

# Details and Features of Line of Business

## Business Summary

The JHF conducts the following business, including securitization.

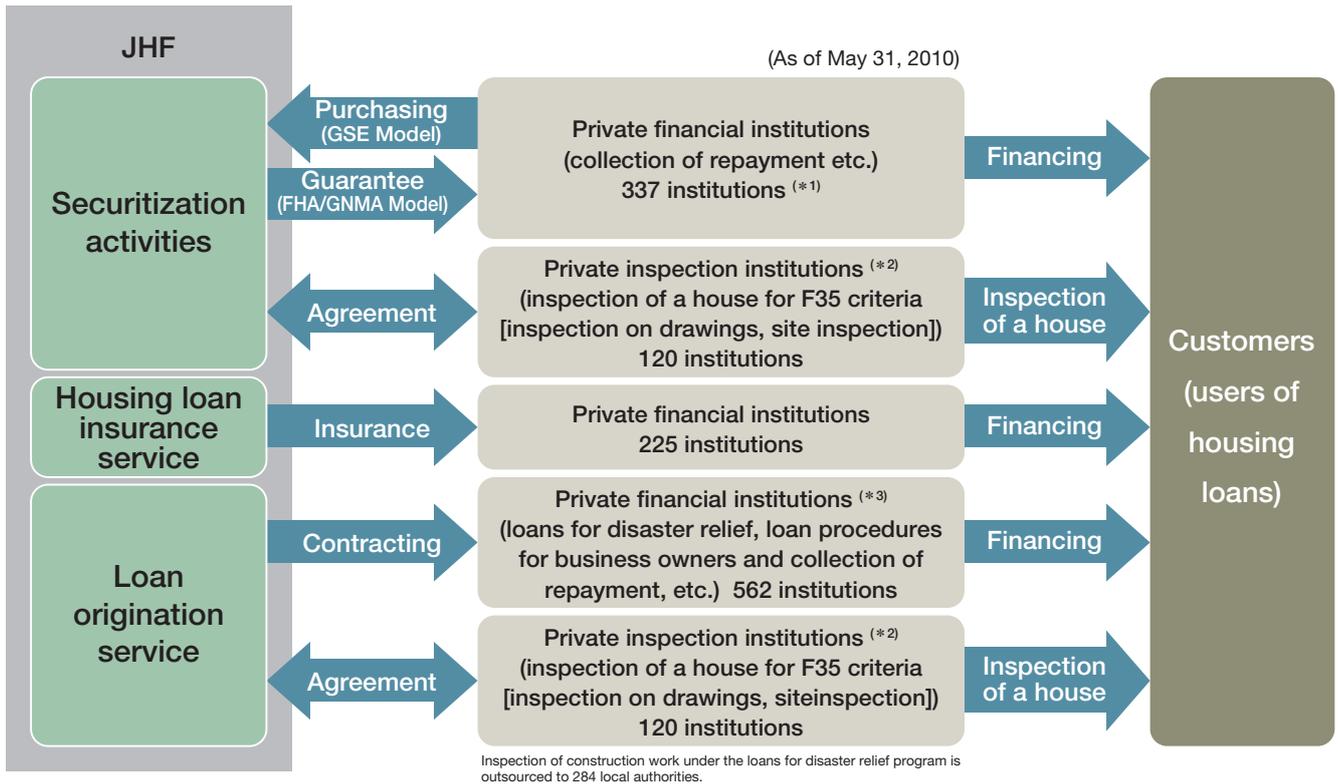
JHF not only supports private lenders by providing long-term fixed rate mortgages as our main service, but also provides loan origination services, insurance services and housing-related information to promote the smooth provision of private housing loans, loans for which societal demand is expected to grow and loans for areas that are difficult for private institutions to handle.

<p>Securiti- zation</p>	<p>Support private financial institutions to provide long-term and fixed interest rate housing loans</p> <p><b>GMS Model</b> The JHF purchases long-term and fixed interest rate housing loans from private financial institutions and issues MBS (mortgage backed securities).</p> <p><b>FHA/GNMA Model</b> The JHF insures long-term and fixed interest rate housing loans made by private financial institutions, and guarantees the timely payment of MBS backed by those loans.</p> <table border="1"> <thead> <tr> <th>Result for FY 2009</th> <th>Plan for FY 2010</th> </tr> </thead> <tbody> <tr> <td>○GMS Model 112.7 billion yen (51,461 houses)</td> <td>○GMS Model 1,280 billion yen (64,000 houses)</td> </tr> <tr> <td>○FHA/GNMA Model 17.7 billion yen (619 houses)</td> <td>○FHA/GNMA Model 20 billion yen (1,000 houses)</td> </tr> </tbody> </table>	Result for FY 2009	Plan for FY 2010	○GMS Model 112.7 billion yen (51,461 houses)	○GMS Model 1,280 billion yen (64,000 houses)	○FHA/GNMA Model 17.7 billion yen (619 houses)	○FHA/GNMA Model 20 billion yen (1,000 houses)	<p>Technical assess- ment Page 31</p>	<p>Housing information providing business Page 27</p>	<p>Page 19</p>		
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<p>Housing loan insurance service</p>	<p>When housing loans made by private financial institutions become defaulted because of unexpected situations, the JHF pays the insurance to the private financial institutions under the insurance policy concluded in advance to support the stable supply of housing loans provided by private financial institutions.</p> <table border="1"> <thead> <tr> <th>Result for FY 2009</th> <th>Plan for FY 2010</th> </tr> </thead> <tbody> <tr> <td>○Insurance contract 236 institutions, 1,047.7 billion yen</td> <td>○Limit of insurance 600 billion yen</td> </tr> <tr> <td>○Insurance paid 21,659 cases, 446.8 billion yen</td> <td></td> </tr> <tr> <td>○Insurance continuing (as of the end of FY 2009) 103,733 cases, 1,943.1 billion yen</td> <td></td> </tr> </tbody> </table>	Result for FY 2009	Plan for FY 2010	○Insurance contract 236 institutions, 1,047.7 billion yen	○Limit of insurance 600 billion yen	○Insurance paid 21,659 cases, 446.8 billion yen		○Insurance continuing (as of the end of FY 2009) 103,733 cases, 1,943.1 billion yen			<p>Operation of group credit life insurance (mutual relief) Page 30</p>	<p>Page 26</p>
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<p>Loan origination service</p>	<p>In an area such as loans for disaster relief, for which societal demand is expected to grow, and which are difficult for private financial institutions to handle, the JHF shall provide support for people to acquire housing by providing long-term fixed interest loans.</p> <table border="1"> <thead> <tr> <th>Result for FY 2009</th> <th>Plan for FY 2010</th> </tr> </thead> <tbody> <tr> <td>357.5 billion yen (38,905 houses)</td> <td>607.4 billion yen (45,500 houses)</td> </tr> </tbody> </table>	Result for FY 2009	Plan for FY 2010	357.5 billion yen (38,905 houses)	607.4 billion yen (45,500 houses)		<p>Research and survey on housing finance Page 35</p>	<p>Page 28</p>				
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# Business Structure and Funding

**Business operation is efficiently performed through a network of related organizations.**

By contracting out some operations to private financial institutions, private inspection institutions, local government units, etc., the JHF efficiently carries out business operations.



- \* 1 The GSE Model and FHA/GNMA Model combined are outsourced to four institutions and the GSE Model alone is outsourced to 333 institutions.
- \* 2 Private inspection institutions mean specified inspection institutions and registered housing performance evaluation institutions that conclude an agreement of conformance certificate services with the JHF. Architects who are registered in the Japan Association of Architectural Firms or the Japan Federation of Architects & Building Engineers Associations also perform conformance certificate inspections for existing houses or renovations.
- \* 3 We contract out the recovery of credits having forfeited the benefit of time to 3 companies besides private financial institutions.

## MBS (mortgage backed securities) are the major funding sources.

The JHF raises funds from the market mainly through the issuance of MBS (mortgage backed securities). The use of loans from the government is limited to the funds for loans for disaster mitigation, for which emergency measures should be taken.

Self-raised		
	Result for FY 2009	Initial plan for FY 2010
JHF bonds	2,045.9 billion yen	3,534.1 billion yen
(Government-backed bonds [3 years])	95 billion yen	-
(Mortgage backed securities)	1,696 billion yen	2,704 billion yen
(General collateral bonds)	225.9 billion yen	751 billion yen
(Condominium repair program)	29 billion yen	79.1 billion yen
JHF property accumulation savings scheme-tied housing bonds	81.1 billion yen	134.5 billion yen
JHF saving bonds for acquiring houses and house sites	61.8 billion yen	42.3 billion yen
Borrowings from private institutions	165.6 billion yen	160.5 billion yen

Fiscal Investment and Loan Program		
	Result for FY 2009	plan for FY 2010
Borrowing from Fiscal Investment and Loan Program	100 million yen	30 billion yen

General account		
	Result for FY 2009	plan for FY 2010
Subsidies and payment for various loans	1,027 billion yen	131.3 billion yen

(Note) Of subsidies appropriated in FY2009, 230 billion yen shall be redeemed to the national treasury in FY 2010.

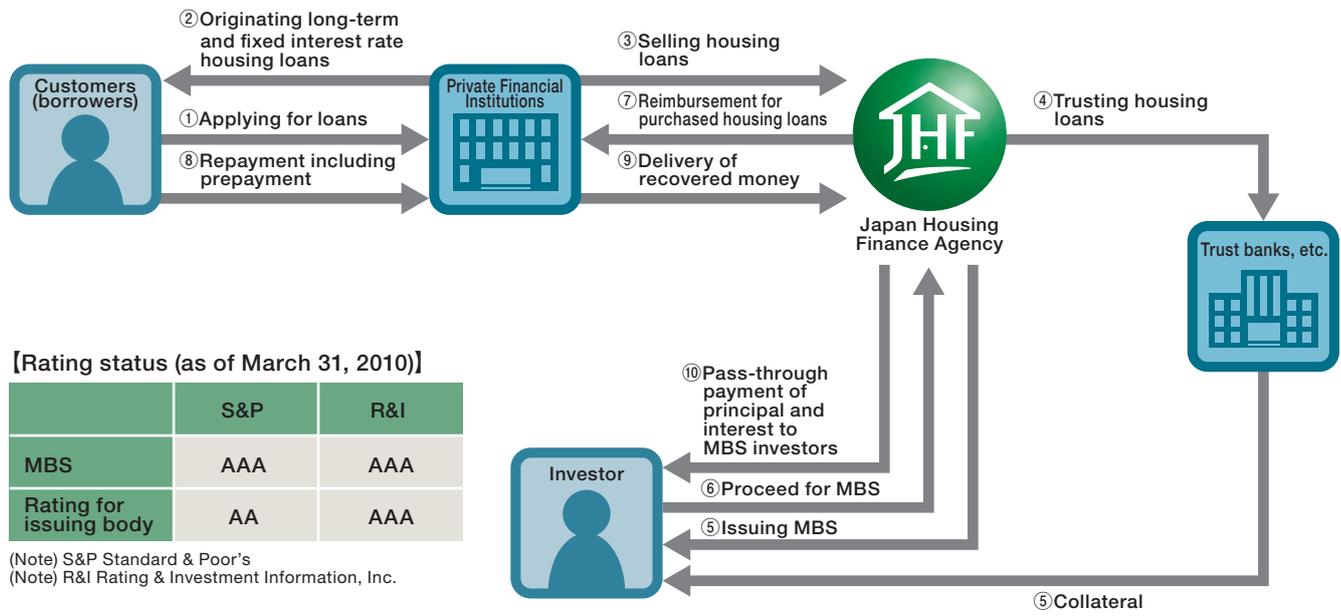
Repayment of borrowings, etc.		
	Result for FY 2009	plan for FY 2010
Collection of repayments for loans and purchased loans	5,345.9 billion yen △7,401.1 billion yen	4,565.6 billion yen △5,494.8 billion yen

Budget for the JHF		
	Result for FY 2009	Initial plan for FY 2010
Purchase of loans Lending	943.4 billion yen 382.9 billion yen	2,500 billion yen 603.3 billion yen

## Commitment to MBS (mortgage backed securities)

With the objective of diversifying funding sources, the JHF carried out securitization of loans (issuance of MBS: mortgage backed securities) since March, 2001 prior to the reform of Fiscal and Investment Loans Program that began in FY 2001. The JHF started securitization activities (GSE model) in October, 2003, establishing a scheme for private financial institutions to stably provide long-term and fixed interest rate housing loans.



