

CANADA MORTGAGE AND HOUSING CORPORATION

# Securitization Business Supplement

**Third QUARTER**  
September 30, 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 third quarter ending September 30, 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 September 30, 2016, of the \$105 billion NHA MBS and \$40 billion CMB guarantee limits for 2016, \$92.3 billion of securities were guaranteed. Of the approximate 85 active participants in CMHC's securitization programs, 79 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date	
	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Sep 2016
<b>Total Guaranteed (\$M)</b>	<b>43,110</b>	<b>27,372</b>	<b>21,834</b>	<b>36,078</b>	<b>31,923</b>	<b>92,316</b>
NHA Mortgage-Backed Securities (NHA MBS)*	32,860	16,622	12,584	27,078	22,673	62,066
Canada Mortgage Bonds (CMB)	10,250	10,750	9,250	9,000	9,250	30,250
<b>NHA MBS (\$M)</b>	<b>32,860</b>	<b>16,622</b>	<b>12,584</b>	<b>27,078</b>	<b>22,673</b>	<b>62,066</b>
Federally Regulated Institutions	20,077	11,251	8,906	23,452	16,905	40,233
Provincially Regulated Institutions	2,407	610	265	359	496	3,282
IIROC Regulated Institutions**	7,410	1,949	1,631	1,427	2,176	10,990
Other Institutions	2,966	2,812	1,783	1,840	3,097	7,561
<b>CMB (\$M)</b>	<b>10,250</b>	<b>10,750</b>	<b>9,250</b>	<b>9,000</b>	<b>9,250</b>	<b>30,250</b>
Federally Regulated Institutions	5,298	5,642	4,890	4,873	4,938	15,830
Provincially Regulated Institutions	2,072	2,213	1,908	1,744	1,614	6,193
IIROC Regulated Institutions	1,842	1,745	1,551	1,388	1,623	5,138
Other institutions	1,038	1,150	901	996	1,075	3,089



Component items may not add to totals because of rounding.

\* The NHA MBS amount of \$32,860 million consists of \$32,205 million in new NHA MBS issued and guaranteed in Q3 2016 and \$655 million in replacement NHA MBS issued prior to 2016 but on which guarantee fees were paid in Q3 2016.

\*\* IIROC: The Investment Industry Regulatory Organization of Canada is the national self-regulatory organization that oversees all investment dealers in Canada ([www.iroc.ca](http://www.iroc.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 \$434.6 billion in guarantees-in-force outstanding as at September 30, 2016, is with regulated institutions, and 70 per cent of guarantees-in-force outstanding as at September 30, 2016, is with federally regulated institutions.

Guarantees-in-force	30-Sep 2016	30-Jun 2016	As at: 31-Mar 2016	31-Dec 2015	30-Sep 2015
<b>Guarantees-in-force (\$M)</b>	<b>434,557</b>	<b>426,347</b>	<b>428,532</b>	<b>430,565</b>	<b>426,687</b>
NHA MBS	211,002	208,042	208,727	215,510	208,382
CMB	223,555	218,305	219,805	215,055	218,305
<b>NHA MBS (\$M)</b>	<b>211,002</b>	<b>208,042</b>	<b>208,727</b>	<b>215,510</b>	<b>208,382</b>
Federally Regulated Institutions	161,873	162,399	165,992	173,843	168,605
Provincially Regulated Institutions	2,249	2,218	1,695	1,559	1,480
IROC Regulated Institutions	20,920	17,407	16,167	15,987	15,225
Other Institutions	25,959	26,018	24,873	24,122	23,073
<b>CMB (\$M)</b>	<b>223,555</b>	<b>218,305</b>	<b>219,805</b>	<b>215,055</b>	<b>218,305</b>
Federally Regulated Institutions	141,745	140,259	139,579	141,233	143,924
Provincially Regulated Institutions	24,767	22,694	21,720	19,812	19,185
IROC Regulated Institutions	37,287	36,394	37,228	36,413	37,372
Other Institutions	19,755	18,958	21,279	17,597	17,824



