

Details of JHF Business

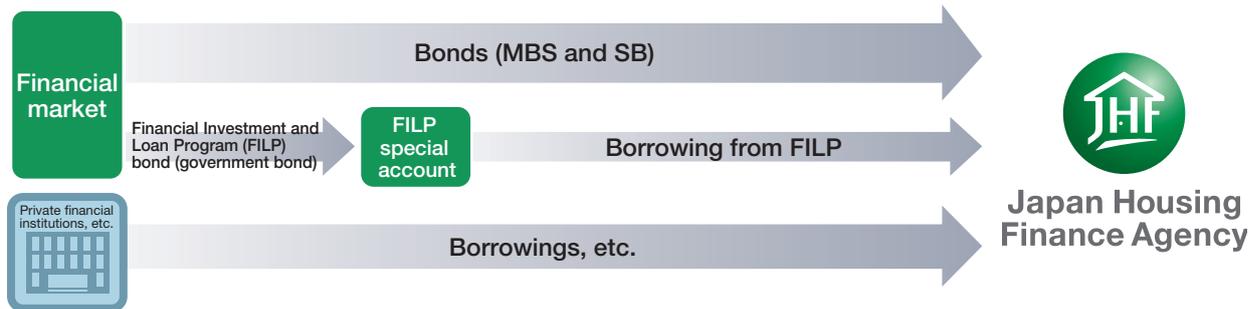
Funding

JHF's major funding sources are mortgage-backed securities ("MBS") and straight bonds with general securities ("SB").

The major funding source of JHF is issuing MBS and SB in the financial markets and JHF applies such monies to Securitization Support Business and other businesses of JHF.

JHF limits the use of borrowing from FILP to loans for recovery from disasters, which requires emergency measures.

Overview of funding

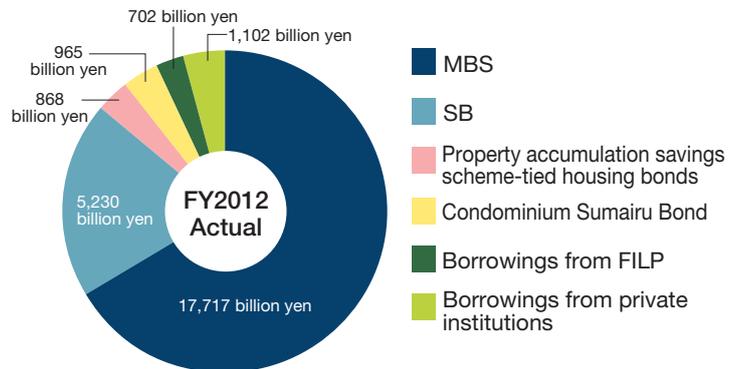


Breakdown of funding

Major funding source of JHF is issuing MBS and SB

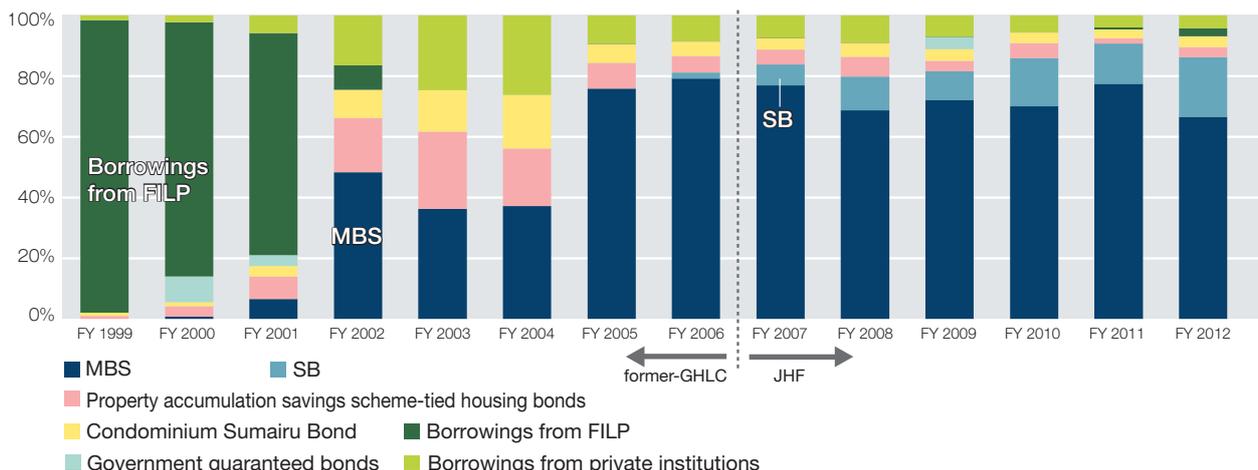
		Results of FY 2012
Bonds	MBS	1,771.7 billion yen
	SB	523 billion yen
	Property accumulation savings scheme-tied housing bonds	86.8 billion yen
	Condominium Sumairu Bond	96.5 billion yen
Borrowings	Borrowings from FILP	70.2 billion yen
	Borrowings from private institutions	110.2 billion yen
Total		2,658.4 billion yen

* Amount of bonds is based on amount paid



<Reference: Trend of Funding Sources>

JHF has shifted its main business of direct lending business conducted by the former-Government Housing Loan Corporation ("former-GHLC") to securitization support business aimed to support organization of long-term fixed-rate housing loans by private financial institutions. Thus, the main funding sources have also shifted from borrowings from FILP to fund-raising from the Financial market by issuing MBS and SB.



Product features of MBS and SB

	MBS	SB
Collateral	Housing loans* ¹	General security* ²
Rating at the time of issuance* ³	S&P: AAA R&I: AAA	S&P: AA – R&I: AA +
Redemption methods	Monthly pass-through redemption* ⁴	Bullet payment on maturity date
BIS risk weight* ⁵	10% (Standard method)	10%
Eligible collateral security under the requirement of Bank of Japan	Eligible (LTV: 95% of market value applies)	Eligible (LTV: 95% of market value applies to remaining 5 up to 20 years; 93% of market value applies to remaining 20 up to 30 years)
Amount paid (issuance price)	100 yen paid per 100 yen face value (issued at par)	

*1 MBS: JHF purchases housing loans, Flat 35, and entrust them as collateral of MBS at each issuance.

*2 SB: SB is a bond with general security in accordance with provisions of Article 19.5 of the Japan Housing Finance Agency Act. Creditors (SB investors) have the right (lien) to receive the repayment of their receivables prior to other creditors in relation to JHF assets. The order of the lien is the second highest priority following the general lien in accordance with provisions of the Civil Code (Article 19.6 in the same act).

