

CANADA MORTGAGE AND HOUSING CORPORATION

# SECURITIZATION BUSINESS SUPPLEMENT

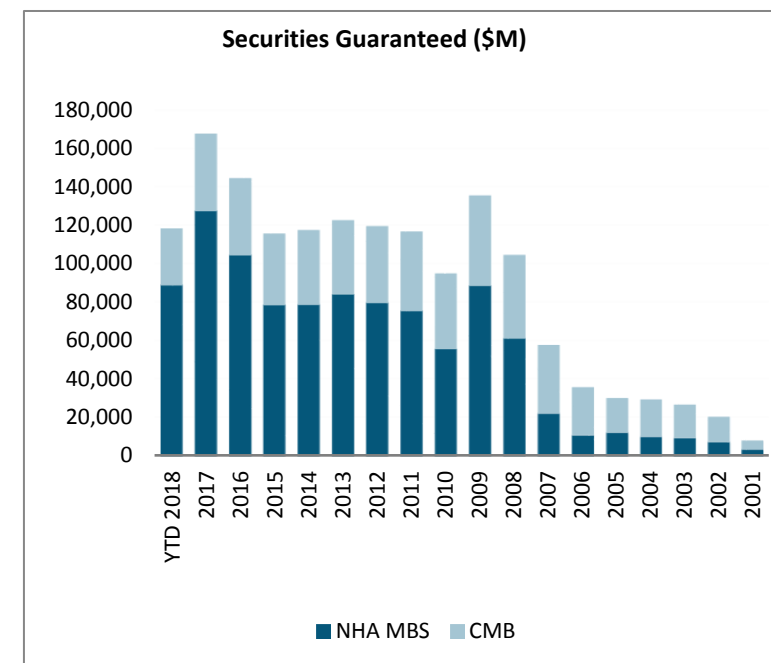
Third QUARTER  
September 30, 2018

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, 2018, 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, 2018, of the \$135 billion NHA MBS and \$40 billion CMB guarantee limits for 2018, \$118.3 billion of securities were guaranteed (\$88.8 billion of NHA MBS and \$29.5 billion of CMB). Of the approximate 95 active participants in CMHC's securitization programs, 90 are regulated institutions.

Securities guaranteed	Three months ended				Year-to-date		
	30-Sep 2018	30-Jun 2018	31-Mar 2018	31-Dec 2017	30-Sep 2017	30-Sep 2018	30-Sep 2017
<b>Total Guaranteed (\$M)</b>	<b>43,766</b>	<b>37,819</b>	<b>36,733</b>	<b>54,149</b>	<b>41,172</b>	<b>118,319</b>	<b>113,082</b>
NHA Mortgage-Backed Securities (NHA MBS)*	33,766	27,819	27,233	44,399	31,672	88,819	82,832
Canada Mortgage Bonds (CMB)	10,000	10,000	9,500	9,750	9,500	29,500	30,250
<b>NHA MBS (\$M)</b>	<b>33,766</b>	<b>27,819</b>	<b>27,233</b>	<b>44,399</b>	<b>31,672</b>	<b>88,819</b>	<b>82,832</b>
Federally Regulated Institutions	21,766	18,078	18,196	32,462	20,325	58,039	51,668
Provincially Regulated Institutions	2,898	2,893	3,284	3,537	3,202	9,075	9,665
IIROC Regulated Institutions**	4,020	2,602	2,256	4,787	4,183	8,879	12,154
Other Institutions	5,083	4,246	3,498	3,614	3,962	12,827	9,345
<b>CMB (\$M)</b>	<b>10,000</b>	<b>10,000</b>	<b>9,500</b>	<b>9,750</b>	<b>9,500</b>	<b>29,500</b>	<b>30,250</b>
Federally Regulated Institutions	5,645	6,049	5,443	5,645	5,510	17,136	17,563
Provincially Regulated Institutions	1,623	1,445	1,527	1,869	1,510	4,595	5,070
IIROC Regulated Institutions	2,230	1,991	1,815	1,620	1,734	6,035	5,535
Other Institutions	503	516	715	615	747	1,734	2,082



Component items may not add to totals because of rounding.

