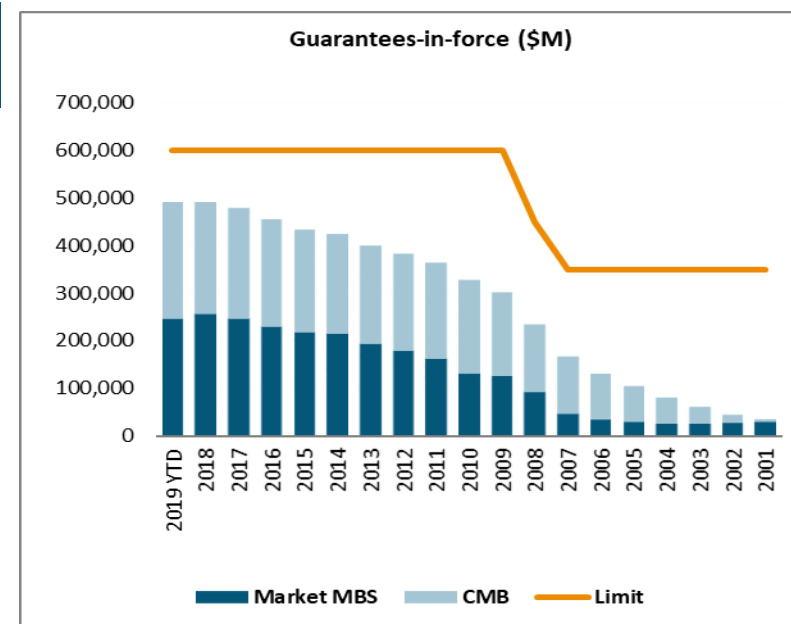


## GUARANTEES-IN-FORCE

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 \$488.3 billion in guarantees-in-force outstanding as at September 30, 2019, is with regulated institutions, and 66 per cent of guarantees-in-force outstanding as at September 30, 2019, is with federally regulated institutions.

Guarantees-in-force	30-Sep 2019	30-Jun 2019	As at: 31-Mar 2018	31-Dec 2018	30-Sep 2018
<b>Guarantees-in-force (\$M)</b>	<b>488,320</b>	<b>491,581</b>	<b>494,400</b>	<b>487,772</b>	<b>483,622</b>
Market NHA MBS	244,071	251,333	254,901	253,524	241,874
CMB	244,249	240,249	239,499	234,249	241,749
<b>Market NHA MBS (\$M)</b>	<b>244,071</b>	<b>251,333</b>	<b>254,901</b>	<b>253,524</b>	<b>241,874</b>
Federally Regulated Institutions	176,417	183,570	188,844	186,626	176,370
Provincially Regulated Institutions	10,389	10,232	8,942	9,653	8,435
IROC Regulated Institutions	23,183	22,097	21,980	22,829	22,546
Other Institutions	34,083	35,435	35,134	34,415	34,522
<b>CMB (\$M)</b>	<b>244,249</b>	<b>240,249</b>	<b>239,499</b>	<b>234,249</b>	<b>241,749</b>
Federally Regulated Institutions	146,543	144,659	143,997	141,272	147,535
Provincially Regulated Institutions	34,420	33,010	33,317	31,939	32,719
IROC Regulated Institutions	43,593	43,234	42,373	41,652	41,588
Other Institutions	19,693	19,346	19,811	19,386	19,907

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:									
	30-Sep-19		30-Jun-19		31-Mar-19		31-Dec-18		30-Sep-18	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2018									1,076	17,750
2019	2,217	10,500	10,850	16,000	21,840	26,000	28,592	30,750	32,131	30,750
2020	46,439	39,999	53,249	39,999	56,642	39,999	59,337	39,999	58,329	39,999
2021	59,832	37,750	64,665	37,750	67,177	37,750	70,023	37,750	68,418	37,750
2022	50,684	44,250	49,836	44,250	49,766	44,250	49,887	44,250	49,314	44,250
2023	51,843	36,500	52,039	36,500	48,717	36,500	43,536	36,500	30,593	31,000
2024	30,688	32,250	18,690	25,000	8,904	16,500	782	8,500	816	6,000
2025	321	11,500	336	11,500	359	11,500	310	11,500	308	11,500
2026	32	7,000	35	7,000	39	7,000	42	7,000	46	7,000
2027	282	6,750	244	6,750	248	6,750	253	6,750	260	6,750
2028	988	13,250	970	13,250	1,132	13,250	730	11,250	551	9,000
2029	657	4,500	330	2,250	47					
2033	25		25		26		26		26	
2034	62		63		5		5		5	
<b>Total</b>	<b>244,071</b>	<b>244,249</b>	<b>251,333</b>	<b>240,249</b>	<b>254,901</b>	<b>239,499</b>	<b>253,524</b>	<b>234,249</b>	<b>241,874</b>	<b>241,749</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 September 30, 2019, the 90-day arrears rate—the number of loans in arrears (3,436) as a proportion of the total number of loans (2,041,278)—in the NHA MBS Program was 0.17 per cent.