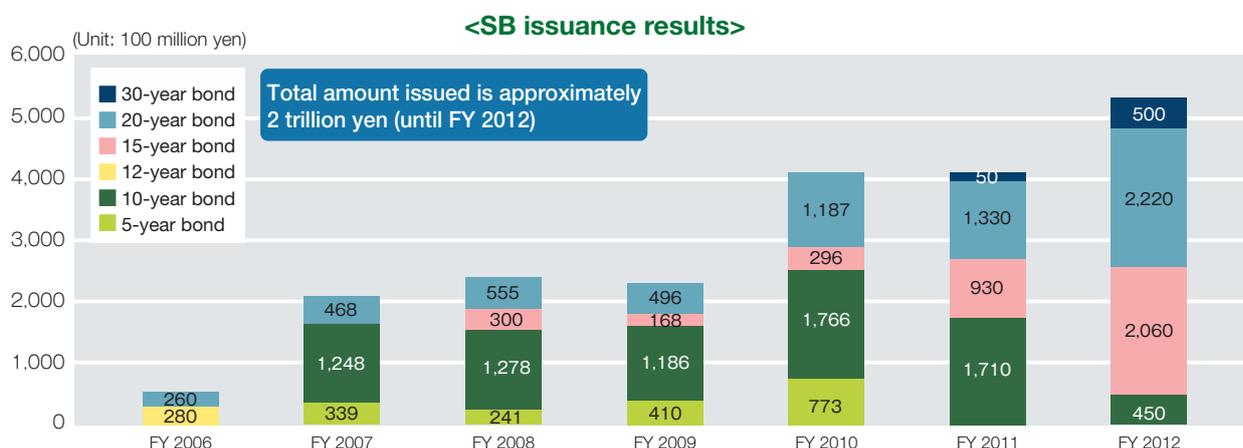
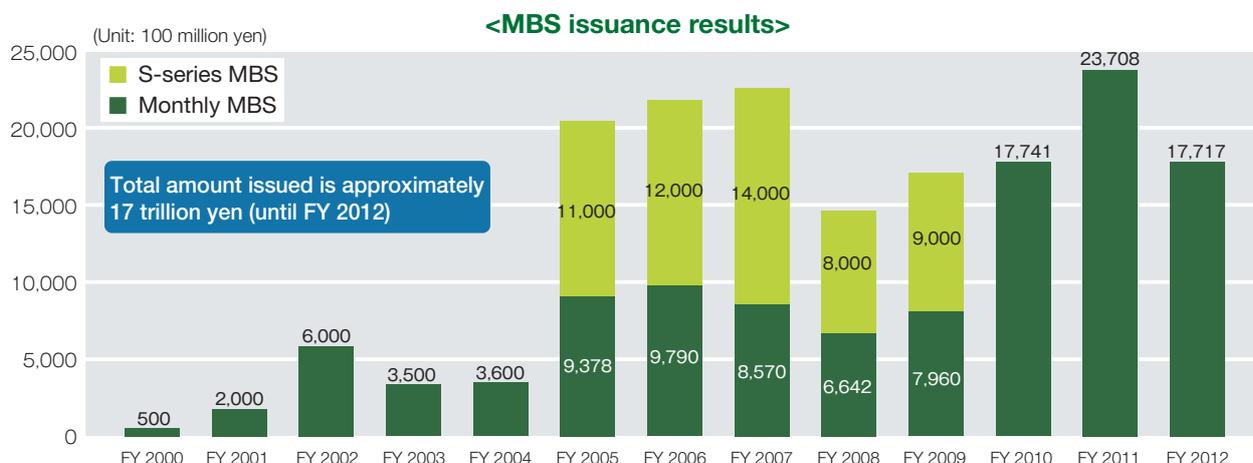
*3 · S&P: Standard & Poor's · R&I: The rating of MBS given by S&P has an identifier (sf) that indicates structured finance.

*4: See the following page for the monthly pass-through payment method.

*5: The capital adequacy ratio under BIS regulations is obtained by dividing the stockholders' equity by risk assets. Each asset has a loanable value in accordance with the degree of risk and this is referred to as risk weight.

Issuance results of MBS and SB

Monthly MBS and SB are issued to raise funds for Flat 35 and JHF loans while S-series MBS is issued for the purpose of refinancing the outstanding loans borrowed by the former GHLC.



* JHF implements appropriate Asset Liability Management (ALM) by issuing SB of various maturities.

Key Features of MBS (monthly MBS)

● Asset-backed Zaito Agency bond

- Prior to a beneficiary certificate trigger event*, JHF is responsible for all principal and interest payments backed by its creditworthiness. After a beneficiary certificate trigger event, the MBS is no longer a Zaito Agency bond but converted to a beneficiary certificate.
- The risk weight of the Zaito Agency bonds under BIS regulations (Basel II standardized approach) is 10 percent.

* Beneficiary certificate trigger events are as follows:

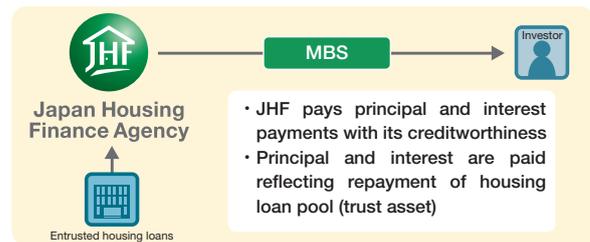
- 1 The successor of JHF MBS obligation is not determined by the act and JHF is dissolved as a result of the enforcement of the act on JHF dissolution.
- 2 An act that designates a corporation as the successor of JHF MBS obligation or a legal entity to which application of the Corporate Reorganization Act (No. 154 of 2002 and its revisions thereafter) or other similar bankruptcy proceedings is legally permitted is enforced and JHF is dissolved.
- 3 An act that designates a corporation as the successor of JHF MBS obligation or a legal entity to which application of the Corporate Reorganization Act (No. 154 of 2002 and its revisions thereafter) or other similar bankruptcy proceedings is legally permitted is enforced and the MBS creditor becomes such legal entity.
- 4 JHF fails to fulfill its payment obligations under JHF MBS or other bonds issued or assumed by JHF on the day such obligation is due and such a condition is not cured within seven days.

● Homogeneous and regionally-diversified housing loan pools

- As JHF purchases housing loans nationwide, therefore, housing loan pools are regionally well diversified.
- As JHF applies standardized uniform criteria for all housing loans when purchasing them from private financial institutions, housing loan pools are homogenous.



<An image of principal and interest payment>



● JHF bears credit risks of defaulted loans

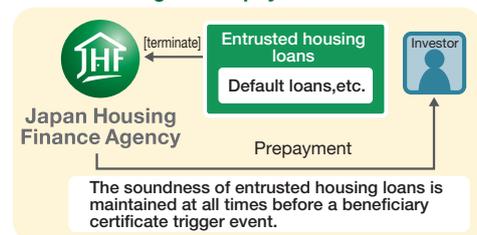
- JHF will pay the principal and interest of delinquent loans up to three months as if loans are current.
- JHF will terminate the defaulted loans including loans delinquent for four months from the trust. Therefore, such loans will be treated as prepayments and JHF removes such defaulted loans from the trust asset and repays an amount equivalent to the outstanding principal amount of the defaulted loan multiplied by the outstanding principal amount of the MBS divided by the outstanding amount of entrusted housing loans*1 [Prepayment Method]*2, *3.

*1 The outstanding amount of entrusted housing loans is calculated based on assumption of no delinquency of housing loans.

*2 As for MBS (S series) and MBS (Monthly) issued by former-GHLC, JHF replaces defaulted loans which include loans delinquent for four months with performing loans and maintains the soundness of the entrusted housing loan pools [Replacement Method].

*3 The Prepayment Method and Replacement Method are applicable only prior to a beneficiary certificate trigger event.

<An image of Prepayment Method>

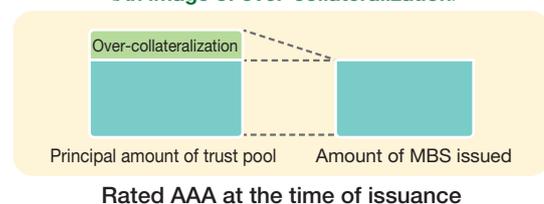


● JHF achieved AAA ratings by over-collateralization

- JHF sets a sufficient level of over-collateralization to achieve AAA ratings from S&P and R&I at the time of issuance.
- Minimizing the associated credit risks to the lowest level, investors are eligible to focus just on interest-rate risk and prepayment risk when deciding JHF MBS investment.

*Over-collateralization is an excess amount of the total entrusted housing loan amount over the JHF MBS issuance amount. It functions as credit enhancement after a beneficiary certificate trigger event.

