

Just the Facts – Securitization

CMHC Securitization Activities

Securitization

CMHC's securitization programs facilitate the supply of reliable funding for mortgage lending in Canada and foster competitiveness within the mortgage industry.

Risk exposure under the timely payment guarantee is managed through robust risk mitigating practices including stringent approval criteria for program participants.

CMHC's securitization activities are operated on a commercial basis and do not receive Parliamentary appropriations. These programs contribute to CMHC's Net Income and help to improve the Government's fiscal position.

CMHC has been at the forefront of mortgage securitization in Canada since 1986, when the Corporation introduced *National Housing Act* Mortgage-Backed Securities (NHA MBS). The NHA MBS Program provides a robust framework for Approved Issuers, who have to satisfy stringent eligibility requirements, to issue NHA MBS for sale to investors or for other purposes in the financial markets. NHA MBS are backed by pools of insured residential mortgages and the Program contributes to a more efficient secondary mortgage market and reliable mortgage funding for Canadians.

In 2001, CMHC introduced Canada Mortgage Bonds (CMB), an attractive, high-quality and simple investment option that provides reliable and cost-effective mortgage funding for lenders. Small lenders in particular, which have limited funding channels, have benefitted from the ability to access this Program. This allows them to compete more effectively with larger financial institutions. Competition among a wide range of mortgage lenders supports innovation and leads to more and better choices for Canadian borrowers.

CMHC's securitization programs are important pillars of Canadian financial institutions' diversified mortgage funding platforms and central components of stability in the Canadian housing finance system. Canadian lenders' diverse and stable funding base also includes deposits from customers, the new Canadian Covered Bond Program and other capital markets funding beyond CMHC's securitization programs, and other corporate debt.

Guarantees-in-Force Limit

CMHC provides a timely payment guarantee of interest and principal to NHA MBS and CMB investors. The guarantee of CMHC is an obligation of Her Majesty in right of Canada. Under the National Housing Act, the Minister of Finance has the authority to specify the terms and conditions under which CMHC may guarantee payment of any or all of the principal and interest, in respect of securities issued on the basis of housing loans.

The limits on NHA MBS and CMB are important oversight mechanisms to manage housing market risks and the Government's exposure to the housing sector. The amount of CMHC's guarantees-in-force is limited by legislation to a maximum of \$600 billion. The \$600 billion guarantees-in-force limit is separate and distinct from the \$600 billion limit on mortgage insurance-in-force.

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For 2017, the Minister of Finance has authorized CMHC to provide up to \$105 billion (2014 - \$80 billion) for new guarantees of market NHA MBS and up to \$40 billion (2014 - \$40 billion) of new guarantees for CMB.

CMHC reports on its guarantees-in-force quarterly in its [Securitization Business Supplement](#).

For More Information visit [NHA MBS](#) and [CMB](#)