

# Activities of JHF

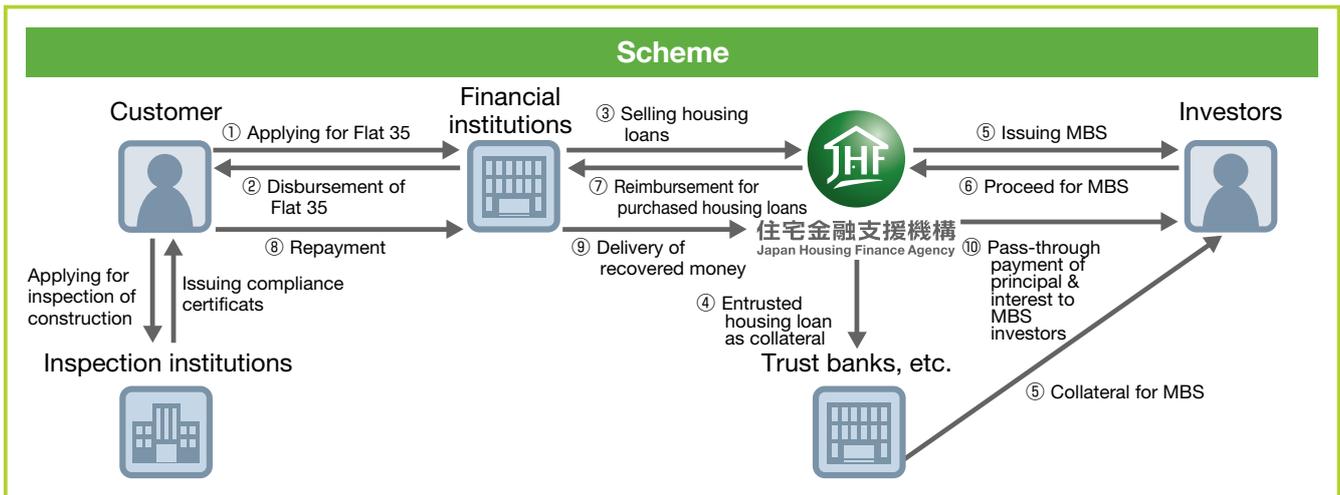
## Providing Fixed-rate Housing Loans through Collaboration with Private Financial Institutions

“Flat 35” is a fixed-rate mortgage that JHF offers to people in collaboration with private financial institutions. Because a fixed-rate mortgage is a type of loan in which the borrowing rate and the amount of installments are fixed to maturity when the loan is closed, it enables customers to make long term plans for living.

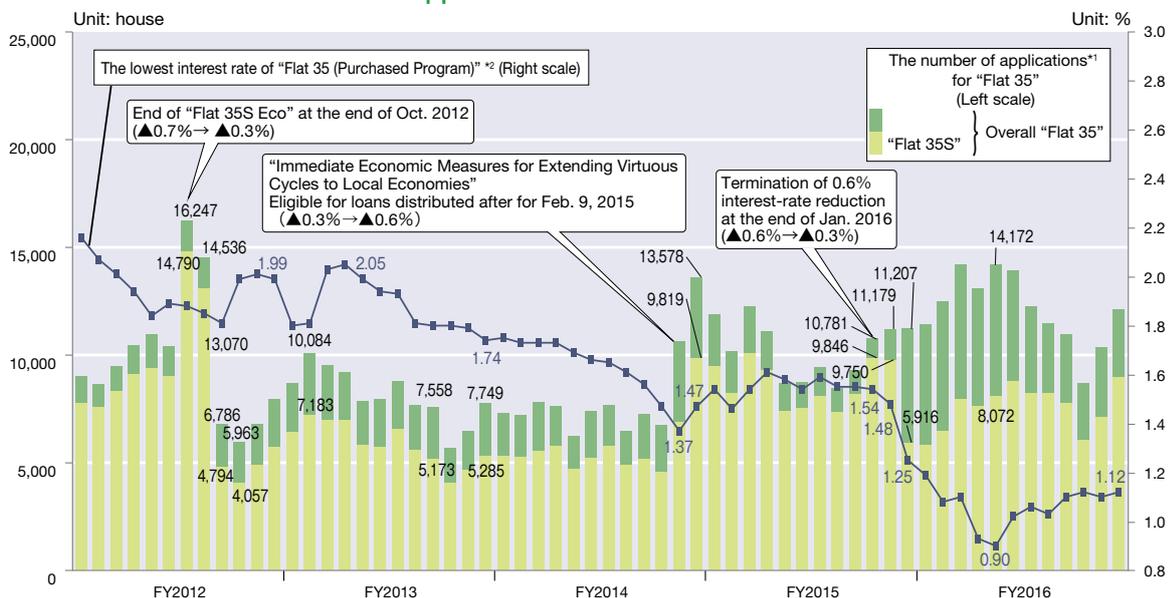
ずっと固定金利の安心  
【フラット35】

### Four merits of “Flat 35”

- ① Safe because interest rate is fixed to maturity
- ② JHF’s technical criteria to support housing
- ③ No guarantee fee and no fee for prepayment
- ④ Extend consultation during the repayment period



<Trend of applications for “Flat 35” and interest rates>

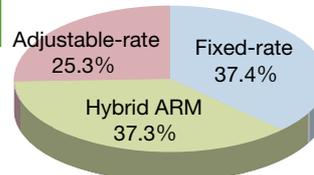


\*1 Total number of houses applying for “Flat 35 (Purchased program / Guarantee program)”.