<An image of over-collateralization>



● Principal and interest of JHF MBS are paid monthly in accordance with the repayment of entrusted housing loan pools [monthly pass-through payment method]

- JHF pays the principal and interest of its MBS to investors in accordance with the repayment amount of entrusted housing loan pools that serve as an asset backing the MBS.
- As repayment of the principal and interest of housing loans is made monthly in general, those of JHF MBS are also paid monthly.
- Housing loans are repaid periodically and can also be prepaid. Thus, the principal and interest payment of JHF MBS fluctuate in accordance with the prepayment condition of underlying housing loans.

Securitization Support Business (Provision of Flat 35)

Support for private financial institutions to provide long-term fixed-rate housing loans

JHF has implemented securitization business for private financial institutions to provide long-term fixed-rate housing loans, for which there is a persistent demand from people. Housing loans provided by utilizing the scheme of securitization are collectively referred to as Flat 35.

There are two types of program for JHF’s securitization business: Purchase Program and Guarantee Program. Both Purchase Program and Guarantee Program are eligible for “Flat 35S,” a support scheme in which lower interest rates are applied for a certain period for customers who purchase high-quality housing in terms of energy saving and the like.

It will be 10 years in October 2013 since JHF started the Flat 35.

“Flat 35” product line up

Flat 35 (Purchase Program)

Flat 35 (Purchase Program) is a long-term fixed-rate mortgage provided through collaboration between private financial institutions and JHF.

Flat 35S

A system in which lower interest rates are adopted for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency and the like.

“Flat 35” (Refinancing)

A scheme that allows refinancing Flat 35 after fulfillment of the current housing loans without relocating to other residence.

Flat 50

A system that allows a maximum 50-year repayment period for houses certified as long-life high-quality.

“Flat 35” (renovation package)

A scheme that allows to loan necessary funds for purchase of existing houses and renovation with unified procedures by receiving Flat 35 and loans provided by financial institutions (Flat 35 package).

JHF Relocation Support Loan

A loan for customers who acquire a new housing on the basis that corporation* leasing housings by using guarantee of the Foundation for Senior Citizens’ Housing leases the customers’ current owning housing.

* Japan Trans-housing Institute implements lease of housings, as of March 31, 2013

Flat 35 (Guarantee Program)

Flat 35 (Guarantee Program) is a long-term fixed-rate housing loans originated and securitized by financial institutions for the purpose of providing customers with long-term fixed-rate housing loans.

Scheme of Flat 35 (Purchase Program)

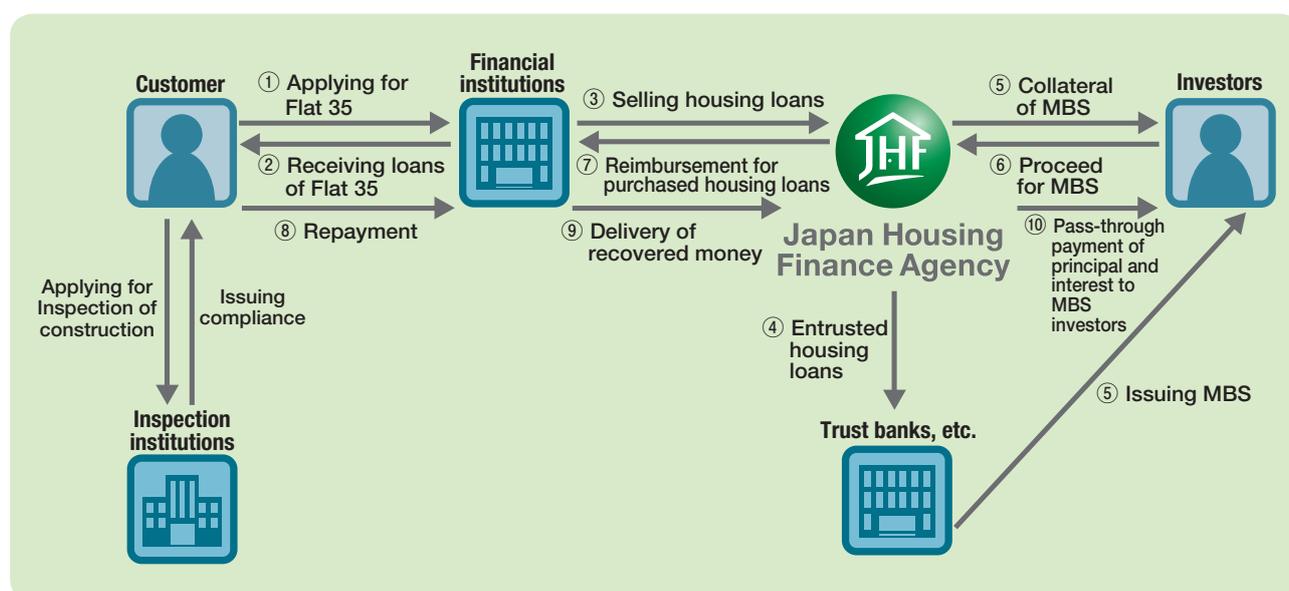
(For the product details, refer to page 99)

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 fixed-rate housing loans. Such housing loans must meet certain underwriting criteria set by JHF, and are transferred to 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.

<Scheme>



● Features of Flat 35 (Purchase Program)

- Safe because interest rate is fixed to maturity

The borrowing rate and the amount repaid is fixed to maturity when the loan is closed.

- No guarantee fee and no prepayment penalties

There is no guarantee fee that is usually required for housing loans. No guarantor is required, either. In addition, no fee is required for prepayment and modification of repayment conditions during the repayment period.

- JHF's technical criteria to support housing

Houses shall be inspected based on technical criteria set by JHF for thermal insulation, durability and the like, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

- Support to provide security during the repayment period

JHF provides consultations for customers experiencing difficulties in repaying their loans, and proposes options for modifying repayment terms and conditions depending on their circumstances. JHF also provides its group credit life insurance as well as group credit life insurance for three major diseases.

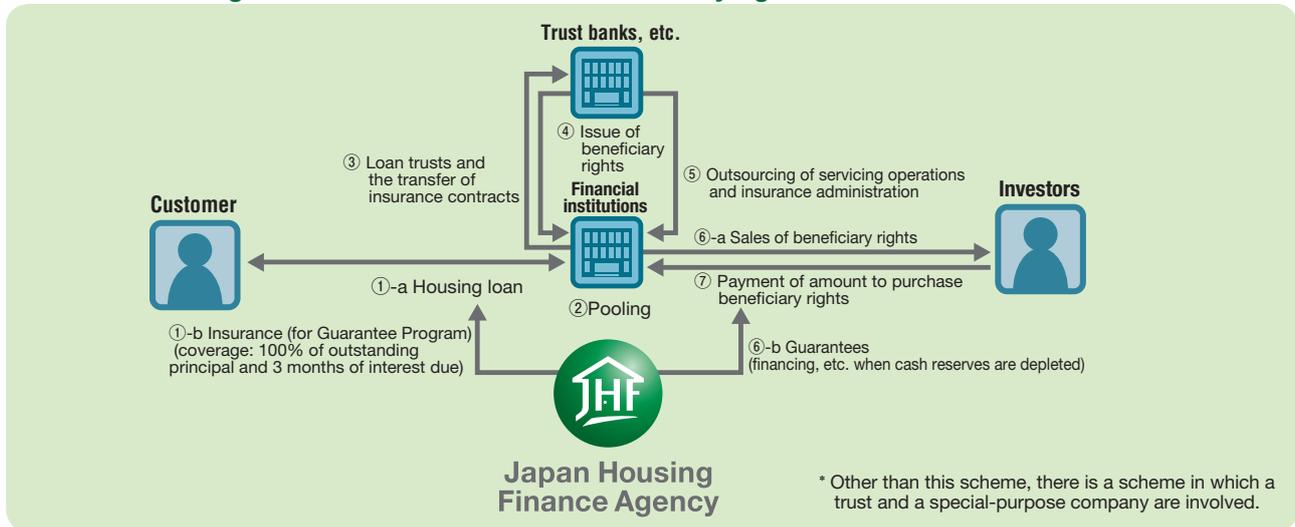
● Institutions participating in the business

A total of 333 institutions participate in securitization business (Purchase Program), including city banks (5), trust banks (1), regional banks (64), other regional banks (38), cooperative banks (160), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (9) and insurance companies/mortgage banks/other banks (25). The figures in the brackets indicate the numbers of participating institutions (As of March 31, 2013).