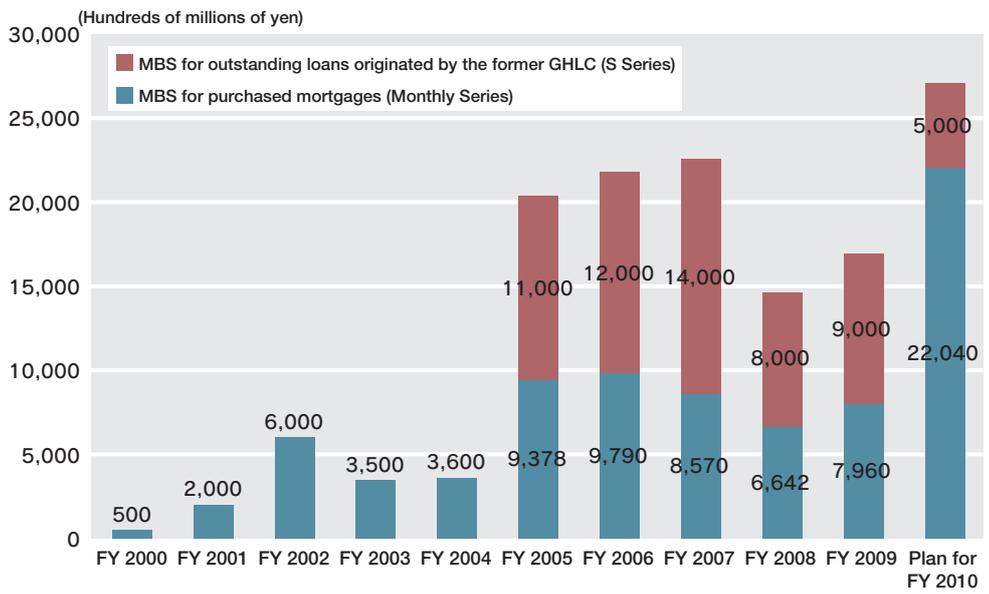
[Rating status (as of March 31, 2010)]

	S&P	R&I
MBS	AAA	AAA
Rating for issuing body	AA	AAA

(Note) S&P Standard & Poor's  
(Note) R&I Rating & Investment Information, Inc.

## MBS (mortgage backed securities) issuance results

The JHF securitizes purchased mortgages under the Flat 35 program (the GSE Model) and outstanding loans originated by the former GHLC. The MBS (mortgage backed securities) issuance amounts are as shown below.



# Securitization Business

**Support private financial institutions to provide Long-term and Fixed Interest Rate Housing Loans.**

The JHF has implemented securitization business for private financial institutions to provide long-term fixed interest rate housing loans for which there is a persistent demand from people. The GSE Model and FHA/GNMA Model were launched in October 2003 and October 2004, respectively. Housing loans provided through securitization business are collectively referred to as Flat 35.



- No need to worry about interest rate fluctuations
- No upfront guarantee fee or prepayment penalties
- JHF's technical criteria to support housing
- Counseling to prevent foreclosure

Long-term and fixed interest rate housing loans in cooperation with private financial institutions

## 【フラット35】

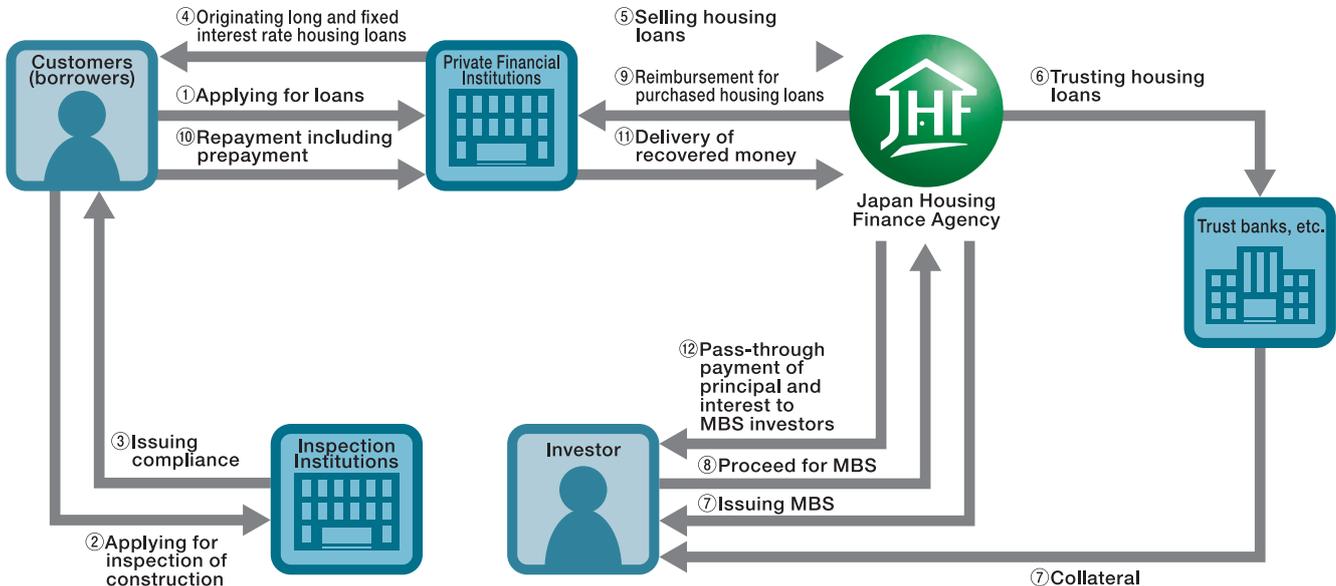
### ● Securitization Business (GSE Model) Flat 35

#### Scheme

The JHF purchases housing loans from private financial institutions and entrusts them to trust banks, etc. JHF issues MBS backed by this collateral and raises funds for housing loans from the bond market (i.e., from investors). (See the figure below). Using this system, private financial institutions can provide long-term and fixed interest rate housing loans.

Such housing loans must meet certain underwriting criteria set by the JHF, and are transferred to the JHF from private institutions when they are disbursed. The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc. For details, visit the Flat 35 website (<http://www.flat35.com/>).

#### <Scheme>



## Product outline of Flat 35 (GSE Model)

As of April 1, 2010

Qualifications for borrower	<ul style="list-style-type: none"> <li>● Be less than 70 years of age (if the two-generation loan repayment scheme is applied, this loan applies also to people aged 70 years and over).</li> <li>● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>● Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined).</li> </ul> <table border="1"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>* Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including income of the co-borrowers, if any).</li> <li>● In the case that the house and its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership of the property</li> </ul> <p>(Note 1) Income for the year before the year of application (between January and December 2009 in the case of FY 2010) shall be examined in principle. (Note 2) The number of applicants is limited to two people including a co-borrower.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
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DTI	30% or less	35% or less					
Purpose of the loan	<ul style="list-style-type: none"> <li>● Construction/purchase of a new house or purchase of an existing house for owner-occupation by the applicant (including a second house) or relatives</li> </ul> <p>(Note) This loan cannot be offered for reform of a house.</p>						
House covered by loan	<ul style="list-style-type: none"> <li>● Have a floor area*1 of 70 m<sup>2</sup> or more for a detached house, a terrace house style including semi-detached house and a flat style*2, or 30 m<sup>2</sup> or more for a condominium style, etc.</li> <li>* 1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).</li> <li>* 2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.</li> <li>● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax).</li> <li>● Houses that satisfy the technical criteria etc. set by the JHF.</li> <li>● No conditions on the size of land for the house</li> </ul>						
Amount of the loan	<ul style="list-style-type: none"> <li>● One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 100% or less (excluding construction costs for the non-residential space).</li> </ul>						
Duration of the loan	<ul style="list-style-type: none"> <li>● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over*1,2 at the time the application is filed) or over, and whichever is shorter between 1) and 2) below (increment: 1 year)</li> <li>① 80 years minus the age of the applicant at the time the application is filed*1,2 with the part of the period less than one year counted as one year.</li> <li>* 1 If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower.</li> <li>* 2 If the two-generation loan repayment scheme is applied, the loan term shall be based on the age of the successor regardless of any co-borrower.</li> <li>② 35 years</li> </ul> <p>(Note 1) The loan is not available if whichever shorter between 1) and 2) is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over). (Note 2) Customers who have selected a loan of 20 years or less cannot change the period to 21 years or more during the repayment period.</p>						
Borrowing rate	<ul style="list-style-type: none"> <li>● Fixed rate*1</li> <li>● The borrowing rate*2,3 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years and over.*4</li> <li>* 1 Under the support scheme for acquiring high-quality housing Flat 35S, the interest rate is reduced for a certain period.</li> <li>* 2 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website(www.flat35.com).</li> <li>* 3 The interest rate applied is that on the date of disbursement, not of application. The disbursement date shall be determined by the financial institution.</li> <li>* 4 Some financial institutions offer the same borrowing rate regardless of the duration of the loan.</li> </ul>						
Amortization	<ul style="list-style-type: none"> <li>● Monthly principal and interest equal repayment or monthly principal equal repayment.</li> <li>Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>						
Collateral	<ul style="list-style-type: none"> <li>● The JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>						
Surety	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>						
Group credit life insurance	<ul style="list-style-type: none"> <li>● JHF credit life insurance can be taken out. It is not mandatory, but is strongly recommended to prepare for unexpected adverse events.</li> </ul> <p>(Note) A special contract premium shall be paid by the customer.</p>						
Fire insurance	<ul style="list-style-type: none"> <li>● The property subject to the loan is insured against fire until the completion of repayment. The fire insurance must satisfy requirements prescribed by the JHF (including mutual fire insurance: same hereinafter).</li> <li>● The insurance period and premium payment method vary by the financial institution offering the loan.</li> <li>The maturity date of the insurance policy shall be the day after the final repayment, the payment method shall be long-term lump-sum payment, and the JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits if the lien on the lot is not registered for agency.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the customer. The JHF's special fire insurance is not applicable.</p>						
Fees for the Origination of the loan Fees for the inspection of the property	<ul style="list-style-type: none"> <li>● Origination fees*1,2 may differ between financial institutions offering loans.</li> <li>● Different institutions/experts that certify suitability impose different fees for inspecting properties*2.</li> <li>* 1 Information on origination fees is available at financial institutions and the Flat 35 website(www.flat35.com).</li> <li>* 2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>						
Guarantee Fee and Prepayment penalty	<ul style="list-style-type: none"> <li>● Not required.</li> </ul> <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or the JHF which purchases the loan.