90 days arrears for mortgages in NHA MBS outstanding	As at:				
	30-Sep 2019	30-Jun 2019	31-Mar 2018	31-Dec 2018	30-Sep 2018
<b>Overall 90 days arrears rate</b>	<b>0.17%</b>	<b>0.16%</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.17%</b>
Federally Regulated Institutions	0.21%	0.19%	0.20%	0.21%	0.20%
Provincially Regulated Institutions	0.11%	0.08%	0.09%	0.09%	0.08%
IIROC Regulated Institutions	0.09%	0.08%	0.10%	0.10%	0.11%
Other Institutions	0.04%	0.03%	0.03%	0.03%	0.06%

Component items may not add to totals because of rounding.



## 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 fulfil 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.

30-Sep-19 Pool Type	MORTGAGE		NHA MBS			
	Balance Outstanding (\$M)	Spread to Index *	Mortgage Rate	Spread to Index *	MBS Coupon	Interest Spread
<b>Fixed Rate</b>						
867	65,432		2.96		1.77	1.19
964	766		2.80		1.82	0.98
965	22,537		2.98		2.28	0.69
966	23,428		2.77		2.08	0.69
967	4		2.50		1.88	0.62
970	0		6.99		5.88	1.12
975	278,926		2.92		1.72	1.20
990	3,994		3.52		2.96	0.56
	<b>395,087</b>		<b>2.93</b>		<b>1.79</b>	<b>1.13</b>
<b>Floating Rate</b>	-					
880	5,981	(0.51)	3.41	0.39	2.34	1.08
885	9,772	(0.61)	3.34	0.09	2.03	1.31
980	44,443	(0.79)	3.14	0.13	2.07	1.07
985	29,736	(0.67)	3.34	0.07	2.02	1.32
987	6,341	(0.51)	3.40	(0.93)	2.47	0.93
	<b>96,273</b>		<b>3.26</b>		<b>2.09</b>	<b>1.16</b>
<b>Total</b>	<b>491,360</b>		<b>2.99</b>		<b>1.85</b>	<b>1.14</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 <https://www.cmhc-schl.gc.ca/en/finance-and-investing/nha-mortgage-backed-securities/securitization-reports>.

## NHA MBS ISSUANCE VOLUMES

NHA MBS issued during the period	Three months ended				Year-to-date		
	30-Sep 2019	30-Jun 2019	31-Mar 2019	31-Dec 2018	30-Sep 2018	30-Sep 2019	30-Sep 2018
Guaranteed (Market) NHA MBS	33,132	30,454	27,162	37,582	33,660	90,748	85,582
Replacement NHA MBS *	11,347	4,939	7,308	3,102	11,415	23,594	29,047
<b>Total NHA MBS Volumes (\$M)</b>	<b>44,479</b>	<b>35,392</b>	<b>34,471</b>	<b>40,683</b>	<b>45,075</b>	<b>114,342</b>	<b>114,629</b>

Component items may not add to totals because of rounding.

\* 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:				
	30-Sep 2019	30-Jun 2019	31-Mar 2019	31-Dec 2018	30-Sep 2018
Guaranteed (Market) NHA MBS	244,071	251,333	254,901	253,524	241,874
NHA MBS sold to Canada Housing Trust	239,139	233,892	235,112	229,282	234,668
Replacement NHA MBS	8,149	6,203	8,548	8,667	7,834
<b>Total NHA MBS Outstanding (\$M)</b>	<b>491,360</b>	<b>491,428</b>	<b>498,562</b>	<b>491,473</b>	<b>484,376</b>

Component items may not add to totals because of rounding.