Scheme of Flat 35 (Guarantee Program)

JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by the housing loans as collateral.

<Figure: Scheme in which trust beneficiary rights are sold to an investor>



Criteria for approving applications for Flat 35 (Guarantee Program) (*1)

- The loan is necessary for the construction/purchase of a house for the applicant and/or relatives.*2
- The house in question satisfies the technical requirements specified by JHF.
- 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 100 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.

*1 Requirements for Flat 35 (Guarantee Program) vary according to the financial institution. Please contact the relevant financial institution for more information.
 *2 Refinancing is also covered.

Institutions participating in the business

In the securitization business (Guarantee Program), we concluded agreements with five institutions: city bank (1), regional bank (1) and mortgage banks (3). The number of institutions participating in the business. (as of May 31, 2013)
 * Some financial institutions have suspended the acceptance of new applications (as of May 31, 2013)

Flat 35S

Flat 35S is a system in which lower interest rates are adopted for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency, earthquake-resistance and the like.

There are two interest-rate reduction plans for Flat 35S; Flat 35S (Interest rate plan A) and Flat 35S (Interest rate plan B).



Eligible for application from April 1, 2013, to March 31, 2014*1

Interest-rate reduction plan	Duration of interest-rate reduction	Range of interest-rate reduction	Maximum loan-to-value ratio
Flat 35S (Interest rate plan A)	First 10 years	Reduction of 0.3%/year from Flat 35	90%*2*3
Flat 35S (Interest rate plan B)	First 5 years		

*1 There is a budgetary ceiling for Flat 35S. Applications will be accepted until the total amount reaches the ceiling. The end date will be notified on the Flat 35 website (www.flat35.com) by three weeks prior to ending.

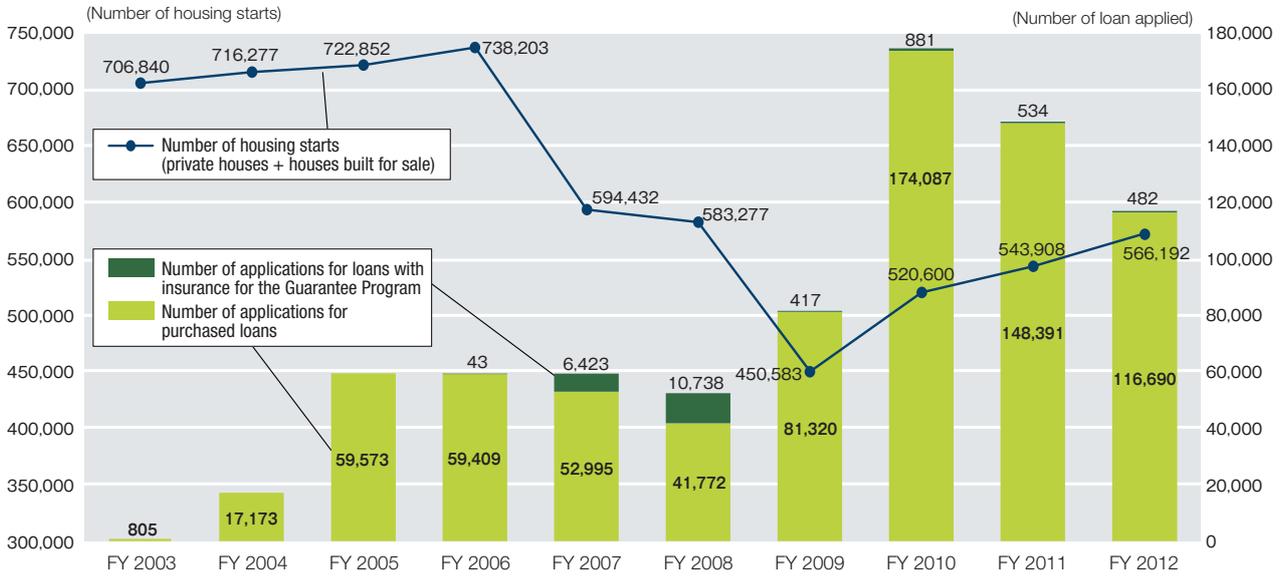
*2 The same loan-to-value ratio in cases not receiving Flat 35S

*3 Maximum loan-to-value ratio for Flat 35 (Guarantee Program) is 100%.

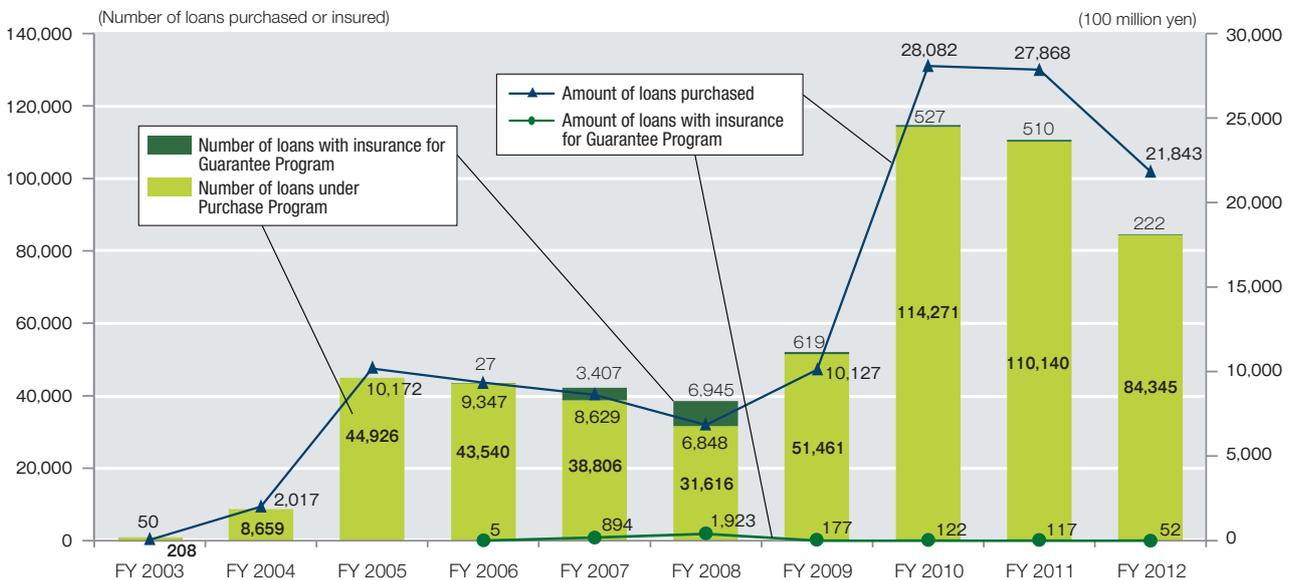
(Note) Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except "Flat 35" refinancing).

Results of Flat 35

< Changes in the numbers of applications for Flat 35 (Purchase Program/Guarantee Program) to be purchased and insured >



< Number of loans and amount of disbursements for Flat 35 (Purchase Program/Guarantee Program) >



Activities related to Flat 35

Organizing consultation meetings across Japan

JHF holds consultation meetings on Flat 35 simultaneously at each place across Japan for people considering acquisition of housing.

At some places, a seminar is also organized during the meetings and receives many participants.