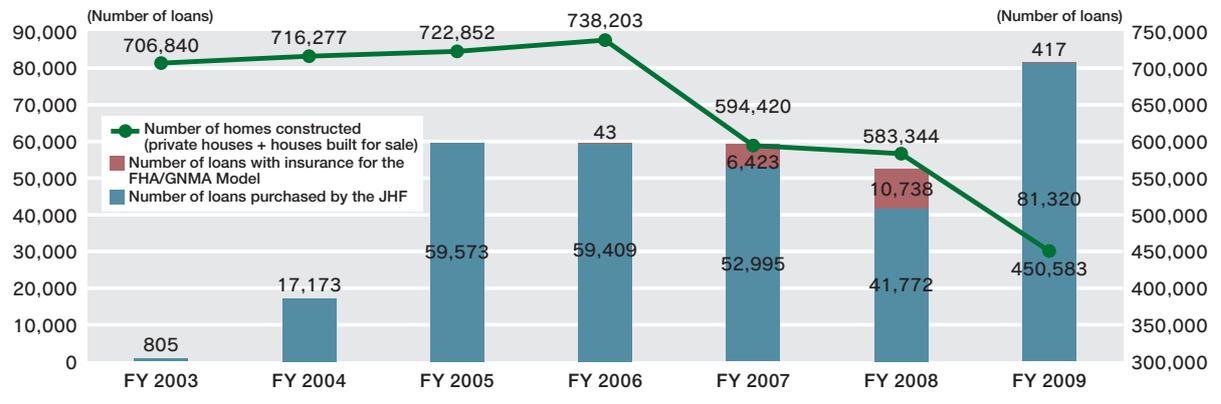
## Product outline of Flat 35 (loan refinance)

As of April 1, 2010

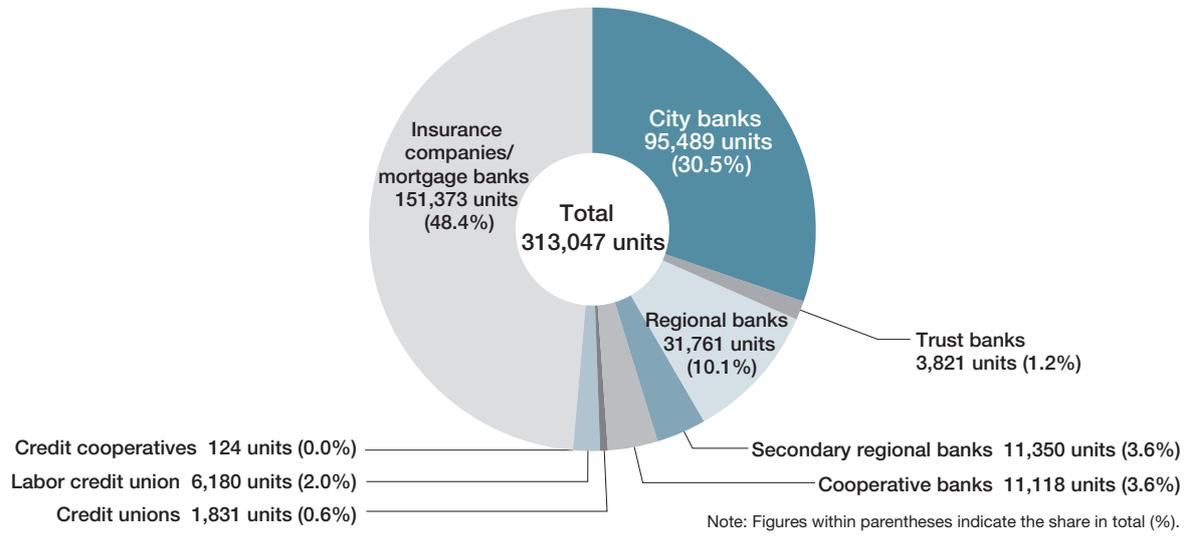
<b>Qualifications for borrowers</b>	<ul style="list-style-type: none"> <li>In principle, the applicant for loan refinance is the same person as the borrower of the outstanding loan. However, a co-borrower can be added at the time of refinancing (the number of borrowers is limited to two people).                     <ul style="list-style-type: none"> <li>If a borrower is added or if the proportion of the ownership to the house is changed at the time of refinancing, please consult with the local tax office or a tax accountant on housing loan tax credit and tax.</li> </ul> </li> <li>In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership.</li> <li>Be less than 70 years of age (if the two-generation loan repayment scheme is applied, this loan applies also to people aged 70 years and over).</li> <li>Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined).</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="background-color: #d9ead3;">Annual income</th> <th style="background-color: #d9ead3;">Less than 4 million yen</th> <th style="background-color: #d9ead3;">4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including the income of the co-borrower, if any).</li> <li>Those who have not missed a repayments on an outstanding loan for at least one year preceding the refinance application.                     <ul style="list-style-type: none"> <li>If the borrower is changed due to inheritance, etc. (excluding the addition of a borrower), at least one year has to be passed since such change of the borrower before refinance application.</li> </ul> </li> </ul> <p>(Note 1) The property subject to the loan must be owned by the applicant and must be occupied by the applicant or relatives.                  (Note 2) Income for the year before the year of application (between January and December 2009 in the case of FY 2010) shall be examined in principle.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
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DTI	30% or less	35% or less					
<b>Purpose of the loan</b>	<ul style="list-style-type: none"> <li>Refinancing for the housing loan of either ① or ② outlined below                     <ul style="list-style-type: none"> <li>Construction/purchase of a house that is owned and occupied by the applicant                             <ul style="list-style-type: none"> <li>including a second house (e.g., a house for someone who works away from home to occupy or a weekend house that is not rent out)</li> </ul> </li> <li>Construction/purchase of a house that is owned by the applicant and occupied by relatives</li> </ul> </li> </ul> <p>(Note) This loan cannot be offered for reform of a house.</p>						
<b>Requirements for the housing loan and house that are subject to refinancing</b>	<ul style="list-style-type: none"> <li>Original loan balance of the outstanding mortgage is 80 million yen or less, and the total LTV (loan to value) ratio is 100% or less (including the cost for acquiring the lot and excluding the cost incurred at the acquisition of the house).</li> <li>The cost for the construction or purchase of a house (including the lot purchased for the house) is 100 million yen or less (including consumption tax).</li> <li>Have either of the following floor area*1:                     <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tbody> <tr> <td style="background-color: #d9ead3;">A detached house, a terraced house (including a semi-detached house) and a flat*2</td> <td>70 m<sup>2</sup> or more</td> </tr> <tr> <td style="background-color: #d9ead3;">A condominium, etc.</td> <td>30 m<sup>2</sup> or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>*1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).</li> <li>*2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.</li> </ul> </li> <li>No conditions on the size of land for the house</li> <li>Houses that satisfy the technical criteria etc. set by JHF.</li> </ul>	A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m <sup>2</sup> or more	A condominium, etc.	30 m <sup>2</sup> or more		
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A condominium, etc.	30 m <sup>2</sup> or more						
<b>Amount of the loan</b>	<ul style="list-style-type: none"> <li>One to 80 million yen. The lower of the outstanding amount of the current housing loan* or 200% of the assessment rate of collateral by the JHF (in increment of 10 thousand yen)                     <ul style="list-style-type: none"> <li>The following costs can be included: ① costs for stamp duty affixed on the loan contract; ② origination fees for the refinance; ③ costs for registration and inundation of mortgage (registration license tax); ④ compensation for escrow agent who files the mortgage; ⑤ special premium for the JHF's group credit life insurance (for the first year); and ⑥ fees for the inspection of the property for Flat 35</li> </ul> </li> </ul>						
<b>Duration of the loan</b>	<ul style="list-style-type: none"> <li>15 years (10 years if the applicant and/or a co-borrower is aged 60 and over*1,2 at the time the application is filed) or over, and whichever is shorter between ① and ② below for the upper limit (unit: 1 year)                     <ul style="list-style-type: none"> <li>80 years minus the age of the applicant at the time the application is filed*1,2, with the part of the period less than one year counted as one year.</li> <li>If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower.</li> <li>If the two-generation loan repayment scheme is applied, the loan conditions shall be based on the age of the successor regardless of any co-borrower.</li> <li>35 years less the month elapsed on the outstanding mortgage rounded at one year increment</li> </ul> </li> <li>Starting date of the calculation is the date of closing on the outstanding mortgage                     <ul style="list-style-type: none"> <li>This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan.</li> </ul> </li> </ul> <p>(Note 1) Loan refinancing is not applicable if whichever shorter between 1) and 2) is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over).                  (Note 2) Borrowers who have selected a loan term of 20 years or less cannot change the term to 21 years or more during the repayment period.</p>						
<b>Borrowing rate</b>	<ul style="list-style-type: none"> <li>Fixed rate                     <ul style="list-style-type: none"> <li>The borrowing rate*1,2 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years and over.*3</li> <li>Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>The interest rate applied is that on the date of disbursement, not of application. The disbursement date when the recipient takes out the loan shall be determined by the financial institution.</li> <li>Some financial institutions offer the same borrowing rate regardless of the duration of the loan.</li> </ul> </li> </ul>						
<b>Amortization</b>	<ul style="list-style-type: none"> <li>Monthly principal and interest equal repayment or monthly principal equal repayment. Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>						
<b>Collateral</b>	<ul style="list-style-type: none"> <li>The JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <p>(Note) Fees for filing the mortgage at the title recording office (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
<b>Surety</b>	<ul style="list-style-type: none"> <li>Not required.</li> </ul>						
<b>Group credit life insurance</b>	<ul style="list-style-type: none"> <li>JHF credit life insurance can be taken out. It is not mandatory, but is strongly recommended to prepare for unexpected adverse events.</li> <li>If the group credit life insurance is applied to the loan to be refinanced, the insurance will be terminated at the time of refinancing. Those who wish to have the JHF credit life insurance must take out a new policy. However, some customers may not be able to take out a new policy depending on the results of inspections by insurance companies.</li> </ul> <p>(Note 1) A special contract premium shall be paid by the customer.                  (Note 2) If customers who have the JHF credit life insurance have paid off the housing loan at refinancing, etc., premiums paid are not refunded.</p>						
<b>Fire insurance</b>	<ul style="list-style-type: none"> <li>The property subject to the loan is insured against fire until the completion of repayment. The fire insurance should meet requirements prescribed by the JHF (including mutual fire insurance: same hereinafter).</li> <li>The maturity date of the insurance policy shall be the day after the final repayment of the refinanced loan, the payment method shall be long-term lump-sum payment, and JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits if the lien on the lot is not registered for agency.</li> <li>If the fire insurance that was already taken out before refinancing meets requirements prescribed by the JHF, the customer can keep the policy. However, if a mortgage is not registered on the lot, and if the maturity date of the insurance taken out before refinancing is the day before the final repayment of the refinanced loan, the fire insurance shall be cancelled and a new policy with a long-term lump-sum payment shall be taken out so that the maturity date shall be the day after the final repayment. In addition, the JHF takes out a first-priority pledge on the recipient's right to obtain fire insurance benefits.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the customer. The JHF's special fire insurance is not applicable.</p>						
<b>Fees for the Origination of the loan, etc.</b>	<ul style="list-style-type: none"> <li>Origination fees*1,2 may differ between financial institutions offering loans.</li> <li>Fees for the inspection of the property*2 are necessary to certify the conformity with technical standards prescribed by the JHF in a document. Different institutions/experts that certify suitability impose different fees for inspecting properties*2.                     <ul style="list-style-type: none"> <li>Information on origination fees is available at financial institutions and the Flat 35 website(www.flat35.com).</li> <li>Origination fees and property inspection fees shall be paid by the borrower.</li> </ul> </li> </ul>						
<b>Guarantee Fee and Prepayment penalty</b>	<ul style="list-style-type: none"> <li>Not required.</li> </ul> <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						
<b>Special matters in the case of refinance</b>	<ul style="list-style-type: none"> <li>Flat 35S, Flat 35S (existing-house type) and Flat 35S (20-year interest rate-cut type) are not applicable.</li> <li>If the lot is located within the land adjustment project lot which is not completed and where lien upon the property can not be registered until the completion of the project, refinancing is not available.</li> </ul>						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or the JHF which purchases the loan.

