

CANADA MORTGAGE AND HOUSING CORPORATION

SECURITIZATION BUSINESS SUPPLEMENT

SECOND QUARTER

June 30, 2020

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 second quarter ending June 30, 2020, 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 part of Canada's COVID-19 Economic Response Plan, the Government of Canada announced proactive and coordinated measures to ensure the health of our financial system and economy. The government launched a revised Insured Mortgage Purchase Program (IMPP) to purchase up to \$150 billion of NHA MBS through CMHC. Additionally, the issuance limit of Canada Mortgage Bonds increased to a total annual issuance amount of up to \$60 billion. Consequently, the 2020 annual NHA MBS guarantee limit increased from \$145 billion to \$295 billion.

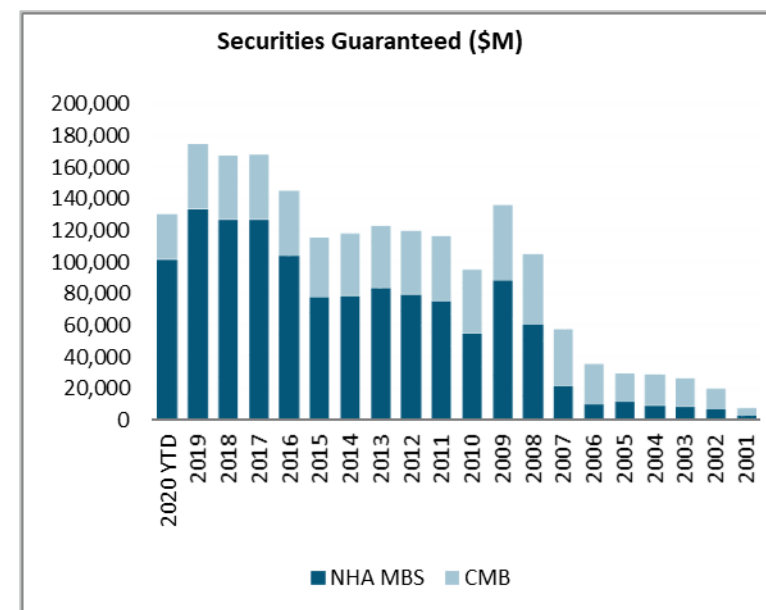
As at June 30, 2020, CMHC guaranteed \$130.3 billion of securities (\$101.8 billion of NHA MBS and \$28.5 billion of CMB). Of the approximate 98 active participants in CMHC's securitization programs, 93 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	30-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019	30-Jun 2019	30-Jun 2020	
Total Guaranteed (\$M)	84,342	45,990	50,140	42,930	41,708	130,332	80,632
NHA Mortgage-Backed Securities (NHA MBS)*	66,342	35,490	40,390	33,430	30,958	101,832	59,882
Canada Mortgage Bonds (CMB)	18,000	10,500	9,750	9,500	10,750	28,500	20,750
NHA MBS (\$M)	66,342	35,490	40,390	33,430	30,958	101,832	59,882
Federally Regulated Institutions	51,299	21,745	29,149	20,340	19,106	73,044	38,856
Provincially Regulated Institutions	5,753	4,536	3,948	3,892	3,459	10,289	5,682
IIROC Regulated Institutions**	5,828	6,861	4,681	6,502	5,048	12,689	8,236
Other Institutions	3,461	2,348	2,612	2,696	3,344	5,810	7,108
CMB (\$M)	18,000	10,500	9,750	9,500	10,750	28,500	20,750
Federally Regulated Institutions	10,587	6,387	5,475	5,327	6,273	16,974	11,674
Provincially Regulated Institutions	2,977	1,731	1,661	1,687	1,323	4,707	3,020
IIROC Regulated Institutions	3,282	1,905	1,783	1,771	2,653	5,187	4,683
Other Institutions	1,155	478	832	715	501	1,632	1,373

Component items may not add to totals because of rounding.