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-16		30-Jun-16		31-Mar-16		31-Dec-15		30-Sep-15	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2015									1,756	12,250
2016	805	10,500	5,239	15,500	13,673	27,750	25,794	32,250	36,669	32,250
2017	23,556	29,650	27,824	29,650	29,740	29,650	31,022	29,650	32,045	29,650
2018	38,755	38,650	40,722	38,650	42,418	38,650	44,069	38,650	45,249	38,650
2019	46,338	30,750	48,876	30,750	50,969	30,750	52,547	30,750	51,927	30,750
2020	63,980	40,005	63,561	40,005	62,686	40,005	58,888	40,005	37,584	35,005
2021	34,842	32,750	19,034	25,000	6,408	16,500	265	9,250	270	7,250
2022	513	13,000	528	13,000	555	13,000	577	13,000	599	13,000
2023	554	6,000	571	6,000	587	6,000	606	6,000	546	6,000
2024	876	6,000	898	6,000	914	6,000	927	6,000	947	6,000
2025	367	11,500	372	11,500	356	11,500	388	9,500	358	7,500
2026	37	4,750	33	2,250	34		34		34	
2027	25		25		25		25		25	
2028	322		327		331		336		340	
2033	27		27		27		27		28	
2034	5		5		5		5		5	
<b>Total</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>	<b>215,510</b>	<b>215,055</b>	<b>208,382</b>	<b>218,305</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, 2016, the 90-day arrears rate—the number of loans in arrears (4,587) as a proportion of the total number of loans (1,896,337)—in the NHA MBS Program was 0.24 per cent.

90 days arrears for mortgages in NHA MBS outstanding	30-Sep	30-Jun	As at:	31-Dec	30-Sep
	2016	2016	31-Mar	2015	2015
	2016	2016	2016	2015	2015
<b>Overall 90 days arrears rate</b>	<b>0.24%</b>	<b>0.24%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.26%</b>
Federally Regulated Institutions	0.28%	0.28%	0.29%	0.28%	0.29%
Provincially Regulated Institutions	0.13%	0.12%	0.16%	0.13%	0.14%
IIROC Regulated Institutions	0.16%	0.15%	0.15%	0.16%	0.17%
<b>Other Institutions</b>	<b>0.12%</b>	<b>0.11%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.12%</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.

30-Sep-16	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	42,716		2.99		1.65	1.34
964	806		2.60		1.51	1.09
965	17,825		3.18		2.36	0.82
966	11,043		2.67		1.97	0.69
967	0		9.19		7.50	1.69
970	2		3.94		1.65	2.29
975	277,437		2.95		1.56	1.39
990	4,384		3.85		3.29	0.57
	<b>354,213</b>		<b>2.96</b>		<b>1.65</b>	<b>1.32</b>
<b>Floating Rate</b>						
880	5,444	(0.48)	2.21	0.46	1.35	0.86
885	3,529	(0.49)	2.21	0.12	1.01	1.20
980	33,750	(0.56)	2.13	0.26	1.15	0.98
985	34,509	(0.45)	2.25	0.13	1.02	1.23
987	9,987	(0.46)	2.30	(1.08)	1.22	1.08
	<b>87,218</b>		<b>2.21</b>		<b>1.11</b>	<b>1.09</b>
<b>Total</b>	<b>441,431</b>		<b>2.82</b>		<b>1.54</b>	<b>1.27</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		
	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Sep 2015	
Guaranteed (Market) NHA MBS	32,282	16,269	12,193	26,991	22,681	60,744	50,930
NHA MBS sold to Canada Housing Trust*	6	10,164	8,122	8,895	9,186	18,292	27,142
Replacement NHA MBS**	10,673	14,804	13,289	11,420	18,256	38,766	40,556
<b>Total NHA MBS Volumes (\$M)</b>	<b>42,962</b>	<b>41,237</b>	<b>33,604</b>	<b>47,306</b>	<b>50,124</b>	<b>117,803</b>	<b>118,628</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. 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:				
	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
Guaranteed (Market) NHA MBS	211,002	208,042	208,727	215,510	208,382
NHA MBS sold to Canada Housing Trust	215,741	209,695	212,994	208,773	210,155
Replacement NHA MBS	14,688	20,934	16,782	16,839	15,718
<b>Total NHA MBS Outstanding (\$M)</b>	<b>441,431</b>	<b>438,671</b>	<b>438,502</b>	<b>441,122</b>	<b>434,256</b>

Component items may not add to totals because of rounding.