### Number of loans purchased (insured) through the securitization program

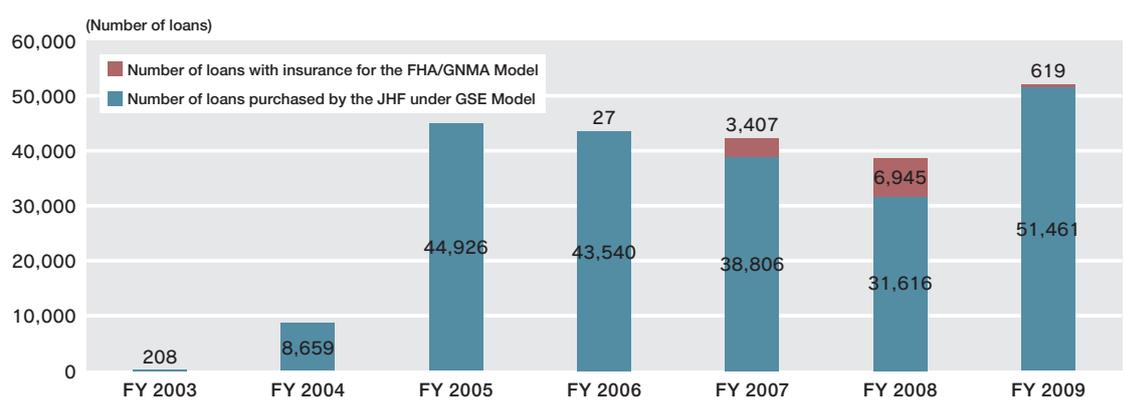


### The number of loans purchased, by type of institutions, in the securitization business (GSE Model) (as of March 31, 2010)



City banks (5), trust banks (1), regional banks (63), secondary regional banks (39), cooperative banks (161), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (11) and insurance companies/mortgage banks (26), for a total of 337 financial institutions, have entered into the securitization business (GSE Model). The number of institutions is shown in the brackets ( ). (As of May 31, 2010)

### Number of loans purchased (insured) through the securitization program



## Support scheme for acquiring high-quality housing ([Flat 35] S)

The support scheme for acquiring high-quality housing Flat 35S is a system in which lower interest rates are adopted for a certain period when customers applying for Flat 35 acquire high-quality housing in terms of energy efficiency and so on. (Flat 35S is a brand name of the support scheme for acquiring high-quality housing).

(Note) There is a ceiling for total amount for the support scheme for acquiring high-quality housing Flat 35S, and applications will be accepted until they reach that ceiling. The end date will be notified on the Flat 35 website([www.flat35.com](http://www.flat35.com)) approximately three weeks prior to ending.

The support scheme for acquiring high-quality housing Flat 35S consists of the three types **[Flat 35] S** of Flat 35S, Flat 35S (existing-house type) and Flat 35S (20-year interest rate-reduction type).

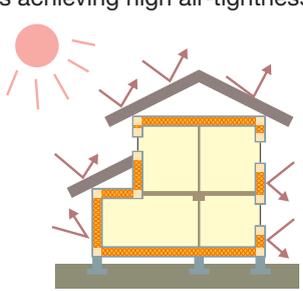
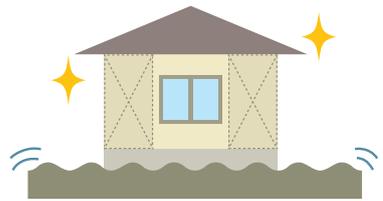
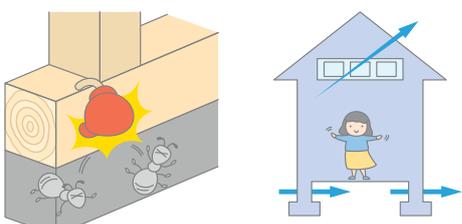
### ● Three types of Flat 35S

Type	Interest rate reduction period	Range of interest-rate reduction	Eligible housing
Flat 35S	First 10 years	1.0%/year	New/existing house
Flat 35S (existing-house type)			Existing house
Flat 35S (20-year interest rate-reduction type)	First 20 years	First 10 years: 1.0%/year 11th year - 20th year: 0.3%/year	New/existing house

- \*1 The interest-rate reduction for Flat 35S and Flat 35S (existing-house type) will be 1.0% per year for the first 10 years for applications made by December 30, 2010 and 0.3% per year for the first 10 years for applications on and after January 4, 2011.
- \*2 The interest reduction period for Flat 35S and Flat 35S (existing-house type) will be the first 10 years for applications made by March 31, 2012 and the first 5 years for applications made on and after April 1, 2012.
- \*3 The interest-rate reduction for Flat 35S (20-year interest rate-reduction type) will be 1.0% per year for the first 10 years for applications made by December 31, 2010 and 0.3% per year for the first 10 years for applications on and after January 4, 2011.
- \*4 The interest reduction period for Flat 35S (20-year interest rate-reduction type) will be the first 20 years for applications made by March 31, 2012 and the first 10 years for applications made on and after April 1, 2012

### ● Images of eligible houses for Flat 35S

Houses excellent in quality in any of the following:

<div style="background-color: #008000; color: white; padding: 5px; text-align: center; font-weight: bold;">Houses with high energy-saving performance</div> <p>Houses achieving high air-tightness, etc.</p> 	<div style="background-color: #800000; color: white; padding: 5px; text-align: center; font-weight: bold;">Houses resistant to earthquakes</div> <p>Houses with resistance to stronger earthquakes, preventing collapse, destruction, etc.</p> 
<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">Houses with high barrier-free performance</div> <p>Houses with equipment necessary for the elderly, etc. to perform basic life activities, such as movement and taking a bath</p> 	<div style="background-color: #FF8C00; color: white; padding: 5px; text-align: center; font-weight: bold;">Housing with high durability and flexibility</div> <p>Housing with durability, measures to maintain long-term good condition</p> 

※Technical criteria vary for Flat 35S, Flat 35S (used-house type) and Flat 35 S (20-year interest rate-cut type). For details, visit the Flat 35 website (<http://www.flat35.com>).

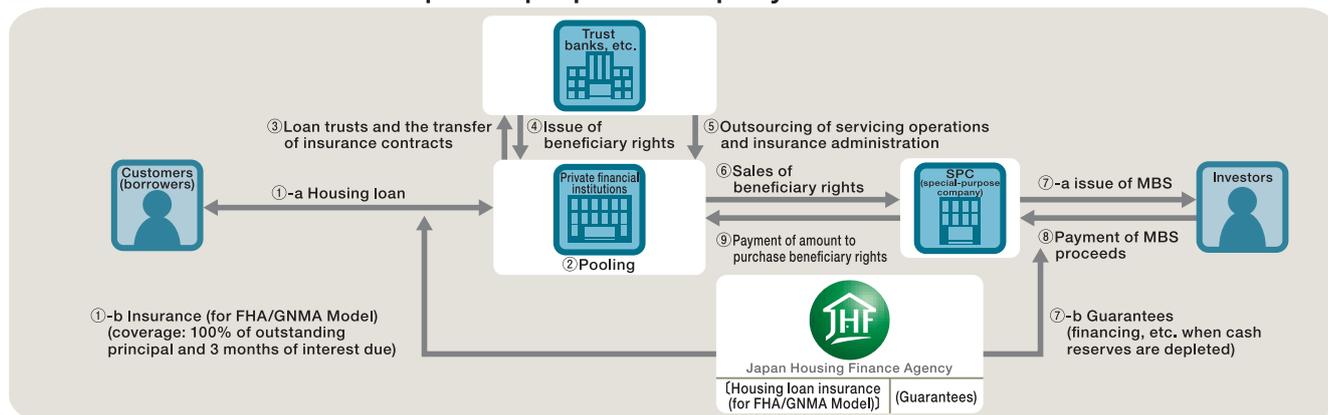
## ● Securitization Business (FHA/GNMA Model) Flat 35

### Scheme

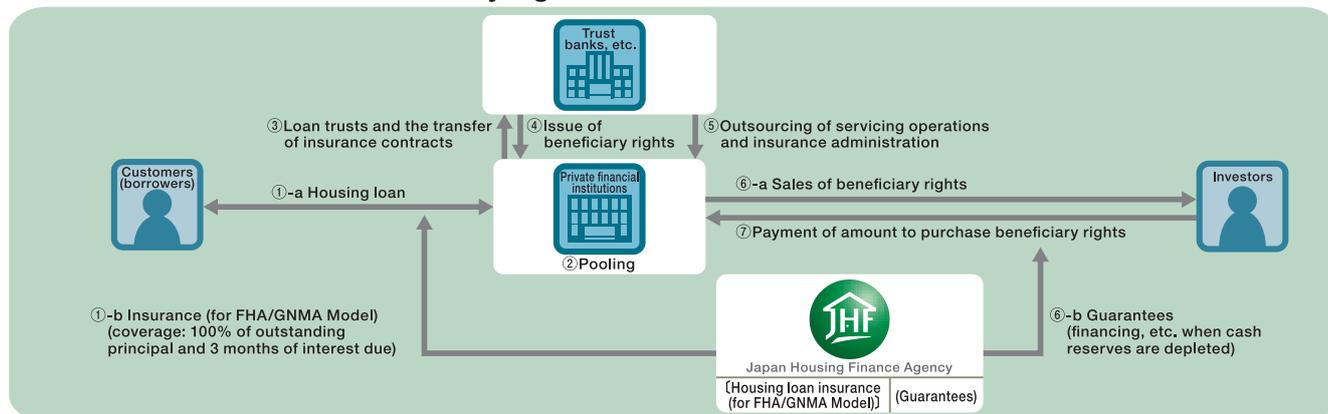
JHF will underwrite housing loan insurance (for the FHA/GNMA Model) for housing loans with long-term fixed interest rates originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by collateral for the housing loans (see figure below).

