

Product Outline

Product outline of Flat 35 (Purchase Program)

As of April 1, 2011

<p>Application requirements</p>	<ul style="list-style-type: none"> ● Be less than 70 years of age (if the two-generation loan repayment scheme (there are certain requirements) is applied, this loan applies also to people aged 70 years and over). ● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. ● 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, but the repayment period may be extended). <table border="1" data-bbox="316 450 887 510"> <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> <p>* 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).</p> <ul style="list-style-type: none"> ● 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 <p>(Note 1) The income, in principle, must be based on income of the year before the fiscal year in which the application is made (in the case of FY 2012, the income must be based on income between January and December 2011 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
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
<p>Purpose of the loan</p>	<ul style="list-style-type: none"> ● Loans for construction/purchase of a new home or purchase of an existing home for occupation by the applicant or relatives ● Loans for construction/purchase of a house for weekends (a second house) to be used by the applicant <p>(Note) This loan cannot be offered for reform of a house.</p>						
<p>House covered by loan</p>	<ul style="list-style-type: none"> ● Houses that satisfy the technical criteria set by JHF ● Have a floor area*¹ of 70 m² or more for a detached house, a terrace house style including semi-detached house and a flat **style, ² or 30 m or more for a condominium style, etc. <table border="1" data-bbox="316 790 1078 846"> <thead> <tr> <th>Detached house, terrace house style including semi-detached house, flat style</th> <th>70 m² or more</th> </tr> </thead> <tbody> <tr> <th>Apartment complex (condominium and similar)</th> <th>30 m² or more</th> </tr> </tbody> </table> <p>* 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.). * 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. ● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax). ● No conditions on the size of land for the house</p>	Detached house, terrace house style including semi-detached house, flat style	70 m ² or more	Apartment complex (condominium and similar)	30 m ² or more		
Detached house, terrace house style including semi-detached house, flat style	70 m ² or more						
Apartment complex (condominium and similar)	30 m ² or more						
<p>Amount of the loan</p>	<p>One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 90% or less of construction or purchase cost (excluding costs for the nonresidential space)*.</p> <p>* 100% or less if Flat 35S Eco is used, but this value is planned to be changed to 90% or less from the day after the end of the expanded program based on the FY 2011 third supplementary budget (please visit the Flat 35 website (www.flat35.com) for more information).</p>						
<p>Duration of the loan</p>	<ul style="list-style-type: none"> ● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over at the *^{1,2}time the application is filed) or over, and whichever is shorter between 1) and 2) below (increment: 1 year) ① 80 years minus the age of the applicant at the time the application is filed with the part of the period less than one year counted as one year. * 1 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower. * 2 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower. ② 35 years <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>						
<p>Borrowing rate</p>	<ul style="list-style-type: none"> ● Fixed rate*¹ ● The borrowing rate **^{2,3} applicable to loans of 20 years and under is different from the rate applicable to loans of 21 **⁴ years and over. * 1 Under Flat 35S, the interest rate is reduced for a certain period (please visit the Flat 35 website for more information). * 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). * 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. * 4 Some financial institutions offer the same borrowing rate regardless of the duration of the loan. 						
<p>Amortization</p>	<ul style="list-style-type: none"> ● 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. 						
<p>Collateral</p>	<ul style="list-style-type: none"> ● JHF holds a first-lien mortgage on the house and land to which the loan is extended. <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>						
<p>Surety</p>	<ul style="list-style-type: none"> ● Not required. 						
<p>Group credit life insurance</p>	<ul style="list-style-type: none"> ● The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events. <p>(Note) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions.</p>						
<p>Fire insurance</p>	<ul style="list-style-type: none"> ● Customers of the scheme must until the end of repayment of the loans take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the customer or a mutual aid fire insurance stipulated by laws; the same hereinafter) for the dwelling that is the purpose of borrowing the loan. ● The insurance amount must at least equal the loan amount (Note) and the subject of indemnification must be fire damage to the building. (Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the loan amount. ● If a mortgage is placed on the lot, the insurance period, premium payment method and requirements for a pledge vary by the financial institution offering the loan. If a mortgage is not placed on the lot, the maturity date of the insurance policy shall be the day of the final repayment or later, 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. <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p>Fees for the Origination of the loan Fees for the inspection of the property</p>	<ul style="list-style-type: none"> ● Origination fees *^{1,2} may differ between financial institutions offering loans. ● Different institutions/experts that certify suitability impose different fees for inspecting properties.*² * 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com). * 2 Origination fees and property inspection fees shall be paid by the borrower. 						
<p>Guarantee Fee and Prepayment penalty</p>	<ul style="list-style-type: none"> ● Not required. <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 JHF which purchases the loan.