<Meetings in May 2013>

- Held at 45 places nationwide
- Number of participants: 1,299

<Consultation meeting>



<Seminar>



Flat 35 website

Since the renewal of the Flat 35 website in May 2013, it has become easier for customers to obtain information they look for.



Product information, such as Flat 35 product outline, interest rate, procedures, etc. is available from Flat 35 website (<http://www.flat35.com>).

[Annual number of visitors: approx. 51.42 million (FY 2012)]

Business activities using tablet terminal

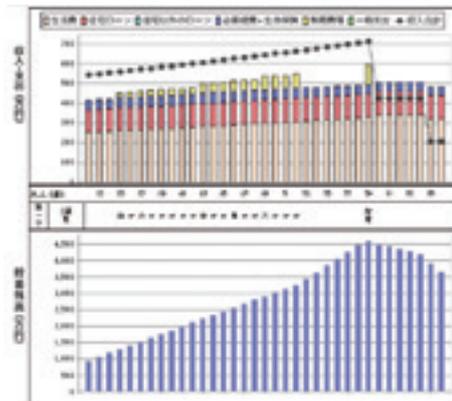
JHF has provided timely information and consultations by utilizing tablet terminals.

When providing consultations to customers at the consultation meetings and other occasions, using tablet terminals, JHF staff prepares a simulation of repayment plan.

<Explanation with tablet terminals>



<An image of estimation made by repayment plan simulation>



A repayment plan for acquiring housing and other estimations in light of monthly family income and expenditure or future life events are available from the simulation.

Activities of Branches

[Kinki Branch of JHF] “Fratto Plaza” is opened
Customers feel free to visit “Fratto Plaza” where it provides advice on housing loans, information on Flat 35, and a simulation of repayment plan based on customers’ life plan.

Business hours:

Mon. – Fri.
10:00 – 17:00 (Closed on national holidays and Year-end and New Year holidays)



[Hokuriku Branch of JHF] Public relation activities at “Kanazawa-Jo Relay Marathon”

11 JHF staffs participated in Kanazawa-Jo Relay Marathon hosted by the Hokkoku Shimbun. Handing over a sash with a logo of “Flat 35”, the staffs successfully finished the marathon. Only the participants are allowed to present commercial message in the event and the staffs also promoted Flat 35 and provided information on consultation meetings across Japan.



Housing Loan Insurance Business

JHF underwrites insurance for private-sector housing loans.

Housing loan insurance is public credit insurance provided by JHF. By underwriting insurance for housing loans originated by private financial institutions, JHF supports the supply of housing loans by private financial institutions.

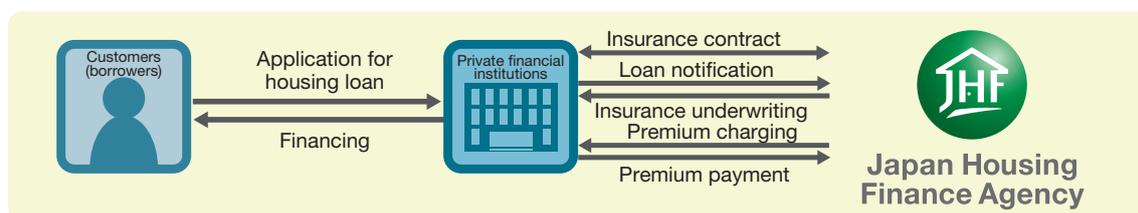
Scheme of housing loan insurance

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

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).

<Scheme of housing loan insurance>



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.
- Outstanding amount of loan with insurance shall be 80 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 JHF.

Product outline

Type	Eligible loans	Insurance coverage *1
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35 or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Also applicable to refinance.	100%
Specific short-term loan insurance (bridge-loan type)	Bridge loans for installed payments at the commencement of construction, interim payments and payments on completion that have been underwritten by JHF insurance. To be connected into permanent mortgages that are Flat 35 (including Flat 35 package) or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Those with a loan period of 1 year or less	
Specific personal loan insurance (private financial institute loan type) *2	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by JHF in advance (LTV: 85%). Also applicable to refinance (except for in-house refinance by banks)	
Specific personal loan insurance (Reverse mortgage for home improvement loans for elderly people)	Loans for remodeling of property with elderly residents (60 years or older) that has been underwritten for insurance approval by JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	90%
Personal loan insurance *2	Retail housing loan in accordance with the underwriting criteria of a private financial institution (LTV: 85%, the debt-to-income ratio: up to 30% for those with annual income less than 4 million yen and up to 35% for those annual income 4 million yen or more (if the criteria of the private financial institution is less than these, the values from the criteria are the upper limits)). Also applicable to refinance (except for in-house refinance by banks)	
Personal bridge loan insurance *2	Bridge loans in accordance with the underwriting criteria of a private financial institution Loans with maturity of less than one year.	

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

* 2 The insurance is available exclusively to small and mid-sized financial institutions that do not own guaranty companies as subsidiaries as prescribed in the provisions of Article 2 of the Companies Act (Act No. 86 of 2005).

Financial institutions entering into housing loan insurance contracts

207 financial institutions in total have entered into housing loan insurance contracts. They include: City banks (5), Regional banks (32), Secondary regional banks (12), Cooperative banks (79), Credit associations (17), Labor banks (1), Prefectural Credit Federation of Agricultural Cooperatives/Japan Agricultural Cooperatives/Prefectural Banking Federations of Fishery Cooperatives/Japan Fishery Cooperatives (37) and Insurance companies/mortgage banks and other banks (24).

() shows the number of institutions having entered into the insurance contract (as of March 31, 2013).

Loan Origination Business (loans for recovery from disasters, etc.)

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 in limited areas, such as prompt housing reconstruction in disaster-affected areas, constructing serviced rental housing for the elderly, rebuilding old housing in high-density urban districts, and reforming shared parts of condominiums those important in terms of policy and also difficult for the private sector to provide financing for.

Overview of loan origination programs

●Loans for recovery from disasters available for the people affected by disasters

Loans to build, purchase or repair housing damaged by disasters aiming for prompt housing reconstruction in disaster-affected areas.

●Loans for serviced rental housing for the elderly available for those building rental housing for the elderly

Loans to build purchase and repair serviced rental housing for the elderly aiming to provide safe housing with welfare services for the elderly.

●Loans for energy-saving rental housing available for those building energy-saving rental housing

Loans to build and repair energy-saving rental housing aiming to enhance energy conservation in housing for families with small children.

●Loans for town development available for urban redevelopment unions, condominium rebuilding unions and other reconstruction business operators

Loans for urban redevelopment, condominium reconstruction and reconstruction in high-density urban districts (for initial funding, construction costs, etc.) aiming to improve the disaster-prevention function and the living environment in high-density urban districts.

●Loans for reforming the shared parts of condominiums available for condominium associations and condominium owners

Loans for extensive repair (such as exterior wall repairs) and seismic strengthening of condominiums aiming to improve aged structures and strengthen the seismic resistance of condominiums.

Condominium Samurai Bond (“Mansion Samuraisai”)

JHF supports condominium associations by issuing Condominium Sumairu Bond (“Mansion Sumairusai”), which condominium associations can periodically purchase and accumulate as funding for future extensive repairs.

●Special repayment system for the elderly (reform loan/town development loan) available for the elderly

This system is available for elderly building barrier-free housing or purchasing housing in a condominium reconstruction project. In order to reduce the burden of monthly payments, elderly are required to repay only interest until the time of their death and repay the remaining outstanding loan amount at the time of their death.

* In addition to the above loan origination programs, JHF provides loans for those who have joined employees’ savings scheme, those who renovate their houses to improve earthquake resistance, and those who conduct works to protect their homes from disasters such as landslides.