#### 〈Scheme〉

#### ■ Cases in which a trust or special-purpose company are involved



#### ■ Cases in which trust beneficiary rights are sold to an investor



### Criteria for housing loans provided by accredited institutions

With regard to housing loans provided through the use of securitization (FHA/GNMA Model) (Flat 35 (FHA/GNMA Model)), since financial institutions themselves structure MBS, various products are available through the originality and ingenuity of these institutions.

#### 《Criteria for approving applications for Flat 35 (FHA/GNMA Model)》

- The loan is necessary for the construction/purchase of a house for the applicant and/or relatives, or for refinancing serving the same purpose
- The house in question satisfies the technical requirements concerning durability, as specified by FHA. (The buyer of such a house is eligible for the FHA plan to assist the purchase of high-quality housing.)
- The cost of housing construction, including the cost of purchasing the land, or the cost of purchasing the house and land is 100 million yen or less (including consumption tax).
- The amount of money to be taken out is more than 1 million yen and less than 80 million yen, inclusive, and is equal to or less than 10 percent of the cost of the housing construction or the cost to purchase the house and land.
- The duration of the loan is between 15 years and 35 years, inclusive.
- The interest rate remains fixed throughout the duration of the loan.

### Accredited institutions in the securitization business (FHA/GNMA Model)

In the securitization business (FHA/GNMA Model), we concluded agreements with four institutions: city bank (1), regional bank (1) and insurance company/mortgage bank (2). The number of institutions is shown in the parenthesis.

\*Some financial institutions have suspended the acceptance of new applications (as of May 31, 2010)

## Flat 50 with a redemption period of up to 50 years

### Outline

On June 4, 2009, the JHF launched the Flat 50 scheme, which sets a redemption period of up to 50 years for properties certified as long-life housing\*.

\* Property certified in accordance with the Long-Life Housing Promotion Law (Law no. 87 of 2008)

### Product outline of Flat 50

As of April 1, 2010

Qualifications for borrower	<ul style="list-style-type: none"> <li>● Be less than 44 years of age (if the two-generation loan repayment scheme is applied, this loan applies also to people aged 44 years and over).</li> <li>● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>● Those whose repayments on all loans*, including Flat 50, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined).</li> </ul> <table border="1"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>* Besides loans under the Flat 50 program, all loans include those for other housing, cars, education and credit cards (including cash advances and purchases of goods by payment in installments) (including income of the co-borrower, if any).</li> </ul>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
	Annual income	Less than 4 million yen	4 million yen or more				
DTI	30% or less	35% or less					
<ul style="list-style-type: none"> <li>● In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership.</li> </ul> <p>(Note 1) Income for the year before the year of application (between January and December 2009 in the case of FY 2010) shall be examined in principle. (Note 2) The number of applicants is limited to two people including a co-borrower.</p>							
Purpose of the loan	<ul style="list-style-type: none"> <li>● Funds for the construction/purchase of a new house for the applicant or relatives to occupy, funds for the construction/purchase of a second house and funds for the construction of an existing house</li> </ul> <p>(Note) This loan cannot be offered for reform of a house.</p>						
House covered by loan	<ul style="list-style-type: none"> <li>● Have either of the following floor area*1:</li> </ul> <table border="1"> <thead> <tr> <th>A detached house, a terraced house (including a semi-detached house) and a flat*2</th> <th>70 m<sup>2</sup> or more</th> </tr> </thead> <tbody> <tr> <th>A condominium, etc.</th> <th>30 m<sup>2</sup> or more</th> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>*1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).</li> <li>*2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.</li> </ul> <ul style="list-style-type: none"> <li>● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax).</li> <li>● Long-life housing <ul style="list-style-type: none"> <li>* Submission of long-life housing certification and other documents is required.</li> </ul> </li> <li>● Houses that satisfy the technical criteria etc. set by the JHF for durability</li> <li>● No conditions on the size of lot for the house</li> </ul>	A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m <sup>2</sup> or more	A condominium, etc.	30 m <sup>2</sup> or more		
A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m <sup>2</sup> or more						
A condominium, etc.	30 m <sup>2</sup> or more						
Amount of the loan	<ul style="list-style-type: none"> <li>● One to 60 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 60% or less (excluding construction costs for the non-residential space).</li> </ul>						
Duration of the loan	<ul style="list-style-type: none"> <li>● 36 years or more, and whichever is shorter between 1) and 2) below (unit: 1 year)</li> <li>① 80 years minus the age of the applicant at the time the application is filed*1,2, with the part of the period less than one year counted as one year.</li> <li>*1 If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan conditions shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower.</li> <li>*2 If the two-generation loan repayment scheme is applied, the loan conditions shall be based on the age of the successor regardless of any co-borrower.</li> <li>② 50 years</li> </ul>						
Borrowing rate	<ul style="list-style-type: none"> <li>● Fixed rate*</li> <li>* Under the support scheme for acquiring high-quality housing Flat 35S, the interest rate is reduced for a certain period.</li> <li>* Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website(www.flat35.com).</li> <li>* The interest rate applied is that on the date of disbursement, not of application. The disbursement shall be determined by the financial institution.</li> </ul>						
Amortization	<ul style="list-style-type: none"> <li>● Monthly principal and interest equal repayment or monthly principal equal repayment.</li> <li>● Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>						
Collateral	<ul style="list-style-type: none"> <li>● The JHF holds a first-lien mortgage on the house and lot to which the loan is extended.</li> </ul> <p>(Note) Fees for placing the mortgage (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
Surety	<ul style="list-style-type: none"> <li>● Not required.</li> </ul>						
Group credit life insurance	<ul style="list-style-type: none"> <li>● JHF credit life insurance is available. It is not mandatory, but is strongly recommended to prepare for unexpected adverse events.</li> </ul> <p>(Note) A special contract premium shall be paid by the customer.</p>						
Fire insurance	<ul style="list-style-type: none"> <li>● The property subject to the loan is insured against fire until the completion of repayment. The fire insurance should meet requirements prescribed by the JHF (including mutual fire insurance: same hereinafter).</li> <li>● The insurance period and premium payment method vary by the financial institution offering the loan.</li> <li>● The longest-term fire insurance is selected from among policies satisfying the requirements prescribed by the JHF, and the JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits if the agency does not hold a mortgage on the lot.</li> <li>● If this fire insurance becomes due before the repayment deadline of Flat 50, the customer is required to take out a new policy that meets requirements prescribed by the JHF, and the JHF takes out a first-priority pledge on the recipient's right to obtain fire insurance benefits.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the borrower. The JHF's special fire insurance is not applicable.</p>						
Origination Fees for the inspection of the property	<ul style="list-style-type: none"> <li>● Origination fees*1,2 may differ between financial institutions offering loans.</li> <li>● Different institutions/experts that certify suitability impose different fees for inspecting properties*2.</li> <li>*1 Information on origination fees is available at financial institutions and the Flat 35 website(www.flat35.com). Regarding fees for the initiation of the loan when using both Flat 50 and Flat 35, please check with the financial institution originating the loan.</li> <li>*2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>						
Guarantee Fee and Prepayment penalty	<ul style="list-style-type: none"> <li>● Not required.</li> </ul> <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						
Special matters in the case of refinancing	<ul style="list-style-type: none"> <li>● Some financial institutions may not handle refinancing.</li> <li>● If a recipient of a Flat 50 loan sells the house on which it is secured, the loan may be assigned to purchaser (only one assumption is permitted). The JHF may decline the assumability of the loan, depending on the case</li> </ul>						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or the JHF which purchases the loan.

# Housing Loan Insurance Business

**The JHF underwrites insurance for private-sector housing loans.**

By underwriting insurance for housing loans originated by private financial institutions, the JHF supports the supply of housing loans by private financial institutions.

## Scheme

When housing loans made by private financial institutions default, the JHF covers part of the incurred losses based on the insurance policy concluded between the JHF and the private finance institution in advance.

### [Outline of housing loan insurance business]



## Loan types eligible for housing loan insurance

- Loans related to housing (construction, purchase, extension / renovation, etc.)
  - \* Bridge loans and renovation of shared parts of condominiums are also covered.
- The loan amount shall be 300 million yen or less.
- Repayment of the loan is expected without default.
- The collateral/surety and debt-to-income ratio shall meet the criteria determined by the JHF.

### [Product outline]

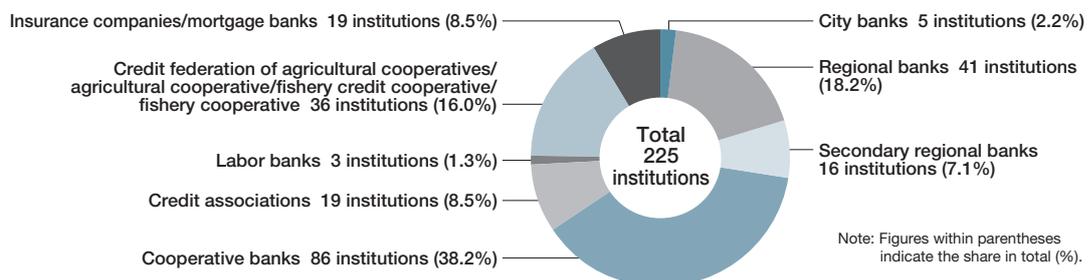
Type	Eligible loans	Insurance coverage
Specific personal loan insurance (private financial institute loan type)	Personal housing loans that are in accordance with the credit screening criteria of a financial institution and have been screened for insurance approval by the JHF in advance (loans that include miscellaneous expenses in addition to funds required for construction or purchase may be eligible). Also applicable to refinance (except for in-house refinance by banks).	100%
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35. Also applicable to refinance.	
Specific personal loan insurance (lump-sum-repayment improvement loans for older people)	Loans for remodeling of property with elderly residents (60 years or older) that has been screened for insurance approval by the JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	
Specific short-term loan insurance (bridge-loan type)	Bridge loans for entrance payments at the commencement of construction, interim payments and payments on completion that have been screened for insurance approval by the JHF. Those with a loan period of 1 year or less	
Personal loan insurance	Personal housing loan insurance in accordance with the credit screening criteria of a financial institution. Also applicable to refinance (except for in-house refinance by banks).	90%
Personal bridge loan insurance	Bridge loan insurance in accordance with the credit screening criteria of a financial institution. Also applicable to refinance (except for in-house refinance by banks).	

\* The ratio of insuring uncollected principals (excluding interest, late charges, etc.)

## Treatment of housing loan insurance under Basel II Accord

- 10% of the risk weight for the insured portion is applied to housing loans with housing loan insurance in the standard calculation of the capital adequacy ratio.
  - \* For more details, see the Announcement of the Financial Services Agency No. 19 (on March 27, 2006).

## Number of financial institutions entering into housing loan insurance contracts by type of operation (as of May 31, 2010)



# Housing information providing business

**A wide range of residence-related housing information is provided.**

The JHF provides housing loan information for customers so that they can select a housing loan wisely, and residential information so that they can live in high quality housing.