\*2 The lowest interest rate among those offered by financial institutions in a case that duration of loan is between 21 years and 35 years (of which 90% or lower rate after February 2014 as interest rates vary according to its loan-to-value ratio (90% or lower, or over 90%). Many financial institutions set lower interest rate to the loans with 20 years or less maturity than those with 21-35 years.

### Interest rate desired by prospective loan-applicants

Approximately one-third of prospective loan-applicants desire fixed-rate mortgages.



(Source) JHF “The second survey of borrowers of private-sector housing loans in FY 2016 targeting prospective loan-applicants (conducted in April 2017)”

## Promotion of High Quality (such as Energy-Efficient) Houses

“Flat 35S” is a system in which lower interest rates are applied for a certain period for customers who applied for “Flat 35” to purchase high quality housing in terms of energy saving, earthquake resilience, and the like.

JHF has been striving to promote high quality housing by providing “Flat 35S”.

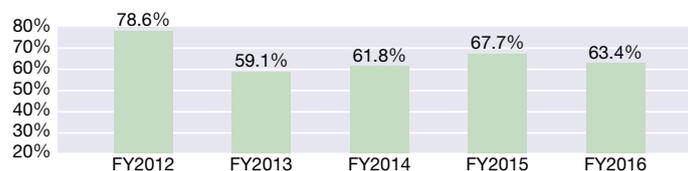
### <Four performances targeted by “Flat 35S”>

<p><b>Housing with high energy-efficient performance</b></p>  <ul style="list-style-type: none"> <li>● Use insulation materials adequately. (Fit insulating materials into the frame of the house without gaps)</li> <li>● Equip windows and doors with double panes, etc.</li> </ul>	<p><b>Housing with excellent earthquake-resilience</b></p>  <ul style="list-style-type: none"> <li>● Ensuring wall quantity and balance of layout</li> <li>● Strengthen joints in building frames</li> <li>● Strengthen foundations, etc.</li> </ul>	<p><b>Housing with excellent barrier-free performance</b></p>  <ul style="list-style-type: none"> <li>● Ensure that there are no different levels on the same floor. (Elimination of steps on the same floor)</li> <li>● Install handrails</li> <li>● Create sufficiently wide corridors, etc.</li> </ul>	<p><b>Housing with high durability and flexibility</b></p>  <ul style="list-style-type: none"> <li>● Proof against decay and termites</li> <li>● Ensure ventilation in the roof frame and under-floor (attic and under floor)</li> </ul>
<p>To increase insulation capacity of residences and thus to reduce consumption of electricity and fossil fuels such as kerosene used in heating and cooling systems is required for conservation of the global environment.</p>	<p>It is extremely important to increase earthquake-resistance capabilities of housing and ensure safety in preparation for large-scale earthquakes is extremely important.</p>	<p>To make housing that is easier for elderly to live in must become fundamental to building housing going forward, including preparation for nursing care at home.</p>	<p>As Japan has matured as a society, to create high quality housing stock is an urgent task. To build houses that will last as long as possible and to keep using such houses carefully will lead to conservation of our lifestyles and the global environment.</p>

JHF has made efforts to promote high quality housing through “Flat 35” and “Flat 35S.”

In particular, due to interest rate reductions through “Flat 35S,” JHF has contributed steadily for the promotion of high-quality energy-efficient housing, and the like.

### <“Flat 35” Share of houses meeting energy-efficient housing among applications for detached houses to be newly built>



## Research and Surveys on Housing Finance and Dissemination of Information

JHF conducts research and surveys on domestic and overseas mortgage markets and actively disseminates this information.

### Content of Major Surveys

- (1) Customer Surveys of Flat 35 Customers
- (2) Actual condition surveys of private-sector housing loan customers
- (3) Surveys of lending trends for private-sector housing loans
- (4) Surveys of new origination volumes and outstanding loan balances for housing loans by lender type

### Publications

The paper “The Reverse Mortgage Market in Japan and Its Challenges” was published in the reverse mortgage special feature issue (Volume 19, Number 1, 2017) of “Cityscape,” the bulletin of the United States Department of Housing and Urban Development.

JHF also contributed Chapter 4 “Housing Policies in Japan” in “The Housing Challenge in Emerging Asia: Options and Solutions,” edited by ADBI, the Asian Development Bank Institute.



### Surveys on housing loans overseas and information dissemination overseas

#### ▶ Ginnie Mae in the United States

JHF held the 2nd Japan-US Housing Finance&Capital Market Roundtable Conference jointly with Ginnie Mae (Government National Mortgage Association) in Tokyo on October 17, 2016.