\* The NHA MBS amount of \$88.8 billion consists of \$85.5 billion in new NHA MBS issued and guaranteed YTD 2018 and \$3.3 billion in replacement NHA MBS issued prior to 2018 but on which NHA MBS guarantee fees were paid in 2018.

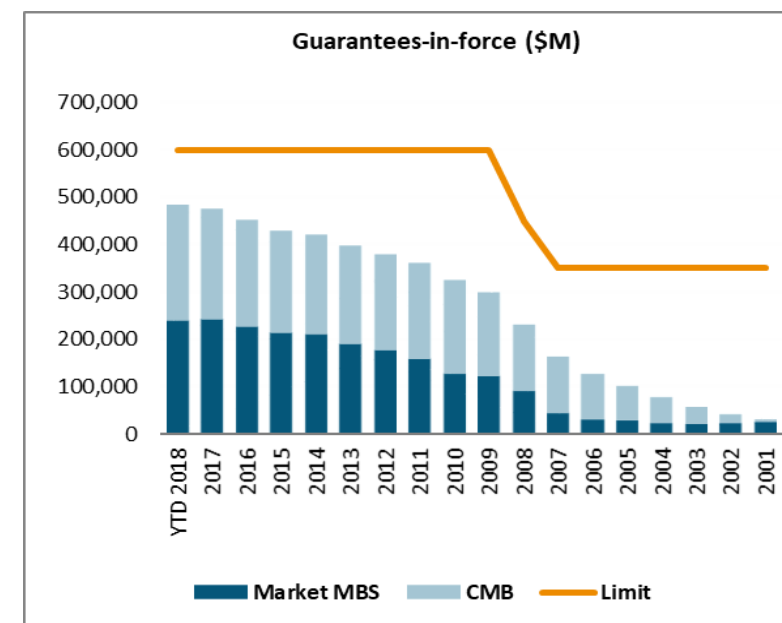
\*\* IIROC: The Investment Industry Regulatory Organization of Canada is the national self-regulatory organization that oversees all investment dealers in Canada (<http://www.iiroc.ca/>).



## 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 \$483.6 billion in guarantees-in-force outstanding as at September 30, 2018, is with regulated institutions, and 67 per cent of guarantees-in-force outstanding as at September 30, 2018, is with federally regulated institutions.

Guarantees-in-force	30-Sep 2018	30-Jun 2018	As at: 31-Mar 2018	31-Dec 2017	30-Sep 2017
<b>Guarantees-in-force (\$M)</b>	<b>483,622</b>	<b>478,549</b>	<b>480,920</b>	<b>477,200</b>	<b>458,915</b>
NHA MBS	241,874	241,901	244,272	244,052	225,550
CMB	241,749	236,649	236,649	233,149	233,366
<b>NHA MBS (\$M)</b>	<b>241,874</b>	<b>241,901</b>	<b>244,272</b>	<b>244,052</b>	<b>225,550</b>
Federally Regulated Institutions	176,370	176,069	179,991	179,613	165,451
Provincially Regulated Institutions	8,435	9,121	8,274	7,577	6,135
IIROC Regulated Institutions	22,546	23,896	24,975	26,474	24,731
Other Institutions	34,522	32,814	31,032	30,388	29,233
<b>CMB (\$M)</b>	<b>241,749</b>	<b>236,649</b>	<b>236,649</b>	<b>233,149</b>	<b>233,366</b>
Federally Regulated Institutions	147,535	145,724	145,459	145,385	145,349
Provincially Regulated Institutions	32,719	31,428	31,129	29,985	29,289
IIROC Regulated Institutions	41,588	39,994	39,856	38,243	38,499
Other Institutions	19,907	19,504	20,204	19,535	20,229