Product outline of Flat 35 (loan refinance)

As of April 1, 2011

<p>Application requirements</p>	<ul style="list-style-type: none"> 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"> 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. 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. Be less than 70 years of age (if the two-generation loan repayment scheme is applied (there are certain requirements), this loan applies also to people aged 70 years and over). Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. 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) <table border="1" data-bbox="264 367 834 416"> <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"> 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). Those who have not missed a repayments on an outstanding loan for at least one year from the loan agreement date (*) to the refinance application date. The loan agreement date is the date when a new borrower is registered in case the original borrower is changed due to inheritance or other reason (excluding the addition of a borrower). <p>(Note 1) The property subject to the loan must be owned by the applicant and must be occupied by the applicant or relatives. * Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant. (Note 2) Income for the year before the year of application (between January and December 2011 in the case of FY 2012) 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
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
<p>Purpose of the loan</p>	<ul style="list-style-type: none"> Refinancing for the housing loan of either ① or ② outlined below <ul style="list-style-type: none"> Construction/purchase of a house that is owned and occupied by the applicant <ul style="list-style-type: none"> Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant. Construction/purchase of a house that is owned by the applicant and occupied by relatives <p>(Note) Loans other than housing loans, e.g., multi-purpose loans and investment loans, are not eligible for refinancing, nor are housing loans for housing improvements.</p>						
<p>Requirements for the housing loan and house that are subject to refinancing</p>	<ul style="list-style-type: none"> The amount of the original loan taken out at the acquisition of a house shall meet the following requirements: <ul style="list-style-type: none"> 80 million yen or less The total LTV (loan to value**1-2) ratio is 100% or less. <ul style="list-style-type: none"> *1 The cost for acquiring the lot is included. *2 The charges incurred at the acquisition of the house is excluded. 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). Have either of the following floor area: *1 <table border="1" data-bbox="264 819 1023 869"> <tbody> <tr> <td>A detached house, a terraced house (including a semi-detached house) and a flat*2</td> <td>70 m² or more</td> </tr> <tr> <td>A condominium, etc.</td> <td>30 m² or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> *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.). *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. No conditions on the size of land for the house Houses that satisfy the technical criteria etc. set by JHF. 	A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m ² or more	A condominium, etc.	30 m ² or more		
A detached house, a terraced house (including a semi-detached house) and a flat*2	70 m ² or more						
A condominium, etc.	30 m ² or more						
<p>Amount of the loan</p>	<ul style="list-style-type: none"> 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 JHF (in increment of 10 thousand yen) 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 JHF's group credit life insurance (for the first year); and ⑥ fees for the inspection of the property for Flat 35 						
<p>Duration of the loan</p>	<ul style="list-style-type: none"> 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"> 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. <ul style="list-style-type: none"> * 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. * 2 If the two-generation loan repayment scheme is applied (there are certain requirements), the loan conditions shall be based on the age of the successor regardless of any co-borrower. ② 35 years less the month elapsed on the outstanding mortgage rounded at one year increment <ul style="list-style-type: none"> * 1 Starting date of the calculation is the date of closing on the outstanding mortgage * 2 This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan. (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>Borrowing rate</p>	<ul style="list-style-type: none"> Fixed rate The borrowing rate *1,2 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years*3 and over. <ul style="list-style-type: none"> * 1 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). * 2 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. * 3 Some financial institutions offer the same borrowing rate regardless of the duration of the loan. 						
<p>Amortization</p>	<ul style="list-style-type: none"> 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. 						
<p>Collateral</p>	<ul style="list-style-type: none"> JHF holds a first-lien mortgage on the house and land to which the loan is extended. <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>						
<p>Surety</p>	<ul style="list-style-type: none"> Not required. 						
<p>Group credit life insurance</p>	<ul style="list-style-type: none"> The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events. 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 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. <p>(Note 1) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions. (Note 2) If customers who have JHF credit life insurance have paid off the housing loan at refinancing, etc., premiums paid are not refunded.</p>						
<p>Fire insurance</p>	<ul style="list-style-type: none"> Customers of the scheme must until the end of repayment of the funds take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the borrower or a mutual aid fire insurance stipulated by laws; the same hereinafter) for the dwelling that is the purpose of borrowing loan. Thea insurance amount must at least equal the outstanding loan amount (Note) and fire damage to the building must be the subject of indemnification. (Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the outstanding loan amount. Insurance periods and insurance premium payment methods differ depending on the handling financial institution. If no mortgage has been established on the lot, the fire insurance must have a payment mode whereby insurance premiums are paid in a single long-term payment to ensure that the date of insurance maturity falls on or after the end of the final repayment of the refinancing loan. Moreover, with respect to the right to claims to the fire insurance money, a first-ranking right of pledge must be established for the Japan Housing Finance Agency as pledge. If a mortgage is placed on the lot, the insurance period and premium payment method and requirements for a pledge vary by the financial institution offering the loan. If a mortgage is not placed, the maturity date of the insurance policy shall be the day of the final repayment or later, 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 fire insurance that was already taken out before refinancing meets requirements prescribed as above, 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 refinancing loan or if the maturity date comes after the final repayment of the refinancing loan with yearly payment of insurance premium, 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 on the final repayment or later. In addition, JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits. <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p>Fees for loan origination and property inspection</p>	<ul style="list-style-type: none"> Origination fees *1,2 may differ between financial institutions offering loans. Fees for the inspection of the property are*2 necessary to certify the conformity with technical standards prescribed by JHF in a document. Different institutions/experts that certify suitability impose different fees for inspecting properties*2. * 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com). * 2 Origination fees and property inspection fees shall be paid by the borrower. 						
<p>Guarantee Fee and Prepayment penalty</p>	<ul style="list-style-type: none"> Not required. <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>						
<p>Special matters in the case of refinance</p>	<ul style="list-style-type: none"> Flat 35 S is not applicable to loan refinancing. 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. 						