- Telephone consultation
- Internet website
- Various seminars and courses
- Books, brochures

## Telephone consultation about housing

A customer call center is established for telephone consultations with customers.

☎ 0570-0860-35 (Navidial) 048-615-0420 (where Navidial is unavailable)  
 ( From 9:00 AM to 5:00 PM (closed on national holidays and over the New Year) )

In order to answer broad questions about Flat 35, JHF loans or repayment, etc. appropriately, the training of operators has been aggressively conducted.

**Total counseling cases: 250,000 per year (total for FY 2009)**

## Information service on the Internet website

The JHF website (<http://www.jhf.go.jp/jumap/index.html>) provides a large amount of information relating to housing: simulations on funding and repayment plans, the schematics and features of housing loans, and technical information on housing related matters.

The JHF also distributes email newsletters and provides information on a timely basis.



**Per annum site visits: 7.36 million (total for FY 2009)**

## Hosting of all kinds of seminars

We provide basic information on house building and mortgages including features of Flat 35 at various occasions such as the "SUMAIRU seminar."

Further, in an effort to distribute technical information, the JHF hosts seminars regarding housing design, construction, and remodeling for those to housing industries, etc., and supports the securing and upgrading of quality housing.



**Number of seminars per year: 50 (total for FY 2009)**

## Sales of books and distribution of brochures

A broad range of brochures and publications with information on housing related matters are being created and distributed.



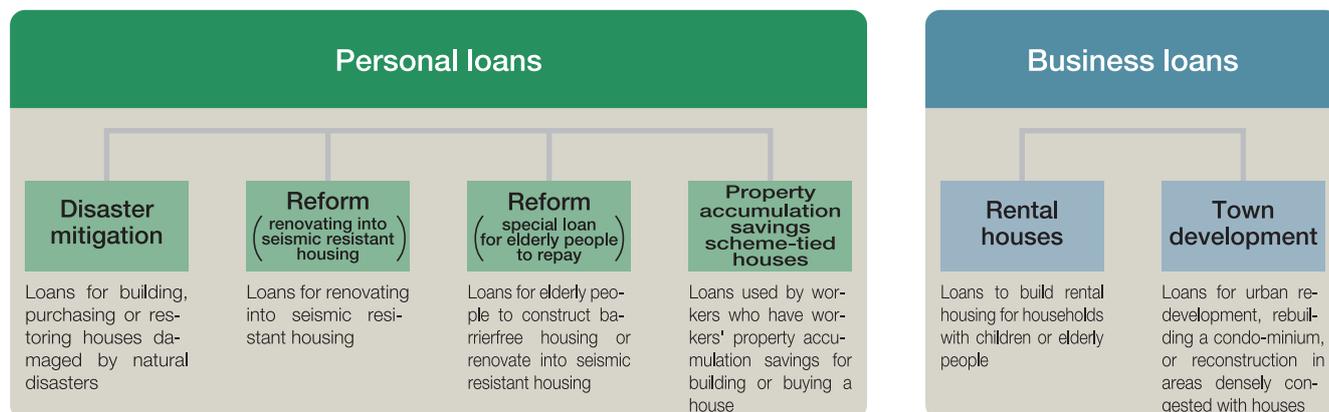
# Loan Origination Business

We provide loans for which societal demand is expected to grow, and which are difficult for private financial institutions to originate.

At present, JHF provides loans which are important in terms of policy and also difficult for the private sector to address, such as loans for disaster relief, loans for renovation (refurbishing for earthquake resistance and a special repayment system catered to the elderly), property accumulation residence fund loan, urban rehabilitation, rebuilding houses or apartments in high

density cities, loans for rebuilding apartments, and rental housing for the elderly and households with small children.

General personal loans (loans for building a new house, etc.) were discontinued except for loans to people who accumulated housing bonds, etc. as a transitory treatment.



## Loans for disaster mitigation

In order to support the quick restoration of houses damaged by natural disaster, the JHF immediately supplies long-term and fixed rate loans for those affected by the natural disaster.

### [Year-on-year results in and after FY 2007]

(Unit: houses, 100 million yen)

	Accepted applications	
	Number of houses	Amount disbursed
FY 2007	84	8.8
FY 2008	25	3.2
FY 2009	10	0.7

### [Loans for mitigation of major disasters]

(Unit: houses, 100 million yen)

	Accepted applications	
	Number of houses	Amount of money
Great Hanshin-Awaji Earthquake of 1995	91,631	19,293.2
Earthquake on July 26, 2003, originating in northern Miyagi Prefecture	812	84.0
Typhoon no. 18 of 2004	154	9.3
Mid-Niigata Earthquake of 2004	366	43.2
Earthquake in 2005 originating off the west coast of Fukuoka	191	13.7
Noto Peninsula Earthquake of 2007	52	5.1
Earthquake off Niigata in 2007	36	4.0

(As of March 31, 2010)

## Town development

The JHF supports the development of good housing environment by financing urban rehabilitation, reconstruction of condominiums, cooperative reconstruction in areas densely congested with houses, construction of buildings that reserve an open space on their sites, etc.

### Requirements for town development loans (short-term business funds)

#### Regional requirements

1. The site must be within an area used for a certain purpose (e.g., housing, commercial, quasi-industrial).
2. The site must be within an area that requires improvement (e.g., a fire-prevention or quasi-fire-prevention area, or an area with high housing demand).



#### Building requirements

1. The residential units must represent 1/4 or more of the building.
2. The building must have a fire-proof or quasi-fire-proof structure, or a quasi-fire-proof structure in accordance with a town development ordinance.
3. One-third or more of the legal lot-to-floor-area ratio must be utilized.
4. The per-housing floor area must be between 30 and 280 m<sup>2</sup> in principle.
5. Certain technical requirements must be met.



#### Project requirements

- The project must be one of the following:
1. Joint redevelopment project
  2. Project to secure useful open spaces
  3. Condominium reconstruction project
  4. Comprehensive design cooperation project
  5. Project conforming to area plans, etc.

\* The underlined items are limited measures until March 31, 2012.

### [Cases of town development loans (previously known as loans for rehabilitating residences in cities)]

#### ◆ Reconstruction of a condominium (Daikyo-cho condominium) (Shinjuku-ku, Tokyo)



#### Reconstruction of a condominium (Daikyo-cho condominium) (Shinjuku-ku, Tokyo)

Reconstruction of a condominium that was sold by the Tokyo Metropolitan Housing Supply Corporation where many senior citizens occupied. After a resolution for reconstruction was adopted in 2006, the JHF (then GHLC) supported project planning and the selection of project partners, and then a reconstruction union was established to lead the project. The union utilized town development loans (short-term funds), and also used Flat 35 to help right holders increase their floor area. The project was completed in March 2010.

#### ◆ Urban redevelopment project (Kakyoin) (Sendai, Miyazaki)



Photo courtesy of SS Tokyo Co., Ltd. Tohoku Branch

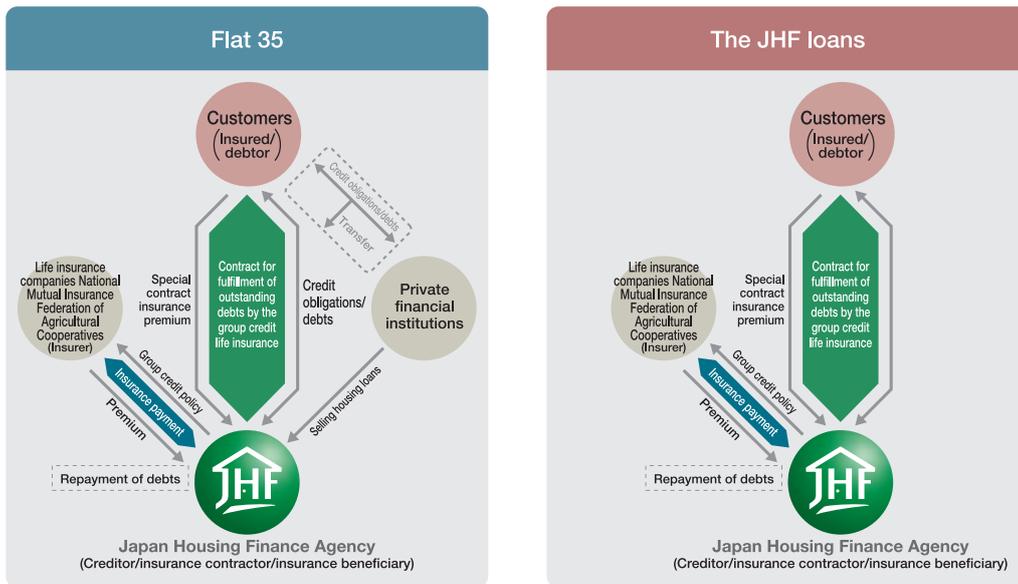
A redevelopment project for the district around the west gate of Sendai Station that was identified by war-damage land readjustment projects but had not been implemented for long. A preparation union was established in 1986 and it managed to create a good urban environment in a zone that functions as a gateway to Sendai. Hotels and high-rise residential buildings with shops were constructed, thereby improving the urban environment. The union for redevelopment utilized town development loans (short-term funds), and also used Flat 35 for houses built for sale. The project was completed in March 2010.

# Operation of group credit life insurance (mutual relief)

## Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a security system, in which if people who use Flat 35 or the JHF loan and join this system should die or incur a serious disability, etc., the outstanding loan balance is repaid by the insurance (mutual aid money) that is paid for by life insurance companies (or the National Mutual Insurance Federation of Agricultural Cooperatives).

### Scheme



### Details of the insurance

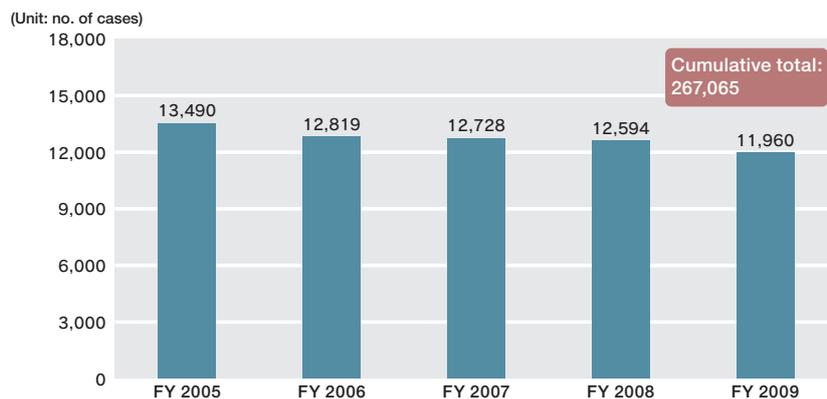
If people who join this system should die or incur a serious disability, the outstanding loan balance is fully repaid by this insurance.

Also, if the loan is co-borrowed with the spouse, both can join for this scheme (called "Duet") (only the JHF group credit life insurance).

Additionally, the JHF group credit life insurance, with security insurance for three major diseases (cancer, acute myocardial infarction and stroke) in addition to the cases of death and serious disability as an option.

### Repayment track record of the group credit life insurance

Since the establishment of the system in 1980, 270,000 cases were paid under this scheme.



# Technical Assessment

The JHF provides support for improving housing standards in accordance with its own technical criteria.

