

CANADA MORTGAGE AND HOUSING CORPORATION

SECURITIZATION BUSINESS SUPPLEMENT

THIRD QUARTER
September 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 third quarter ending September 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.

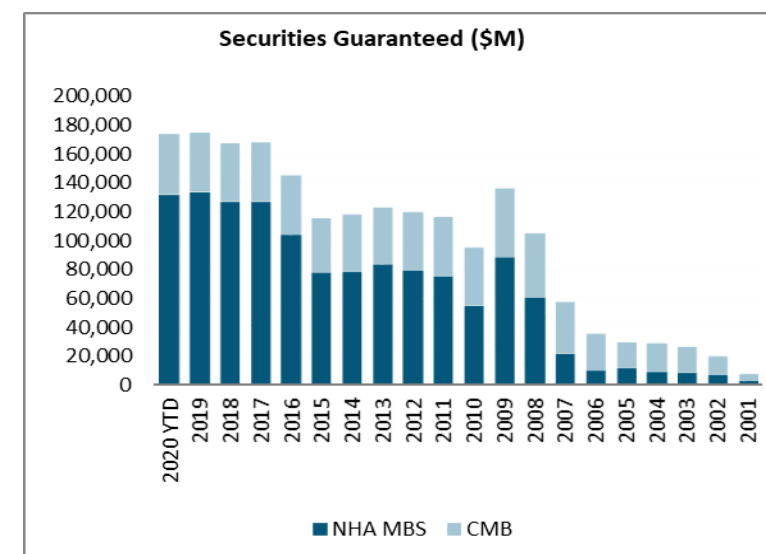
As at September 30, 2020, CMHC guaranteed \$173 billion of securities (\$131.75 billion of NHA MBS and \$41.25 billion of CMB). Of the approximate 97 active participants in CMHC's securitization programs, 91 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	30-Sep 2020	30-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019	30-Sep 2020	30-Sep 2019
Total Guaranteed (\$M)	42,667	84,342	45,990	50,140	42,930	173,000	123,562
NHA Mortgage-Backed Securities (NHA MBS)*	29,917	66,342	35,490	40,390	33,430	131,750	93,312
Canada Mortgage Bonds (CMB)	12,750	18,000	10,500	9,750	9,500	41,250	30,250
NHA MBS (\$M)	29,917	66,342	35,490	40,390	33,430	131,750	93,312
Federally Regulated Institutions	18,146	51,299	21,745	29,149	20,340	91,190	59,195
Provincially Regulated Institutions	3,997	5,753	4,536	3,948	3,892	14,286	9,574
IIROC Regulated Institutions**	5,577	5,828	6,861	4,681	6,502	18,267	14,739
Other Institutions	2,198	3,461	2,348	2,612	2,696	8,007	9,804
CMB (\$M)	12,750	18,000	10,500	9,750	9,500	41,250	30,250
Federally Regulated Institutions	8,037	10,587	6,387	5,475	5,327	25,011	17,001
Provincially Regulated Institutions	1,851	2,977	1,731	1,661	1,687	6,559	4,707
IIROC Regulated Institutions	2,277	3,282	1,905	1,783	1,771	7,464	6,454
Other Institutions	584	1,155	478	832	715	2,217	2,088

Component items may not add to totals because of rounding.

* The NHA MBS amount of \$131.75 billion consists of \$128.1 billion in new NHA MBS issued and guaranteed in 2020 and \$3.6 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/>).