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

Risk-monitored Loans

JHF has, in spite of not being an organization subject to the Bank Law (Law no. 59 of 1981), disclosed risk-monitored loans since FY 1997, according to the standards of disclosure used by private financial institutions. As for risk-monitored loans of FY 2000 and later, JHF has disclosed in accordance with standards formulated based on the results of internal rating. Not all of the risk monitored loans result in the losses because these loans are covered by the first lien upon the property or equivalent collateral.

Table of risk-monitored loans for FY 2007 to FY 2011

(Unit: 100 million yen, %)

Category	FY 2007				FY 2008				FY 2009			
	Outstanding loans ^{*1}	Purchased loans, etc. ^{*2}	Claims ^{*3}	Total	Outstanding loans ^{*1}	Purchased loans, etc. ^{*2}	Claims ^{*3}	Total	Outstanding loans ^{*1}	Purchased loans, etc. ^{*2}	Claims ^{*3}	Total
Loans to borrowers in default (A)	2,562	20	432	3,014	2,163	38	252	2,453	1,980	65	210	2,256
Seriously delinquent loans (B)	9,105	66	2,165	11,335	8,362	138	1,444	9,944	8,054	251	999	9,304
Loans past due 3 months or more (C)	865	29	0	894	1,091	59	0	1,149	1,436	169	0	1,605
Subtotal (D) = (A) + (B) + (C)	12,531	115	2,597	15,243	11,616	235	1,696	13,547	11,471	485	1,209	13,165
Ratio: (D) / (G) x 100	3.31	0.26	100	3.58	3.49	0.47	100	3.52	4.05	0.82	100	3.83
Loans under mitigation (E)	20,235	208	0	20,443	17,456	216	0	17,672	15,677	332	0	16,009
Total (F) = (A) + (B) + (C) + (E)	32,767	323	2,597	35,686	29,072	451	1,696	31,218	27,148	817	1,209	29,174
Ratio: (F) / (G) x 100	8.65	0.72	100	8.37	8.73	0.89	100	8.10	9.59	1.38	100	8.49
Balance of principle (G)	378,949	44,772	2,597	426,318	332,983	50,543	1,696	385,221	283,175	59,143	1,209	343,527

(Unit: 100 million yen, %)