Examples of projects financed

● Loans for rental housing

Serviced rental housing for the elderly (apartment complex name: “Morita-san Chi”, Noda, Chiba Prefecture, completed in Oct. 2012)

Letter of Appreciation of JHF President was presented in FY 2013.

This serviced rental housing for the elderly develops community-based business, which prepares and provides care plans optimum for each renter. It also provides ample services including emergency transportation and hospital arrangement by installing an in-house daycare facility and in collaboration with local medical institutions.

<Building appearance>



<Inside of the building>



● Loans for town development

Condominium rebuilding project (project name: Daikyo-cho Condominium Reconstruction Project, Shinjuku-ku, Tokyo, completed in Jan. 2010)

Letter of Appreciation of JHF Senior Executive Director was presented in FY 2010.

This project was led by a reconstruction union to improve the living environment after a resolution for reconstruction was adopted in 2006, because the condominium constructed by the Tokyo Metropolitan Housing Supply Corporation in 1957 was considered too old and inconvenient without an elevator.

<Before reconstruction>



<After reconstruction>



Disaster prevention district improvement project (project name: Project to Construct a Disaster Prevention District in the East Area of Higashi-Kishiwada Station, Kishiwada, Osaka Prefecture, completed in Sep. 2010)

Letter of Appreciation of JHF President was presented in FY 2012.

This project was meaningful in terms of policy because a fire-resistant district was established by building fireproof structures in an area with a high concentration of wooden houses, and because urban disaster-prevention functions were realized by improving roads and parks. This is a typical case of disaster-prevention district improvement projects implemented in regions.

<Before improvement>



<After improvement>



● Loans for reforming shared parts of condominiums

Seismic strengthening works (apartment complex name: Churis Nishiazabu, Nishiazabu, Tokyo, completed in Jan. 2012)
Letter of Appreciation of JHF President was presented in FY 2012.

Seismic strengthening works were conducted for this 45-dwelling units condominium built in 1978 because the structure was very old and there was a concern about earthquake resistance. The seismic isolation method was adopted for the works since it was the most suitable technique for a condominium in an urban area, given that the structure stands very close to adjacent buildings and that the first floor has pilotis.

<Building appearance>



<Part of the seismic works: seismic isolation device>



<Part of the seismic works: seismic isolation device>



Condominium Sumairusai supporting condominium associations

Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond issued by JHF with the approval of the national government aimed to support condominium associations to systematically accumulate and properly manage funds for repair costs.

To ensure a safe living environment over a long period of time, condominium associations collect money from residents to accumulate funds for the maintenance and future repairs of the shared parts of condominiums, such as exterior walls and elevators.

Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond that condominium associations can continuously purchase. JHF issues the bond to support proper management and systematic accumulation of funds for repair costs.

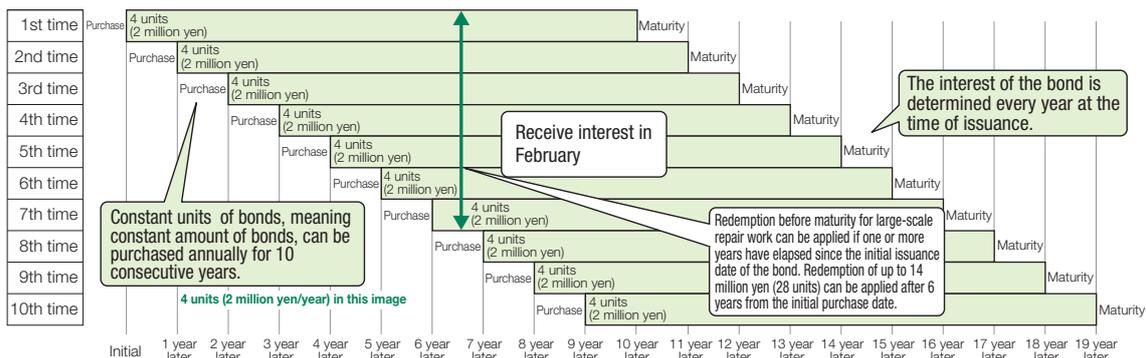
JHF began to offer the bond in 2000 and has received a fund totaling approximately 870.8 billion yen from approximately 20,000 condominium associations.

JHF semiannually sends a magazine named Mansion Information Box (“Mansion Jyoho Bokkusu”) containing useful information about management of condominium to condominium associations those purchased Condominium Sumairu Bond (“Mansion Sumairusai”). In addition, JHF will send out a mail magazine containing invitation to seminars regarding management and reconstruction of condominiums

[Features of Condominium Sumairu Bond (“Mansion Sumairusai”)]

- A 10-year bond with interest to be paid in February each year.
(The annual average interest rate increases yearly according to the elapsed years since the issuance of the bond.)
- The bond is issued for 500,000 yen per unit and multiple units can be purchased at a time.
- Constant units of bonds can be purchased annually for 10 consecutive years.
- Redemption before maturity for repair purpose can be applied if one or more years have elapsed since the initial issuance date of the bond.

<An image of purchasing 4 units of the bond (2 million yen/year) for 10 consecutive years>



Operation of Group Credit Life Insurance

Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a system in which if borrowers of Flat 35 (Purchase Program) or retail loans through JHF etc., such as loans for recovery from disasters, who have joined in this system die or incur a serious disability, the outstanding loan balance is offset by the insurance (mutual relief money) that is paid by life insurance companies and the like.

In addition, group credit life insurance with security insurance for three major diseases (cancer, acute myocardial infarction and cerebral apoplexy) is also available.

If the housing loan is co-borrowed with the spouse, the both can join this scheme (known as Duet) (unavailable to those with group credit life insurance with security insurance for three major diseases).

* Retail loans through JHF, etc. refer to housing loans from JHF, the Welfare and Medical Service Agency (the former Government Pension Investment Fund) and Okinawa Development Finance Corporation.

Scheme of JHF's group credit life insurance

● In the case where Flat 35 (Purchased Program) is used



● In the case where a JHF loan (loans for recovery from disasters, etc.) is used



● In the case where a loan from the Okinawa Development Finance Corporation or the Welfare and Medical Service Agency is used



<Changes in the number of obligations performed with group credit life insurance> (Unit: case)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
The number of obligations performed with group credit life insurance	12,594	11,960	11,713	11,621	10,745

* Accumulation since the start of operation (1980): 301,144 cases

Promotion of quality housings

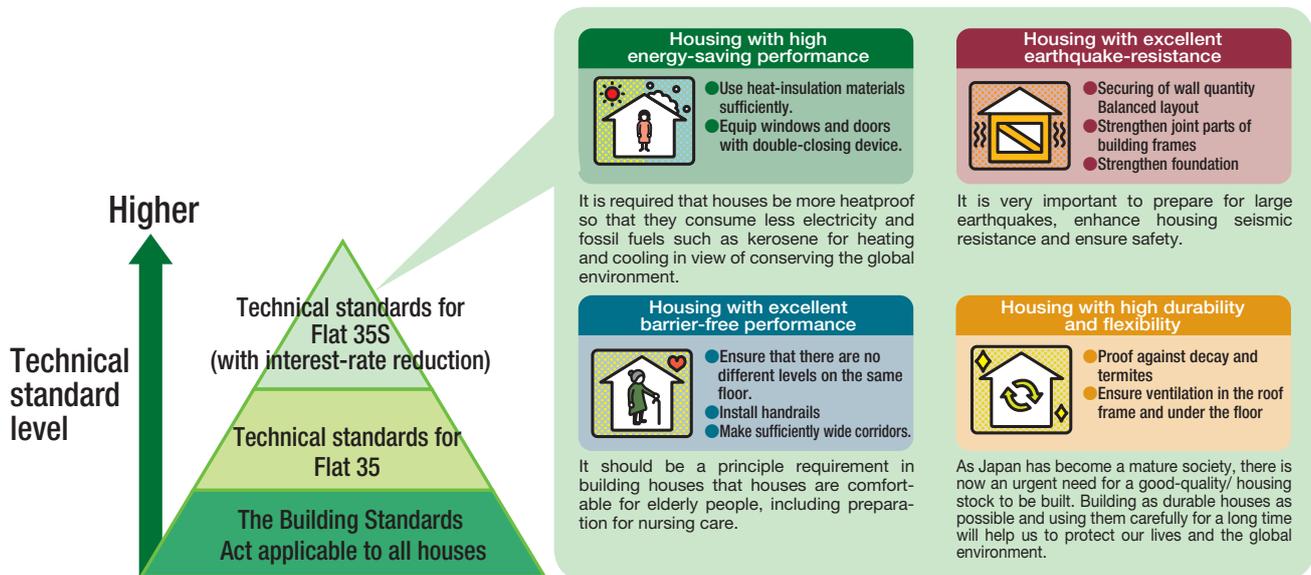
JHF makes efforts on improving living environment in accordance with technical standards established by JHF with the purpose of promotion of quality housings.