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-18		30-Jun-18		31-Mar-18		31-Dec-17		30-Sep-17	
YEAR	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB	NHA MBS	CMB
2017									989	9,967
2018	1,076	17,750	6,721	22,650	16,461	32,650	23,403	38,650	28,514	38,650
2019	32,131	30,750	36,756	30,750	37,888	30,750	39,902	30,750	39,319	30,750
2020	58,329	39,999	61,224	39,999	61,128	39,999	63,190	39,999	59,494	39,999
2021	68,418	37,750	69,714	37,750	70,808	37,750	71,642	37,750	65,644	37,750
2022	49,314	44,250	49,974	44,250	49,060	44,250	43,354	44,250	29,109	39,000
2023	30,593	31,000	15,594	23,250	6,947	15,500	588	8,000	598	6,000
2024	816	6,000	793	6,000	815	6,000	826	6,000	834	6,000
2025	308	11,500	318	11,500	334	11,500	334	11,500	343	11,500
2026	46	7,000	50	7,000	54	7,000	58	7,000	61	7,000
2027	260	6,750	262	6,750	270	6,750	364	6,750	303	6,750
2028	551	9,000	462	6,750	474	4,500	359	2,500	311	
2033	26		26		26		26		26	
2034	5		5		5		5		5	
<b>Total</b>	<b>241,874</b>	<b>241,749</b>	<b>241,901</b>	<b>236,649</b>	<b>244,272</b>	<b>236,649</b>	<b>244,052</b>	<b>233,149</b>	<b>225,550</b>	<b>233,366</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, 2018, the 90-day arrears rate—the number of loans in arrears (3,396) as a proportion of the total number of loans (2,029,916)—in the NHA MBS Program was 0.17 per cent.

90 days arrears for mortgages in NHA MBS outstanding	30-Sep	30-Jun	As at:	31-Dec	30-Sep
	2018	2018	31-Mar 2018	2017	2017
<b>Overall 90 days arrears rate</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.18%</b>	<b>0.17%</b>	<b>0.19%</b>
Federally Regulated Institutions	0.20%	0.20%	0.21%	0.21%	0.23%
Provincially Regulated Institutions	0.08%	0.08%	0.08%	0.09%	0.08%
IIROC Regulated Institutions	0.11%	0.12%	0.12%	0.10%	0.12%
Other Institutions	0.06%	0.06%	0.06%	0.07%	0.08%



## 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-18	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	66,150		2.84		1.65	1.19
964	803		2.72		1.73	0.99
965	20,485		3.01		2.30	0.71
966	18,710		2.71		2.05	0.67
967	5		2.51		1.89	0.63
970	0		6.99		5.88	1.12
975	280,496		2.82		1.62	1.20
990	4,308		3.53		2.97	0.55
	<b>390,958</b>		<b>2.83</b>		<b>1.69</b>	<b>1.14</b>
<b>Floating Rate</b>						
880	7,619	(0.47)	3.21	0.43	2.27	0.94
885	8,468	(0.52)	3.17	0.08	1.92	1.25
980	41,601	(0.66)	3.02	0.19	2.03	0.99
985	27,634	(0.54)	3.21	0.12	1.96	1.25
987	8,096	(0.50)	3.19	(1.02)	2.17	1.02
	<b>93,418</b>		<b>3.12</b>		<b>2.03</b>	<b>1.09</b>
<b>Total</b>	<b>484,376</b>		<b>2.89</b>		<b>1.76</b>	<b>1.13</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 2018	30-Jun 2018	31-Mar 2018	31-Dec 2017	30-Sep 2017	30-Sep 2018
Guaranteed (Market) NHA MBS	33,660	26,434	25,489	43,750	31,593	85,582
Replacement NHA MBS *	11,415	8,922	8,710	8,935	11,136	29,047
<b>Total NHA MBS Volumes (\$M)</b>	<b>45,075</b>	<b>35,356</b>	<b>34,199</b>	<b>52,685</b>	<b>42,730</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 2018	31-Mar 2018	31-Dec 2017	30-Sep 2017	30-Jun 2017
Guaranteed (Market) NHA MBS	241,874	241,901	244,272	244,052	225,550
NHA MBS sold to Canada Housing Trust	234,668	228,204	230,485	228,040	225,988
Replacement NHA MBS	7,834	8,937	11,514	11,684	11,551
<b>Total NHA MBS Outstanding (\$M)</b>	<b>484,376</b>	<b>479,042</b>	<b>486,270</b>	<b>483,776</b>	<b>463,089</b>

Component items may not add to totals because of rounding.