Category	FY 2010				FY 2011			
	Outstanding loans ^{*1}	Purchased loans, etc. ^{*2}	Claims ^{*3}	Total	Outstanding loans ^{*1}	Purchased loans, etc. ^{*2}	Claims ^{*3}	Total
Loans to borrowers in default (A)	1,769	65	128	1,961	1,191	71	33	1,296
Seriously delinquent loans (B)	7,022	517	569	8,108	5,600	562	168	6,330
Loans past due 3 months or more (C)	1,466	168	0	1,634	1,397	193	0	1,590
Subtotal (D) = (A) + (B) + (C)	10,257	750	697	11,704	8,188	827	200	9,215
Ratio: (D) / (G) x 100	4.34	0.91	100	3.66	4.16	0.80	100	3.06
Loans under mitigation (E)	14,946	482	0	15,428	13,664	595	0	14,259
Total (F) = (A) + (B) + (C) + (E)	25,203	1,232	697	27,132	21,852	1,422	200	23,474
Ratio: (F) / (G) x 100	10.66	1.49	100	8.48	11.09	1.37	100	7.80
Balance of principle (G)	236,456	82,805	697	319,959	197,020	103,851	200	301,071

(Note) The totals may differ due to the figures being rounded off.

JHF discloses risk-monitored loans based on the results of internal rating asset.

*1 "Outstanding loans" are loans for which applications were accepted in and before FY 2004 (excluding loans for property accumulation saving scheme-tied houses).

*2 "Purchased loans, etc." are purchased loans and loans receivable excluding "outstanding loans".

*3 "Claims" are loans acquired by liquidating the liabilities that were inherited, together with rights, from the defunct Housing Loan Guarantee Corporation when JHF was transformed into an incorporated administrative agency on April 1, 2007.

(Notes)

1. Loans to borrowers in default (A)

These are the outstanding principal balance of loans to borrowers categorized as borrowers in default as a result of self-assessment.

2. Seriously delinquent loans (B)

These are the outstanding principal balance of loans to borrowers categorized as borrowers in default or with high probability of default as a result of self-assessment.

3. Loans past due 3 months or more (C)

These are the outstanding principal balance of loans where the repayment or interest payment is contractually past due 3 months or more and are not classified as loans to borrowers in default (A) or seriously delinquent loans (B).

4. Loans under mitigation (E)

These are the outstanding principal balance of loans for which such arrangements favoring borrowers as reduction of interest, or moratorium on repayment of interest or principal (hereinafter called modification of repayment terms) are given to support borrowers' restriction, and are not classified as loans to borrowers in default (A) or seriously delinquent loans (B).

When loans, in principle, in the 4 years after the modification of repayment terms (1 year in the case of loans to businesses) are repaid as scheduled, they are excluded from restructured loans because their credit risk is deemed to be equal to that of normal claims. Outstanding principal balance of loans which corresponds to the above description and were not classified as restructured loans totaled 147.3 billion yen.

Disclosed restructured loans include those whose terms are revised by requirements, such as government economic stimulus package.

5. Remark

Not all of the disclosed outstanding amount result in losses because JHF's loans are covered by the first lien upon the property or equivalent collateral.

[Loans under mitigation]

JHF provides consultations on loan repayment and offers loan modification according to the circumstances for supports people who have difficulties in repaying their loans due to changes in the living environment and large-scale natural disasters, such as the Great Hanshin Awaji Earthquake and the Great East Japan Earthquake, so that they can continue to live in their homes, a basic necessity of human life.

For persons experiencing difficulty with repayment of loans due to their company's bankruptcy or other reasons, JHF has also prepared preferential measures according to the Cabinet decision of October 1998 and offer restructuring of loan terms corresponding to the government measures.

The corporation risk managed loans account for about 61%, but for the aforementioned policy objectives, however, it is unlikely that this will directly lead to a surge in bad loans because of low credit loss rate compared to other risk-monitored loans.

JHF allows modification to repayment terms so that borrowers can continue to live in their homes for as long as possible, and hence strives to maintain and improve our financial soundness.