The JHF has established technical standards for thermal insulation, durability, etc., and conducts technical inspections based on the standards while ensuring conformity with the housing performance labeling system and other regulations. Further, the JHF checks for the issuance of compliance certificates based on the

Construction Standard Law for new houses. Technical inspections (both at the stage of drawings and on site of construction) for Flat 35 are performed by private inspection institutions, etc. that have agreements with the JHF.

## Applying for a loan



Drawings (floor drawings, vertical drawings, specifications, etc.) representing the planned house covered by the application are assessed to ensure that the house meets JHF technical standards.

A photograph showing several sheets of architectural blueprints and drawings spread out on a surface.

## Start of construction



When the roofing is completed, the planned house is assessed onsite to ensure that the house meets JHF technical standards.

A photograph of a house's wooden frame with a dark roof, showing the internal structure and roof trusses.



When the planned house is completed, leaving no work to be done, it is assessed on-site to ensure that it meets JHF technical standards.

A photograph of a finished, two-story detached house with a dark roof and light-colored exterior walls.

## Receipt of loaned funds

(Note) An example of a new detached house.

### Promotion of Flat 35-registered condominiums

The JHF is promoting the Flat 35-registered condominium scheme. Under this scheme, housing distributors can advertise and sell their condominiums as condominiums permitted to use Flat 35 by having a technical inspection of the entire condominium complex for Flat 35 carried out in advance. In addition, paperwork is simplified by the technical inspection being performed en bloc.

Long-term and fixed interest-rate housing loans in cooperation with the private sector

# 【フラット35】

Registered condominium

### Encouraging Quality Housing

Flat 35 secures housing quality and supports the improvement of housing standards through the original technology standards specified by JHF. Specifically, for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance,

through the support scheme for acquiring high-quality housing Flat 35S, JHF attempts to attract consumers to the high quality housing by giving preferred interest rates.

#### Housing with good energysaving performance



- Use heat-insulation materials sufficiently.
- Equip windows and doors with double-closing device.

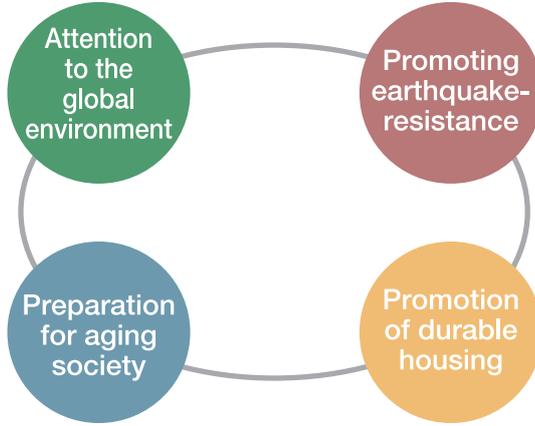
It is required that houses be more heatproof so that they consume less electricity and fossil fuels such as kerosene for heating and cooling in view of conserving the global environment.

#### Housing with excellent barrier-free facilities



- Ensure that there are no different levels on the same floor.
- Install handrails
- Make sufficiently wide corridors.

It should be a principle requirement in building houses that when new houses are built, they are built to be comfortable for elderly people as well as in case the house's occupant(s) require nursing care.



#### Housing with excellent seismic resistance



- Securing of wall quantity Balanced layout
- Strengthen joint parts of building frames
- Strengthen foundation

It is very important to prepare for large earthquakes, enhance housing seismic resistance and ensure safety.

#### Housing with good durability and variable performance



- Proof against decay and termites
- Ensure ventilation in the roof frame and under the floor

As Japan has become a mature society, there is now an urgent need for a good-quality housing stock to be built. Building as durable houses as possible and using them carefully for a long time will help us to protect our lives and the global environment.

### The establishment of the Quality Housing Guidelines

One of the main jobs of the JHF is to provide information on the design and construction of quality housing to consumers who plan to construct, purchase, or remodel their houses, as well as those in the housing industry. In connection with this, the JHF has estab-

lished the Quality Housing Guidelines that define recommendable housing.

For more information, refer to the JHF website: <http://www.jhf.go.jp/jumap>

# Management of Outstanding Loans

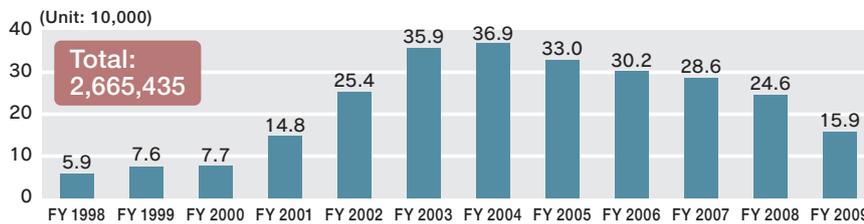
## The JHF provides security during the repayment period.

The JHF gives more frequent advice on repayment than ever to customers experiencing difficulty in repaying their loans in the adverse economic climate. Also we have prepared options for modifying repayment terms and conditions depending on family income, etc. to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed.

## Consultation system for housing loan repayment

The JHF holds a repayment counsel meeting by its employees frequently to consolidate its consultation system for housing loans. Also, at the respective entrusted financial institutions, JHF tellers provide advice on housing loan repayment.

### Result of consultation cases: 2,665,435 (April 1998 to the end of March 2010)



## Modification of repayment terms and conditions

Depending on the result of the abovementioned consultation, the JHF may take exceptional action to modify repayment terms and conditions in accordance with the Cabinet decision in October 1998. This helps a customer in significant difficulty repaying their loan by alleviating his/her repayment burden depending on his/her family income conditions, etc., to let him/her continue repayments. Other options for modification of repayment terms and conditions include adjustments to the proportion of monthly and bonus repayments and cancellation of bonus repayments.

〈Requirements of application for special preferential measures of repayment condition changes〉

1. If a customer has difficulty with repayment due to bankruptcy or changes in circumstances concerning the customer's employment; and
2. If the customer falls under any of the following items:
  - DTI (front ratio) is 25% or less;
  - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
  - DTI (back ratio) exceeds a certain percentage, and the income reduction rate reaches 20 percent or higher
3. If a customer is able to continue the repayment under a modified repayment term.



**Extension of the repayment period up to 15 years will alleviate monthly amortization of the customer.**

Of which, for people unemployed or suffered reduction of income more than 20%

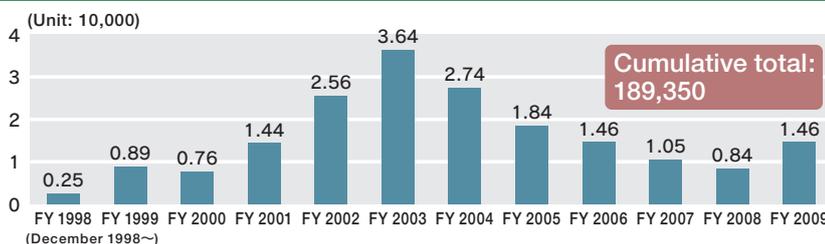


**Each repayment burden for the customer will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during that period\*.**

\*The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

- |  |  |
|--|--|
| [Loans under GHLC]                                     | [Flat 35]  |
| · Current interest rate of 6% or less: 1% reduction    | · 1% reduction regardless of the current interest rate |
| · Current interest rate of more than 6%: reduced to 5% |  |

### Results of workout measures of modifications: 189,350 (cumulative total of GHLC loans and Flat 35 since 1998)



## Strengthening of the business system in light of the enactment of the Small and Medium Sized Enterprises Finance Facilitation Law

In light of the enactment of the Act on Temporary Measures concerning the Facilitation of Financing for Small and Medium-Sized Enterprises (Act No. 96 of 2009, hereinafter referred to as the “Small and Medium Sized Enterprises Finance Facilitation Law”), the JHF reveals its business policies and strengthens the system based on the policies to provide more appropriate consultations on housing loans for customers.

### Business policies

1. The JHF fully recognizes its role as a safety net for customers who have difficulty in repaying their housing loans, provides consultations on repayment and presents better repayment alternatives.
2. The JHF pays due attention on the sustainability of the borrower after the modification.
3. The JHF provides detailed explanations to customers regarding repayment condition changes such as the increase of aggregate payment as a result of repayment changes.

### Strengthening of the implementation framework

Establishment of new positions and a new section to support customers who have difficulty making repayments

1. Newly-established positions and section at the head office
  - Executive Vice President in charge of workout plans shall supervise overall customer relations.
  - Director General in charge of workout plans shall support Executive Vice President as deputy
  - Secretariat in the department responsible for customer support to facilitate the supply of services
2. Newly-established positions at branch offices
  - Deputy Branch Manager in charge of workout plans shall supervise overall customer relations regarding mitigation measures in the branch offices.
  - Leader and sub-leader are assigned as directors in charge of workout plans.
3. Newly-established position responsible for customer support management at the Head Office
  - Director General in charge of customer relations is assigned as the supervisor for customer support with regard to workout plans, and the call center responds to queries from borrowers in this regard.

### Implementation status

Implementation status of measures in line with Article 4 of the Small and Medium Sized Enterprises Finance Facilitation Law (Dec. 4, 2009 - Mar. 31, 2010)

**(Table 1) Number of applications for loan modifications and their amount (in case borrowers are small and medium sized enterprises)**

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	102	20,870
Of which, the number of accepted applications and their amount	45	7,895
Of which, the number of rejected applications and their amount	2	814
Of which, the number of applications under underwriting and their amount	52	11,945
Of which, the number of withdrawn applications and their amount	3	216

Implementation status of measures in line with Article 5 of the Small Business Finance Facilitation Law (Dec. 4, 2009 - Mar. 3, 2010)

**(Table 2) Number of applications for loan condition changes and their amount (in case borrowers are individuals with mortgage obligation)**

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	18,154	245,613
Of which, the number of accepted applications and their amount	7,876	104,121
Of which, the number of rejected applications and their amount	579	8,149
Of which, the number of applications under underwriting and their amount	7,063	98,809
Of which, the number of withdrawn applications and their amount	2,636	34,533

# Research and survey on housing finance

## Research and study on housing finance to promote securitization

### Change in the environment surrounding housing finance

With the rapid progress of globalization, every aspect of the Japanese economy has been affected by global financial affairs and business trends, and the environment surrounding housing loans has become complicated. In addition, a structural shift in the Japanese housing loan market is taking place due to a decrease in the population of young people and a reduced number of families, which results from an aging population with a dwindling birthrate; an uncertain future outlook due to pension and nursing problems; and a shift in household/consumer lifestyles and the environment surrounding housing.

Under such circumstances, consumers who rarely have more than one opportunity to acquire a home in their lifetime have insufficient knowledge of housing loans, as they find only limited access to information disclosed on the market and face an imbalance of information.

It is therefore becoming increasingly important to provide information to make consumers to select appropriate housing loans.

### Surveys of the values and behavior of housing loan users

JHF researches and studies the values and behavior of housing loan users concerning the selection of housing loans, including interest rates in the housing loan market, the attributes of users of Flat 35 and other housing loans, sources of information on housing loans and reasons for their choices. The findings are made public on the JHF website, which counts hundreds of thousands of accesses a year, highlighting the great deal of attention that the site attracts as a source of information on the latest market trends.