* The NHA MBS amount of \$101.8 billion consists of \$98.5 billion in new NHA MBS issued and guaranteed in 2020 and \$3.4 billion in replacement NHA MBS issued prior to 2020 but on which NHA MBS guarantee fees were paid in 2020.

** 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/>).

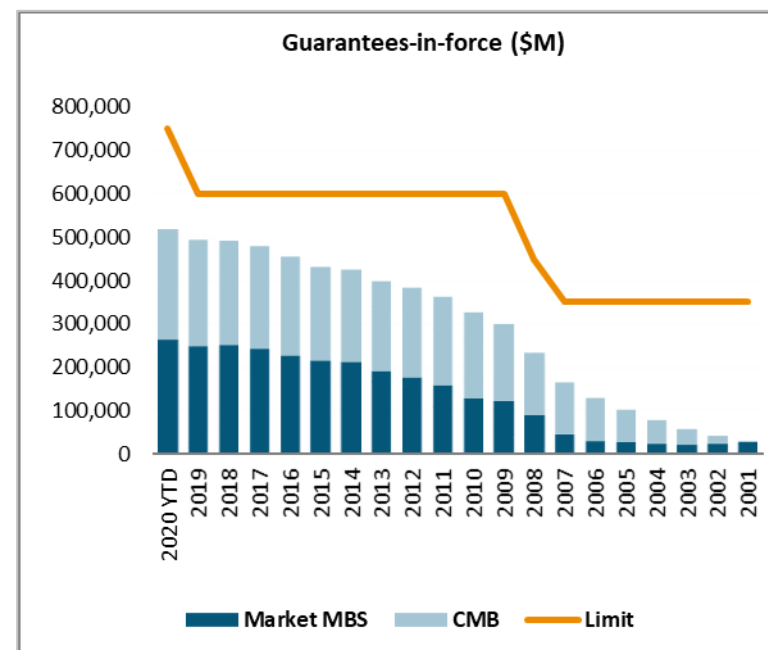


GUARANTEES-IN-FORCE

The amount of guarantees-in-force outstanding is a function of new guarantee activity and maturities/principal runoff from outstanding guaranteed securities. Approximately 90 per cent of the \$515.3 billion in guarantees-in-force outstanding as at June 30, 2020, is with regulated institutions, and 67 per cent of guarantees-in-force outstanding as at June 30, 2020, is with federally regulated institutions. In support of the new IMPP, the Guarantee-in-force limit has been raised to \$750 billion from the prior \$600 billion for a five-year period.

Guarantees-in-force	30-Jun 2020	31-Mar 2020	As at: 31-Dec 2019	30-Sep 2019	30-Jun 2019
Guarantees-in-force (\$M)	515,278	493,991	492,839	488,320	491,581
Market NHA MBS	263,628	250,346	249,341	244,071	251,333
CMB	251,650	243,645	243,499	244,249	240,249
Market NHA MBS (\$M)	263,628	250,346	249,341	244,071	251,333
Federally Regulated Institutions	193,673	180,031	181,639	176,417	183,570
Provincially Regulated Institutions	11,808	11,909	11,036	10,389	10,232
IROC Regulated Institutions	26,666	26,121	23,557	23,183	22,097
Other Institutions	31,481	32,286	33,108	34,083	35,435
CMB (\$M)	251,650	243,645	243,499	244,249	240,249
Federally Regulated Institutions	149,855	144,776	146,255	146,543	144,659
Provincially Regulated Institutions	37,020	35,898	34,553	34,420	33,010
IROC Regulated Institutions	45,525	43,890	43,551	43,593	43,234
Other Institutions	19,250	19,080	19,141	19,693	19,346