Self-assessment and risk-monitored loans in FY 2011

(Unit: 100 million yen)

	Categories of borrowers under self-assessment	Category of assets under self-assessment				Reserves (reserve ratio)	Risk management	
		Non-categorized	Category II	Category III	Category IV			
Existing loans	Substantially defaulted borrowers 1,200	Portions secured by collateral and guarantees 577		Provision for portions excluding those secured by collateral and guarantees 623		Specific reserve for possible loan losses 623 (100%)	Loans to borrowers in default 1,191	
	Borrowers in default 2,638	Portions secured by collateral and guarantees 1,213		Provision for portions excluding those secured by collateral and guarantees 1,424			1,424 (100%)	Seriously delinquent loans 5,600
	Borrowers with high probability of default 2,998	Portions secured by collateral and guarantees 1,604		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 1,394			815 (58.5%)	
	Watch-list borrowers	Borrowers requiring caution 15,245	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 15,245				General reserve for possible loan losses 1,503 (9.9%) 176 (4.0%)	Loans past due 3 months or more 1,397
		Other borrowers requiring caution 4,377	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 4,377					Restructured loans 13,664
	Normal borrowers 171,085	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 171,085				274 (0.2%)		
Purchased loans, etc.	Substantially defaulted borrowers 72	Portions secured by collateral and guarantees 32		Provision for portions excluding those secured by collateral and guarantees 40		Specific reserve for possible loan losses 40 (100%) 267 (100%)	Loans to borrowers in default 71	
	Borrowers in default 439	Portions secured by collateral and guarantees 172		Provision for portions excluding those secured by collateral and guarantees 267			Seriously delinquent loans 562	
	Borrowers with high probability of default 129	Portions secured by collateral and guarantees 83		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 46			19 (41.2%)	
	Watch-list borrowers	Borrowers requiring caution 813	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 813				General reserve for possible loan losses 88 (10.9%) 77 (1.8%)	Loans past due 3 months or more 193
		Other borrowers requiring caution 4,377	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 4,377					Restructured loans 595
	Normal borrowers 98,145	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 98,145				157 (0.2%)		
Claims	Substantially defaulted borrowers 33	Portions secured by collateral and guarantees 10		Provision for portions excluding those secured by collateral and guarantees 23		Specific reserve for possible loan losses 23 (100%) 91 (100%)	Loans to borrowers in default 33	
	Borrowers in default 168	Portions secured by collateral and guarantees 78		Provision for portions excluding those secured by collateral and guarantees 91			Seriously delinquent loans 168	

○ The figures are rounded off.

○ The reserve ratios for the "borrowers in default and substantially defaulted borrowers" and "borrowers with high probability of default" categories are applied to the amount deducting portions secured by collateral and guarantees while the reserve ratios for the "watch list borrowers" and "normal borrowers" are applied to entire outstanding loan balance.

◀ Major differences between self-assessment and risk-monitored loans

• Self-assessment loans cover GHLC originated loans, purchased loans, interest on GHLC loans receivable, interest on purchased loans receivable, suspense payable, and advance payments while risk-monitored loans cover GHLC originated loans and purchased loans.

• Borrowers are categorized by the repayment and financial conditions of borrowers in self-assessment and by the repayment of loans excluding loans to borrowers in default and seriously delinquent loans in risk-monitored loans.

Policy Cost Analysis

Policy cost analysis is made by related organizations as follows: (1) set certain premises (future interest rates, business scale, etc.) for businesses using Fiscal Investment and Loan Program to estimate future cash flow; (2) based on this, determine discounted present value by subtracting the amount to be repaid to the national treasury (repayment to the national government) from the amount of subsidies to be provided by the national government for the implementation of projects under the program (subsidies from the national government); and (3) add the amount of the interest payment-reduction effect of capital and other investments already made (opportunity cost for the government).

The results for FY 2011 were announced by the Ministry of Finance in July 2011 after the Fund Operation Council's Sub-committee on Fiscal Investment and Loan Program examined the policy costs of government-affiliated corporations and incorporated administrative agencies that were subject to Fiscal Investment and Loan Program.

The results of policy cost analysis on JHF showed that a policy cost of \triangle ¥400 million as the present value will accrue in the future. In the analysis, the opportunity cost of government investments, etc. were calculated under the premises of (1) conducting business based on fiscal investment and loan plan for FY 2011 with no such business being conducted in FY 2012 and thereafter and (2) repaying all investments to the national government in FY 2037, the end of the analysis period, when all GHLC originated loans will be collected.