Encouraging Technical standards and quality housings

JHF establishes the technical standards for Flat 35. The standards are largely divided into essential standards and those that are requirements for Flat 35S. Specifically, JHF cuts interest rates for a certain period for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance to attract consumers to the high quality housing.

Technical standards are also set for loans for serviced rental housing for the elderly.

<4 performances targeted by Flat 35S>



Promoting Quality Housing

●Preparation and issuance of housing construction specifications

JHF prepares and issues housing construction specifications to explain details of implementation methods and materials to be used which are not specified in the Flat 35 technical standards or drawings.

The specifications have its approximately 60-year history from the time of the former-GHLC.

●Seminar on specifications organized for housing distributors

JHF explains details of technical standards of Flat 35 and Flat 35S by using housing construction specifications at seminars organized for housing distributors. JHF also dispatches its employees as a lecturer to a seminar organized by industry associations.



<Seminar on specifications>



Technical assessment to ensure conformity of housings with technical criteria

JHF conducts technical assessments based on the technical standards while ensuring conformity with the housing performance labeling system and other regulations. Further, JHF checks for the issuance of compliance certificates based on the Building Standards Act for newly built houses.

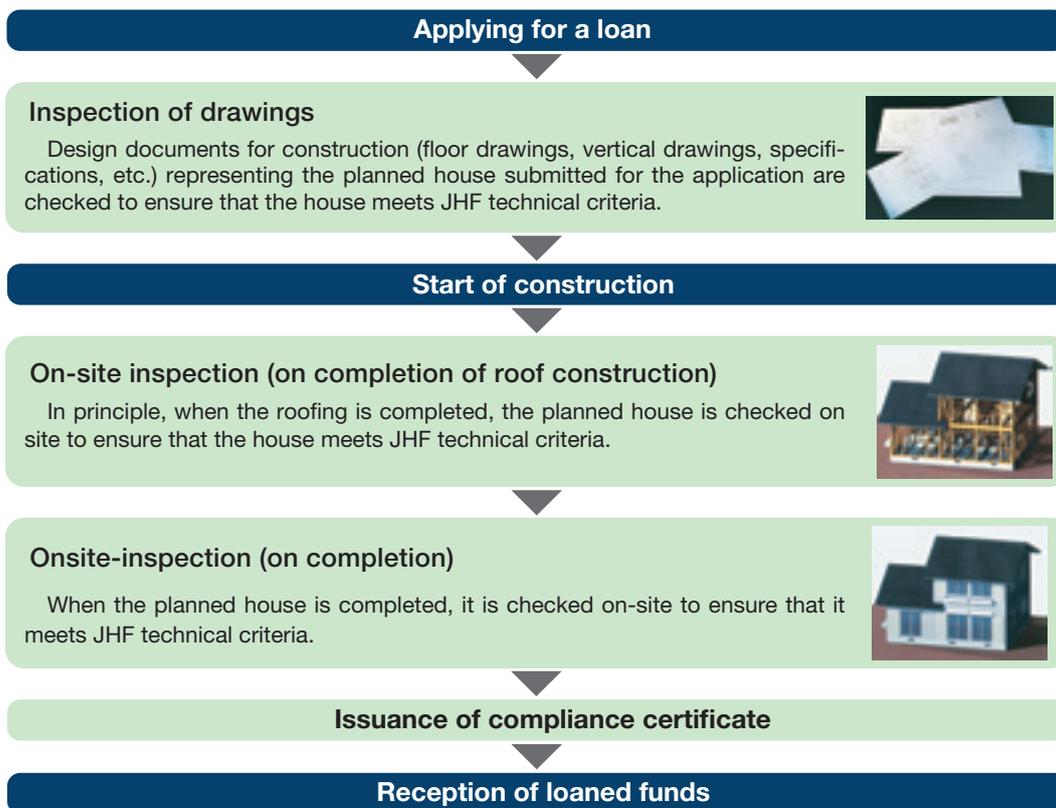
● Technical assessment method

Technical assessments for Flat 35 are performed both at the drawing stage and at construction sites by private inspection institutions that have contractual agreements with JHF (in cases of newly built housing).

If customers' houses are confirmed to meet technical standards for Flat 35 through the design and on-site inspections, private inspection institutions issue compliance certificates.

Technical assessments are also performed for loans for serviced rental housing for the elderly.

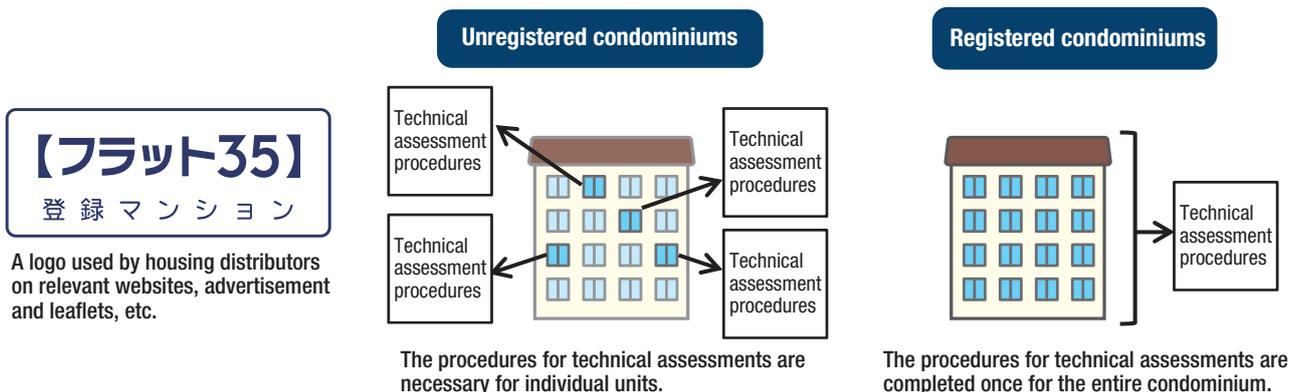
<General flow of technical assessment for Flat 35 (in the case of a detached house to be newly built)>



● Promotion of Flat 35-registered condominiums

JHF promotes the Flat 35-registered condominium scheme, which allows housing distributors to have the entire condominium complex inspected instead of a regular procedure of having individual dwelling units inspected.

Under this scheme, housing distributors can advertise and sell their condominiums as applicable for Flat 35. Property information on registered condominiums is posted on JHF website.



Management of Outstanding Loans

JHF provides feeling of safety for customers during the repayment period.