### Provision of information for the promotion of long-term fixed-interest products

JHF provides information to consumers and market-related individuals to help customers select loan products that best suit them, with an appropriate understanding of product properties and interest rate risks, so that they can consider not only initial interest rate standards but also interest rate fluctuations during the repayment period and changes in the outstanding loan.

### Surveys in the United States, Europe, etc.

Surveys on overseas housing finance markets  
The JHF collects data related to overseas housing finance markets and presents them on its website. It also collects the latest information on overseas housing finance markets through literature research and field investigation, and reports their effects on Japan through finance and economy magazines and its own Housing Finance Quarterly. In addition, the JHF interacts with international organizations and public/private institutions overseas to provide information on Japan, thereby deepening mutual understanding and making international contributions.

### Exchange with academic fields through forums, etc.

JHF holds symposiums and forums nationwide concerning housing and finance, inviting high-profile figures as speakers. Such events are jointly planned with the Ministry of Land, Infrastructure and Transport and Tourism (MLIT) and the Housing Loan Promotion Association. In these events, information is exchanged among representatives from wide-ranging fields, and participants can hear results of findings. In parallel, the JHF assists projects to support young researchers by subsidizing their research and offering rewards to outstanding research.

### ■ Fiscal 2009 surveys (draft)

Title	Target	Propose
Survey of housing loans taken out anew and outstanding loan balances	Relevant parties and organizations	Amounts of loans extended by individual parties and organizations, outstanding loan balances, and statistics tallied on a quarterly and annual base
Survey of trends of private-sector housing loans being extended	Private-sector financial institutions	Questionnaires concerning housing loan policies of private-sector financial institutions, defining features of individual housing loans, inspections of applicants by financial institutions, and trends of securitizing housing loans
Survey of recipients of housing loans	Recipients of housing loans (incl. Flat 35 users)	Internet survey of the breakdown of extended housing loans (incl. Flat 35) by interest rates, awareness among recipients about interest risk, responses to an increase in repayments caused by a rise in interest rates, and profiles of recipients
Survey of potential housing loan recipients	Potential housing loan users	Web survey on property acquisition plans, desired interest type of housing loans, etc.
Survey of Flat 35 recipients	Flat 35 users	Survey of recipient profiles, repayment plans and mortgaged properties
Survey of housing finance abroad	Overseas housing finance markets	Collecting data and information on housing finance markets abroad, including the United States and Europe, in addition to organizing fact-finding surveys
Housing and finance forum	Symposiums and forums concerning housing and finances with high-profile figures invited from wide-ranging fields as speakers. Intended for the exchange of information and opinions between participants and planned with the Ministry of Land, Infrastructure, Transport and Tourism and the Housing Loan Progress Association. Rewarding reports with viable ideas, assistance with subsidized research and encouraging the publication of reports.	

Results of research that JHF conducted are available at our website (<http://www.jhf.go.jp/research/index.html>) including past research results.

# Measures related to Economic Stimulus Packages of GOJ

## JHF has expanded its programs in accordance with governmental economic Stimulus Packages

JHF has expanded its programs in accordance with a series of economic Stimulus Packages starting with the Comprehensive Immediate Policy Package to Ease Public Anxiety (announced on August 29, 2008), to provide liquidity to mortgage market and real estate industries.

### Major efforts related to the Comprehensive Immediate Policy Package to Ease Public Anxiety (announced on August 29, 2008)

#### 《Efforts related to securitization business ([Flat 35])》

- (1) Review of requirements for the support scheme for acquiring high-quality housing([Flat 35]S)(reduction from two requirements to just one)
- (2) Expansion of the loan limit for remodeling within a certain period after the purchase of a used house

### Major efforts related to the Economic Policy Package: Measures to Support People's Daily Lives (announced on October 30, 2008), the Immediate Policy Package to Safeguard People's Daily Lives (announced on December 19, 2008) and the Immediate Policy Package for Revitalization of the Housing and Real Estate Markets (announced on December 15, 2008)

#### 《Efforts related to securitization business ([Flat 35])》

- (1) Extension of the interest cut period in the support scheme for acquiring high-quality housing([Flat 35]S)(from the first 5 years to the first 10 years)
- (2) Inclusion of existing houses to the support scheme for acquiring high-quality housing([Flat 35]S)

#### 《Efforts related to town development loans (short-term business funds)》

- (1) Relaxation of the requirements for open spaces in the Useful Open-space Promotion Project (reduction from the legal open-space ratio + 20% to legal open-space ratio + 10%)
- (2) Comprehensive design cooperation and area-planning conformity projects(Limited to reconstruction → also applicable to new construction)
- (3) Addition of areas with high housing demand to the list of areas that require improvement by regional requirements

\* The underlined items are temporary measures until March 31, 2012.

### Major efforts related to the Policy Package to Address the Economic Crisis (announced on April 10, 2009)

#### 《Efforts related to securitization business ([Flat 35])》

- (1) The loan-to-value ratio was increased from 90 to 100% (GSE Model)
- (2) Expansion of the range of expenses subject to loans (GSE Model and FHA/GNMA Model)
- (3) Extension of initial interest rate reduction (0.3%) period from 10 to 20 years for long-life housing by introduction of Flat 35 S (20-year interest rate-cut type) (GSE Model and FHA/GNMA Model)
- (4) Inclusion of refinance loans (GSE Model)

#### 《Efforts related to housing loan insurance》

- (1) Establishment of the 100% coverage ratio type in addition to the 90% type
- (2) Abolition of the assessment rate of collateral for the 100% coverage ratio type (special personal loan insurance [private financial institution loan type]) and inclusion of miscellaneous expenses as a subject of insurance
- (3) Reduction of the insurance premium
- (4) Inclusion of refinance loans

#### 《Efforts related to town development loans (short-term business funds)》

- (1) Relaxation of the site-area requirement in the Useful Open-space Promotion Project (from 500 m<sup>2</sup> or more to 300 m<sup>2</sup> or more)
- (2) Relaxation of the required ratio of the housing part in relation the entire building (from over 1/3 to 1/4 or more)
- (3) Relaxation of the required ratio of the used floor-area ratio in the legal floor-area ratio (from 1/2 or more to 1/3 or more)

\* The underlined items are temporary measures until March 31, 2012.

### Major efforts related to the Emergency Economic Countermeasures for Future Growth and Security (endorsed by the Cabinet on December 8, 2009)

#### 《Efforts related to securitization business ([Flat 35])》

Expansion of the interest rate reduction from 0.3% to 1.0% for the first 10 years in the support scheme for acquiring high-quality housing Flat 35S (GSE Model and FHA/GNMA Model)

\* Temporary measures for customers applying by December 30, 2010

#### 《Efforts related to housing loan insurance》 Premium reduction

\* Temporary measures for loans approved by December 30, 2010

# Efforts to Address Environmental Problems, etc.

## ● Efforts to address global warming

The JHF formulated the “Plan to address Global Warming” in October 2008 and strives to prevent global warming (CO<sub>2</sub> reduction).

### 《“Plan to address Global Warming” (excerpt)》

#### ■ Purpose of the plan

In light of its public status, the JHF formulated a plan to address global warming, and aims to contribute to the achievement of Japan’s greenhouse gas emission target and the conservation of the Earth’s environment.

#### ■ Principle of the plan

The JHF has already made behavioral and operational efforts to reduce CO<sub>2</sub> emissions, including the implementation of Cool Biz, lights-out during lunch break, turning off lights after using rest rooms, and reducing the quantities of paper for copying. In the future, efforts related to facility operation are expected to produce a significant reduction in CO<sub>2</sub> emissions. Accordingly, the JHF plans to strengthen such efforts as the introduction and replacement of cost-effective, energy-saving facilities in the head office building, which generates 70% of the agency’s total CO<sub>2</sub> emissions, while continuously making behavioral and operational efforts, including turning off lights appropriately, maintaining proper room temperatures and controlling facility run-time.

#### ■ Period of the plan

This plan is implemented for the period of FY 2008 to FY2012, to be reviewed are made as necessary based on the implementation status and technological advancement.

#### ■ Scope of the plan

This plan is implemented in all office work and projects carried out by the agency except for commissioned work.

#### ■ Goal

10% reduction of average greenhouse gas (CO<sub>2</sub>) emissions between FY 2010 and FY 2012 from FY2006 levels

#### ■ Efforts to reduce greenhouse gas emissions (items)

- Thoroughly effective operation and control of facilities in the head office/branch office buildings
- Introduction and replacement of energy-saving facilities in the head office building
- Eco-friendly approach to the purchase and use of commodities
- Other efforts to reduce greenhouse gas emissions
- Employee education

#### CO<sub>2</sub> emissions (results)

CO <sub>2</sub> emissions in FY 2006 (t-CO <sub>2</sub> /year)	CO <sub>2</sub> emissions in FY2007 (t-CO <sub>2</sub> /year)	CO <sub>2</sub> emissions in FY2008 (t-CO <sub>2</sub> /year)
2,360.4	2,198	2,155.4

## ● Koraku Ryokudo (greenway): Landscape Creation Prize of the 9th Fumi no Miyako Urban Landscape Award

Koraku Ryokudo, which is maintained and managed by the JHF and four other organizations (Toyota Motor Corporation, Mori Building, Tokyo Metropolitan Government Bureau of Sewerage and Court Resident Tower Management Association), received the Landscape Creation Prize of the 9th Fumi no Miyako Urban Landscape Award from Tokyo's Bunkyo Ward in February 2010.

Koraku Ryokudo is maintained and managed by a management council comprised of the five organizations adjacent to Koishikawa Korakuen Garden, which used to be the garden of the Mito Tokugawa family's city residence and has been designated as a special place of scenic beauty and a special historic site by the national government. The prize was given to Koraku Ryokudo, which was appreciated as a pleasant, convenient building area surrounded by the green landscapes of Koishikawa Korakuen Garden.

The JHF cooperates with the four other organizations to install roofed mud-walls and information boards in consideration of the cultural asset.



### \* Fumi no Miyako Urban Landscape Award

In order to promote the development of beautiful landscapes in the 21st century and raise the awareness of local residents and businesses regarding landscape formation, Bunkyo Ward has given awards to buildings and local activities contributing to landscape formation since 2001. These include the Landscape Creation Prize, Furusato Landscape Prize, Landscape Development Prize and Landscape Advertisement Prize. The Landscape Creation Prize is given to buildings, roads and parks that create landscapes suitable for the local townscape.

## ● Participation in the Challenge 25 Campaign

The JHF is a participant in the Challenge 25 Campaign (secretariat: Global Environment Bureau, Ministry of the Environment), which is a national movement for the reduction of CO2 emissions through the proposal of concrete measures and their implementation.

独立行政法人 住宅金融支援機構は  
チャレンジ25キャンペーンに参加しています。



## ● Procurement of eco-friendly goods

In accordance with the provisions of Article 7 of the Act on Promoting Green Purchasing (Act concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities, Act No. 100 of 2000), the JHF formulates and releases a procurement policy each year to promote the procurement of goods/services contributing to the reduction of environmental burdens (eco-friendly goods, etc.). The procurement policy and the results are outlined on the JHF website(<http://www.jhf.go.jp/teikyo/index.html>).

This booklet is also made of paper that satisfies requirements by the Act on Promoting Green Purchasing.