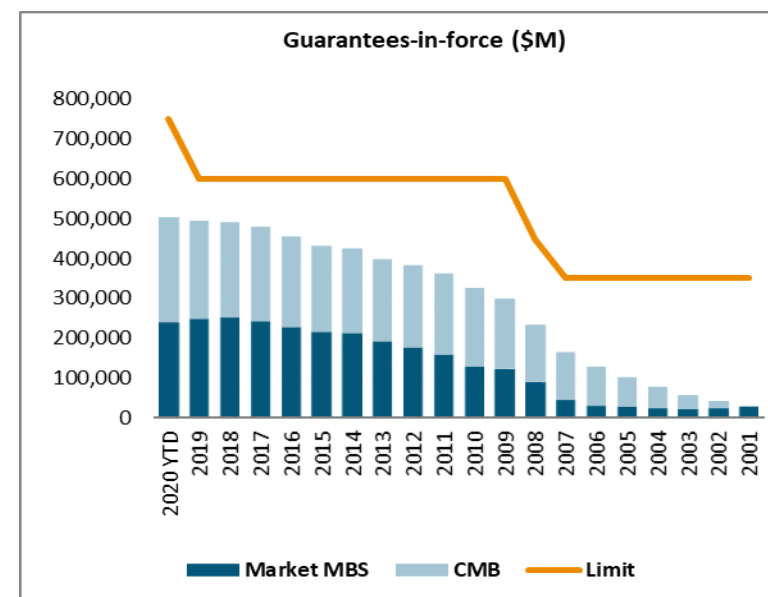


GUARANTEES-IN-FORCE

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 \$500 billion in guarantees-in-force outstanding as at September 30, 2020, is with regulated institutions, and 66 per cent of guarantees-in-force outstanding as at September 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-Sep 2020	30-Jun 2020	As at: 31-Mar 2020	31-Dec 2019	30-Sep 2019
Guarantees-in-force (\$M)	499,961	515,278	493,991	492,839	488,320
Market NHA MBS	240,811	263,628	250,346	249,341	244,071
CMB	259,150	251,650	243,645	243,499	244,249
Market NHA MBS (\$M)	240,811	263,628	250,346	249,341	244,071
Federally Regulated Institutions	173,814	193,673	180,031	181,639	176,417
Provincially Regulated Institutions	10,518	11,808	11,909	11,036	10,389
IROC Regulated Institutions	26,229	26,666	26,121	23,557	23,183
Other Institutions	30,251	31,481	32,286	33,108	34,083
CMB (\$M)	259,150	251,650	243,645	243,499	244,249
Federally Regulated Institutions	155,172	149,855	144,776	146,255	146,543
Provincially Regulated Institutions	38,314	37,020	35,898	34,553	34,420
IROC Regulated Institutions	46,818	45,525	43,890	43,551	43,593
Other Institutions	18,846	19,250	19,080	19,141	19,693

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-20		30-Jun-20		31-Mar-20		31-Dec-19		30-Sep-19	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2019									2,217	10,500
2020	1,449	14,400	10,292	19,650	25,890	29,645	38,012	39,999	46,439	39,999
2021	41,339	37,750	53,654	37,750	56,906	37,750	59,785	37,750	59,832	37,750
2022	42,273	44,250	47,677	44,250	50,542	44,250	52,425	44,250	50,684	44,250
2023	46,914	45,500	51,569	42,500	50,269	36,500	52,193	36,500	51,843	36,500
2024	60,281	37,500	62,149	37,500	51,298	37,500	44,268	37,500	30,688	32,250
2025	45,906	35,250	35,330	29,750	12,651	21,750	294	13,750	321	11,500
2026	30	7,000	34	7,000	32	7,000	30	7,000	32	7,000
2027	319	6,750	342	6,750	260	6,750	276	6,750	282	6,750
2028	855	13,250	925	13,250	976	13,250	956	13,250	988	13,250
2029	625	6,750	729	6,750	794	6,750	900	6,750	657	4,500
2030	604	10,750	707	6,500	588	2,500	115			
2033	25		25		25		25		25	
2034	61		61		61		62		62	
2035	64		65							
2040	67		67		52					
Total	240,811	259,150	263,628	251,650	250,346	243,645	249,341	243,499	244,071	244,249

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 September 30, 2020, the 90-day arrears rate—the number of loans in arrears (2,897) as a proportion of the total number of loans (2,005,366)—in the NHA MBS Program was 0.14 per cent.

90 days arrears for mortgages in NHA MBS outstanding	30-Sep 2020	30-Jun 2020	As at:		
			31-Mar 2020	31-Dec 2019	30-Sep 2019
Overall 90 days arrears rate	0.14%	0.19%	0.17%	0.16%	0.17%
Federally Regulated Institutions	0.17%	0.23%	0.20%	0.20%	0.21%
Provincially Regulated Institutions	0.07%	0.08%	0.10%	0.10%	0.11%
IIFROC Regulated Institutions	0.09%	0.12%	0.09%	0.09%	0.09%
Other Institutions	0.08%	0.10%	0.05%	0.03%	0.04%

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-20	Balance	MORTGAGE		NHA MBS		
Pool Type	Outstanding (\$M)	Spread to Index*	Mortgage Rate	Spread to Index*	MBS Coupon	Interest Spread
Fixed Rate						
867	74,456		2.98		1.59	1.39
964	371		2.84		1.88	0.95
965	24,858		2.78		2.07	0.71
966	31,229		2.63		1.87	0.76
967	3		2.49		1.86	0.63
970	0		6.99		5.88	1.12
975	290,537		2.89		1.58	1.32
990	4,114		3.38		2.75	0.62
	425,569		2.89		1.64	1.25
Floating Rate	-					
880	3,199	(0.46)	1.98	0.25	0.73	1.24
885	6,529	(0.68)	1.77	0.04	0.53	1.25
980	36,347	(0.81)	1.63	0.10	0.58	1.05
985	20,410	(0.69)	1.82	0.03	0.52	1.31
987	3,379	(0.45)	2.01	(0.78)	1.23	0.78
	69,864		1.73		0.60	1.14
Total	495,432		2.72		1.49	1.23

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 2020	30-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019	30-Sep 2019	
Guaranteed (Market) NHA MBS	29,687	63,925	34,549	40,195	33,132	128,160	90,748
Replacement NHA MBS*	6,937	6,025	4,408	4,770	11,347	17,370	23,594
Total NHA MBS Volumes (\$M)	36,624	69,949	38,957	44,965	44,479	145,530	114,342

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 2020	30-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019
Guaranteed (Market) NHA MBS	240,811	263,628	250,346	249,341	244,071
NHA MBS sold to Canada Housing Trust	250,718	243,890	237,338	239,228	239,139
Replacement NHA MBS	3,904	5,174	7,464	6,568	8,149
Total NHA MBS Outstanding (\$M)	495,432	512,692	495,149	495,136	491,360

Component items may not add to totals because of rounding.