1. Business using Fiscal Investment and Loan Program

Loans for disaster-affected people to reconstruct their damaged housing (Reference) The businesses that are not covered by Fiscal Investment and Loan Program include securitization support, housing loan insurance and housing loan origination (excluding disaster mitigation loans).

2. Planned amount for Fiscal Investment and Loan Program

(Unit: 100 million yen)

Planned amount for Fiscal Investment and Loan Program in FY 2011	Estimated balance in FILP account at the end of FY 2010
300	216,599

(The estimated balance in FILP account at the end of FY 2010 also includes balances other than that of disaster mitigation loans)

3. Results of the business and its social/economic benefits

- Results of loan origination
Number of houses: 202,633 units
Amount: ¥1.6843 trillion
(As of the end of FY 2009, contract base)
- Long-term, fixed and low-interest loans for disaster-affected people
 - Provide long-term, fixed and low-interest loans for affected people soon after a disaster to smoothly restore damaged houses
- Disasters eligible for disaster mitigation loans
 - Until 2008, Disasters that have caused damage above a certain level as prescribed in the Disaster Relief Act
 - Since FY 2009, based on the recent changes in disaster incidences and in society, irrespective of the magnitude of the disaster damage, loans for disaster mitigation are provided expeditiously after a natural disaster has occurred.

Variation in contracts by fiscal year (for the last 10 years)

(Unit: dwelling unit, million yen)

Fiscal year	Number of dwellings	Amount	Fiscal year	Number of dwellings	Amount
FY2001	1,128	11,416	FY2006	84	979
FY2002	329	4,564	FY2007	71	726
FY2003	855	9,365	FY2008	26	292
FY2004	395	3,562	FY2009	7	26
FY2005	411	4,060	FY2010	\triangle 94	\triangle 1,468

* Negative figures \triangle in the results of loan origination represent situations where the amount of loans declined or canceled in this fiscal year (including loans that were approved in previous fiscal years but were canceled in this fiscal year) surpassed amount of loans approved.

- Measures for the Great Hanshin Awaji Earthquake
 - Results of loan origination for disaster mitigation concerning the Great Hanshin Awaji Earthquake
Number of houses: 70,619 units
Amount: ¥1,5032 billion
(As of the end of FY 2010, contract base)

4. Values estimated in policy cost analysis for the business

[Policy cost] (Unit: 100 million yen)

Category	FY 2010	FY 2011	Change
1. Subsidies from the national government	-	-	-
2. Fund transfer to the national government	-	-	-
Subtotal of 1 and 2	-	-	-
3. Opportunity cost for investment from the national government	1	4	+ 3
Subtotal of 1 to 3	1	4	+ 3
4. Reduction in loss	-	-	-
Total of 1 to 4 = policy cost (A)	1	4	+ 3
Analysis period (year)	27	27	-

[Comparative analysis in temporal change] (Unit: 100 million yen)

Category	FY 2010	FY 2011	Change
(A) Policy cost (relisting)	1	4	+ 3
(A') Policy cost obtained by recalculating (A) at the same interest rate applied in the analysis for FY 2009	1	5	+ 4
(B) Of (A'), policy cost to accrue after FY 2010	1	5	+ 4

The policy cost for 2011 was \triangle ¥400 million. Comparing the figure after eliminating the influence from premise interest changes in FY 2010 and FY 2011 with the policy cost that will accrue in and after FY 2011, the actual policy cost is considered to be increased by ¥0.4 billion from FY 2011.

These material cost increases are thought to be due to the following factors.

- Cost increase from higher expenditure for clerical operations due to new loans made in FY 2010 (+¥0.2 billion)
- Cost increase from a growing number of write-offs (+¥0.2 billion)

[Breakdown of policy cost in terms of the time of investment]

(Unit: 100 million yen)

Category	FY 2010	FY 2011	Change
(A) Policy cost (relisting)	1	4	+ 3
① Opportunity cost for investment provided by the start of analysis	42	38	\triangle 4
② Newly estimated policy cost during the period of analysis	\triangle 41	\triangle 34	+ 7
Subsidies from the national government	-	-	-
Fund transfer to the national treasury	-	-	-
Policy cost accrued depending on changes in surplus	\triangle 41	\triangle 34	+ 7
Opportunity cost for investment	-	-	-

[Breakdown of policy cost in terms of accrual factor]

(Unit: 100 million yen)