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)	30-Jun-20		31-Mar-20		As at: 31-Dec-19		30-Sep-19		30-Jun-19	
	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2019							2,217	10,500	10,850	16,000
2020	10,292	19,650	25,890	29,645	38,012	39,999	46,439	39,999	53,249	39,999
2021	53,654	37,750	56,906	37,750	59,785	37,750	59,832	37,750	64,665	37,750
2022	47,677	44,250	50,542	44,250	52,425	44,250	50,684	44,250	49,836	44,250
2023	51,569	42,500	50,269	36,500	52,193	36,500	51,843	36,500	52,039	36,500
2024	62,149	37,500	51,298	37,500	44,268	37,500	30,688	32,250	18,690	25,000
2025	35,330	29,750	12,651	21,750	294	13,750	321	11,500	336	11,500
2026	34	7,000	32	7,000	30	7,000	32	7,000	35	7,000
2027	342	6,750	260	6,750	276	6,750	282	6,750	244	6,750
2028	925	13,250	976	13,250	956	13,250	988	13,250	970	13,250
2029	729	6,750	794	6,750	900	6,750	657	4,500	330	2,250
2030	707	6,500	588	2,500	115					
2033	25		25		25		25		25	
2034	61		61		62		62		63	
2035	65									
2040	67		52							
Total	263,628	251,650	250,346	243,645	249,341	243,499	244,071	244,249	251,333	240,249

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 June 30, 2020, the 90-day arrears rate—the number of loans in arrears (4,017) as a proportion of the total number of loans (2,098,112)—in the NHA MBS Program was 0.19 per cent.

90 days arrears for mortgages in NHA MBS outstanding	30-Jun 2020	31-Mar 2020	As at:		
			31-Dec 2019	30-Sep 2019	30-Jun 2019
Overall 90 days arrears rate	0.19%	0.17%	0.16%	0.17%	0.16%
Federally Regulated Institutions	0.23%	0.20%	0.20%	0.21%	0.19%
Provincially Regulated Institutions	0.08%	0.10%	0.10%	0.11%	0.08%
IIFROC Regulated Institutions	0.12%	0.09%	0.09%	0.09%	0.08%
Other Institutions	0.10%	0.05%	0.03%	0.04%	0.03%

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-Jun-20 Pool Type	Balance Outstanding (\$M)	MORTGAGE		NHA MBS		
		Spread to Index *	Mortgage Rate	Spread to Index *	MBS Coupon	Interest Spread
Fixed Rate						
867	76,218		2.98		1.68	1.30
964	495		2.83		1.85	0.97
965	24,574		2.81		2.10	0.71
966	28,996		2.69		1.95	0.74
967	4		2.49		1.87	0.62
970	0		6.99		5.88	1.12
975	299,364		2.91		1.63	1.28
990	4,207		3.39		2.78	0.62
	433,858		2.91		1.70	1.21
Floating Rate						
880	4,393	(0.49)	1.95	0.29	0.82	1.13
885	8,128	(0.66)	1.79	0.05	0.58	1.21
980	38,080	(0.82)	1.62	0.11	0.63	0.99
985	23,853	(0.67)	1.83	0.05	0.57	1.26
987	4,379	(0.47)	2.02	(0.81)	1.21	0.81
	78,833		1.74		0.65	1.09
Total	512,692		2.73		1.54	1.19

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-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019	30-Jun 2019	30-Jun 2020	
Guaranteed (Market) NHA MBS	63,925	34,549	40,195	33,132	30,454	98,473	57,616
Replacement NHA MBS *	6,025	4,408	4,770	11,347	4,939	10,433	12,247
Total NHA MBS Volumes (\$M)	69,949	38,957	44,965	44,479	35,392	108,906	69,863

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-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019	30-Jun 2019
Guaranteed (Market) NHA MBS	263,628	250,346	249,341	244,071	251,333
NHA MBS sold to Canada Housing Trust	243,890	237,338	239,228	239,139	233,892
Replacement NHA MBS	5,174	7,464	6,568	8,149	6,203
Total NHA MBS Outstanding (\$M)	512,692	495,149	495,136	491,360	491,428

Component items may not add to totals because of rounding.