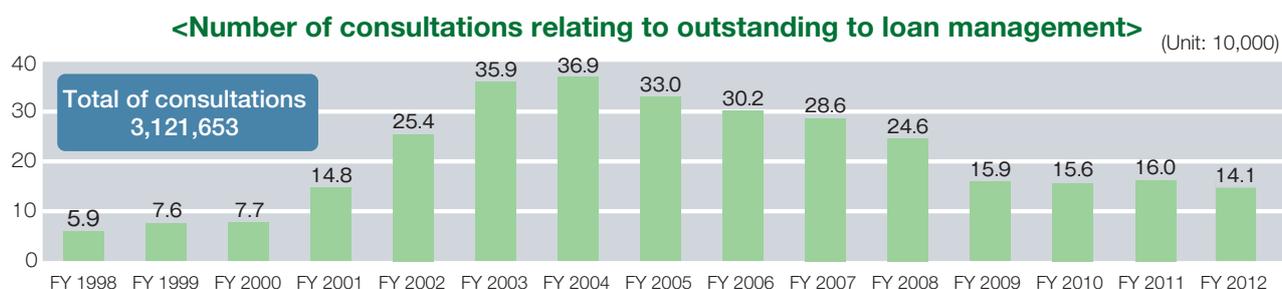
Overview of the management of outstanding loans

JHF provided 2.198 million housing loans (outstanding amount of 28.2 trillion yen)* for customers as of the end of March 2013. The repayment of housing loans continues for a long period of time, during which we provide consultations on loan modification, prepayment and the issuance of certificates of outstanding balance so that customers can avoid uncertainty.

* The figure includes housing loans originated by GHLC.

Situation of consultations on repayments

JHF has organized a consultation system with servicing financial institutions for customers experiencing difficulty in repaying their loans in the adverse economic conditions. Also we have prepared options for modifying repayment terms and conditions depending on family income and other circumstances to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed.



Application situation of special measures for modifications to repayment methods

For customers experiencing difficulty in repaying their loans in the adverse economic conditions, JHF offers special measures for modifications to repayment methods to alleviate repayment burdens depending on family income and other circumstances, so that borrowers can continue to pay.

Other loan modification options include the change of repayment date, adjustments to the proportion of monthly and biannual bonus repayments and cancellation of biannual bonus repayments.

● Application requirements for special measures for modifications to repayment methods

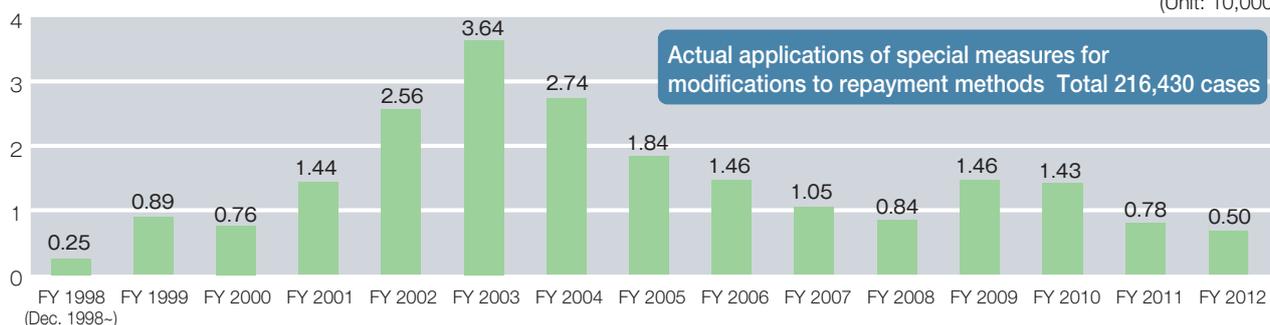
- If customers have difficulty with repayment due to bankruptcy or changes in circumstances concerning the customers' employment; and
- If the customers fall under any of the following items:
 - The DTI ratio (debt-to-income ratio) for JHF loans is 25% or more;[M.T.1]
 - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
 - The DTI ratio for housing loans from JHF and the private sector exceeds a certain percentage, and the income reduction rate reaches 20% or more; and
- If the customers are able to continue the repayment under a modified repayment term, the extension of the repayment period up to 15 years will be applied to their loans to alleviate their monthly amortization. Of them, for people unemployed or suffered reduction of income more than 20%, each repayment burden will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during this 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 former-GHLC)	· Current interest rate of 6% or less: 1% reduction
	· Current interest rate of more than 6%: reduced to 5%
(Flat 35)	· Until FY 2012: 1% reduction regardless of the current interest rate
	· In FY 2013: 0.5% reduction regardless of the current interest rate

<Number of applications of special measures for modifications to repayment methods>

(Unit: 10,000)



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 "Finance Facilitation Law"), JHF reveals its business policies and strengthens the system based on the policies to provide more appropriate consultations on housing loans for customers.

JHF continues to respond to consultations from customers receiving housing loans regarding payment, etc. appropriately after the expiration of the Finance Facilitation Law at the end of March 2013.

<Number of applications for loan modifications and their amount (December 4 2009 – March 31 2013)>

(Unit: Number of cases, million yen)

	Loans to small and medium sized enterprises*1		Loans to individuals with mortgage obligation*2	
	Number of cases	Amount	Number of cases	Amount
Number of applications for loan modifications and their amount	595	113,375	80,073	1,022,822
Of which, the number of accepted applications and their amount	510	98,641	58,584	750,690
Of which, the number of rejected applications and their amount	37	7,516	2,602	34,970
Of which, the number of applications under underwriting and their amount	12	1,567	1,187	14,677
Of which, the number of withdrawn applications and their amount	36	5,651	17,700	222,486

*1 Measures in accordance with Article 4 of the Finance Facilitation Law

*2 Measures in accordance with Article 5 of the Finance Facilitation Law

Research and Survey on Housing Finance

Research and study on housing finance to promote securitization business

JHF conducts the following surveys and research activities to promote securitization business while continuously providing accurate and fair information to enable customers to select appropriate loans.

Surveys of domestic housing loan market

JHF conducts surveys on housing markets including new domestic loan origination and outstanding loan balances, on profile of housing loan recipients, on consumers' awareness and behavior in terms of their housing loan selection, and on other relevant theme. Results of the latest and unique surveys are widely utilized by governmental institutions and think tanks, etc.

(Website) <http://www.jhf.go.jp/about/research/index.html>

Analyses and information dissemination on housing finance market

JHF has compiled and issued publications with results of survey analyses on domestic and overseas market of housings and housing loans are compiled as well as contributed to academic journals including the Japan Association of Real Estate Sciences (JARES) and noted economic journals, etc. In addition, JHF has exchanged information and presented research results at broad fields of seminars and academic conference.

Surveys on overseas housing finance and dissemination of information overseas

JHF collects the latest information on systems and trends of overseas housing finance market, analyzes and reports their effects on Japan through media including its own Housing Finance Magazine. In addition, JHF interacts with international organizations and public/private institutions overseas, or at international conferences to provide information on housing finance in Japan. Through these activities, JHF contributes to international mutual understanding.

A publication written by JHF staff



Presentation at the JARES conference



An example of a report in Housing Finance Magazine



Fiscal 2012 surveys

The following reports are available from “Kihou” on the JHF website.
<http://www.jhf.go.jp/about/kihou/index.html>

● Domestic housing finance

“Aging Society and New Housing-Related Demands”, “New Possibilities Brought by Lengthening Durability of Housings”, “Historical change of Financial Profitability of Banks and its Current Circumstance”, “Historical Transitions of Housing Loans and Housing Markets”, “Features of Housing Loan Recipients in Japan based on JHF Survey”, and “Current Situation and its Background of Housing Finance Markets in Japan”

● Overseas housing finance

“Updates of Housing Finance Markets in the United States”, “Information Dissemination: from Japan to the World”, “German Building-Saving Scheme”, “Banking Crisis in Spain and ECB’s Policy Response”, “Trend of Housing Finance in the World”, and “On Situation Surrounding Housing Market in the United States”