(A) Policy cost in FY 2011 (relisting)	4
① Prepayment	\triangle 1
② Credit loss	19
③ Other (interest margin, etc.)	\triangle 15

[Sensitivity analysis (when premises are changed)] (Unit: 100 million yen)

Premises changed and their variation range	Policy cost (change)	
	(No change in discount rate)	(Change in discount rate)
Loan carry rate/borrowing cost +1%	3 (\triangle 1)	6 (+ 2)
Of the changes, a change in opportunity cost	\triangle 1	+ 2
Amount of write-offs + 10%	6 (+ 2)	
Change in opportunity cost	+ 2	

(Reference) FY 2011 budget for subsidies/investment
Subsidies: ---
Investment: ---

5. Outline of estimation in analysis and future business prospect

- ① Estimation was made for disaster mitigation loans based on the business plan for FY 2011.
- ② The analysis period was set as 27 years during which all disaster mitigation loans under the business plan for FY 2011 will be redeemed.
- ③ Prepayment was estimated using a computation model to calculate the prepayment ratio by age of loans and the difference in interest rate between JHF loans and private housing loans that will be used to refinance JHF loans.

(Unit: %, 100 million yen)

FY	(Results)				(Estimate)	(Plan)	(Premises for estimation)				
	2006	2007	2008	2009			2010	2011	2012	2013	2014
Prepayment ratio	3.80	1.32	1.88	1.50	1.14	2.80	3.64	3.64	3.64	3.64	3.64
Write-off of nonperforming loans	—	—	—	0.1	0.1	0.1	21.6 (Sum of in and after 2011)				
FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prepayment ratio	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64
FY	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
Prepayment ratio	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.48	

6. Rationale for receiving subsidies, the system and regulations regarding redemption to the national treasury

(Rationale)

- JHF is required to ensure the supply of long-term, fixed and low-interest loans for disaster-affected people soon after the disaster to support the speedy restoration of damaged housing. Accordingly, the agency receives subsidies from the government's general account to use their accrued interest income, thereby facilitating disaster mitigation loans.

(Regulations regarding subsidies and its redemption)

- The Japan Housing Finance Agency Law stipulates government investments as follows (Article 6):
 - Article 6 ② The national government may make an additional investment to JHF within the limits of the budget if necessary. In this case, if the whole or any part of the said investment should be allocated to the interest-rate fluctuation reserve prescribed in Paragraph 1, Article 25, the government shall indicate the amount.
 - Article 6 ③ When the agency receives investment from the government as prescribed in the preceding paragraph, it shall increase its capital by the same amount of the investment.
- The Japan Housing Finance Agency Law stipulates the redemption to the national treasury as follows (Article 18):
 - Article 18 ④ If there is a residual after deducting an approved amount prescribed in Paragraph 1 and Paragraph 2 from an amount equivalent to the reserve prescribed in Paragraph 1, the residual shall be redeemed to the national treasury.

7. Special notes

- ① This analysis was made for disaster mitigation loans (those accepted in and after 2005) that are subject to Fiscal Investment and Loan Program.
- ② In accordance with the Japan Housing Finance Agency Law (Law No. 82 of 2005), the Government Housing Loan Corporation was dissolved, and Japan Housing Finance Agency was established on April 1, 2007.
- ③ With respect to the Fundamental Review of Incorporated Administrative Agencies (Cabinet Decision of December 25, 2009) a temporary freeze has been imposed on the affairs (excluding instances already implemented) stipulated in the Incorporated Administrative Agencies Rationalization Plan (Cabinet Decision of December 24, 2007), with further deliberations to be held as part of the Fundamental Review of Incorporated Administrative Agencies.
- ④ The changes in policy cost are as follows (the figures until FY 2006 indicate the policy cost of the GHLC):

(Unit: 100 million yen)

FY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Policy cost	△ 4,349	△ 5,434	△ 810	△ 69	17	10	△ 7	△ 11	1	4

(Note 1) The figures in FY 2001 to 2004 indicate the policy cost in the housing loan origination business excluding loans for property accumulation saving scheme-tied houses.

(Note 2) The figure in 2005 indicates the policy cost in disaster mitigation loans (those accepted in and after 2005) and the securitization support business.

(Note 3) The figures in and after 2006 indicate the policy cost in disaster mitigation loans (those accepted in and after 2005).