At the conference, after the speech by Honorable Hisayuki Fujii, the Parliamentary Vice-Minister of Land, Infrastructure, Transport and Tourism, there were presentations on the capital markets, MBS market trends, the current state of reverse mortgages, and trends of housing loan markets, etc., in Japan and the United States by financial institutions and research institutes, etc., including President Tozer of Ginnie Mae.

There were about 100 participants on the day.



#### ▶ CHDB in Myanmar

On September 5, 2016, Letter of Intent was signed by four parties: the Housing Bureau of Ministry of Land, Infrastructure, the Transport and Tourism, the Department of Urban and the Housing Development of Ministry of Construction and the Construction and Housing Development Bank of the Republic of the Union of Myanmar, and JHF. Japan and Myanmar will promote cooperation in housing finance area in accordance with this Letter of Intent for improvement of dwelling life and economic growth in the Republic of the Union of Myanmar,



## Support for Reconstruction from the Great East Japan Earthquake, and Other Disasters

JHF supports early recovery and rebuilding of housing for people in the disaster-affected areas in collaboration with local governments and private financial institutions in those areas.

### ◆ Consultation sessions on housing reconstruction have been held many times in the area affected by the Great East Japan Earthquake.

In cooperation with national and local governments, JHF has provided local consultations on housing reconstruction for people in the disaster-affected areas since the Great East Japan Earthquake (1,749 consultation sessions were held in total from the end of March 2011 to the end of March 2017.)

Together with the Iwate Prefectural Housing Support Council, the Miyagi Housing Development Promotion Council for Reconstruction and the Fukushima Prefectural Housing Support Council, we have held regular consultation sessions on various issues since April 2013 in Iwate, Miyagi and Fukushima Prefectures, respectively, as part of a one-stop service that includes loans and financial plans as well as housing plans and various subsidy programs.

Additionally, in cooperation with private financial institutions, we have visited various affected areas and held consultation sessions in these areas since FY2014.

<A consultation session>



### <Results of local consultation sessions in Tohoku Area (March 2011 – March 2017)>



[Aomori pref.]	Number of consultation sessions: 2 times Number of consolor group: 5 cases
[Iwate pref.]	Number of consultation sessions: 362 times Number of consolor groups: 1,814 cases
[Miyagi pref.]	Number of consultation sessions: 1,228 times Number of consolor groups: 6,338 cases
[Fukushima pref.]	Number of consultation sessions: 157 times Number of consolor groups: 538 cases

### Establishment of Sanriku Reconstruction Support Center (June 2014)

Based on the fact that the full-scale supply of residential land will begin along with the project for promotion of group relocation for disaster mitigation in coastal areas of Iwate Prefecture, JHF has established the Sanriku Reconstruction Support Center in Kamaishi City, Iwate Prefecture, where it offers prompt responses on loan consultations.

### ◆ Response to Kumamoto Earthquake in 2016

JHF has provided information for people in the disaster-affected area and consultations on recovery or rebuilding of housing in collaboration with local governments.

In addition, in cooperation with private financial institutions in the relevant areas, JHF also handles consultations on repayment, and loans for recovery or rebuilding of housing.

Making use of the experience that JHF has cultivated through the Great East Japan Earthquake, JHF will strive for early recovery in collaboration with local government and private financial institutions in the area.

#### JHF's Support System

#### ▶▶ Support of rebuilding of housing for those affected by the disaster (housing loans for recovery from disaster)

For people whose housing is affected by natural disasters, JHF provides loans for funds necessary for construction, purchase or repair of housing at low interest rates. In addition, we also provide loans for groundwork together with residential construction or repairs when housing lots are damaged due to collapse or liquefaction, etc.

#### ▶▶ Support for borrowers who are repaying outstanding loans

For borrowers who are affected by disasters, JHF has been providing careful counseling and appropriate support for rebuilding lives through proposals to change repayment methods, etc.

[Modification of repayment methods]

Depending on the degree of disaster affection, JHF has deferred the repayment of loans, extended the repayment period and reduced the interest rate for the grace period.

[Natural Disaster Guidelines]

JHF accepts consultations and requests, etc. with respect to "Guidelines for Consolidation of Personal Debt Caused by Natural Disaster."

### ◆ Revision of Housing Loans for Recovery from Disasters

Implementa-tion Period	Item	Details
October 2016	Reconsideration of scope of non-secured loan	To increase convenience, it became unnecessary to take out mortgage (non-security) for the case where the loan amount is 3 million yen or lower.
	Disaster-stricken housing land recovery support by making use of land leveling funds	In order to support recovery of disaster-affected residential land, for land leveling construction conducted together with recovery of affected houses (retaining wall repairs, soil improvement), it became possible to use land leveling funds alone.
	Handling of repair work in several stages	In order to be able to handle repair work in several stages for which payment periods of construction fees may differ, it became possible to use loans in multiple instances.
	Inclusion of households that are on long-term evacuation into coverage of loan eligibility under the Act on Support for Reconstructing Livelihoods of Disaster Victims	It became possible for persons who are certified as long-term evacuation households under the Act on Support for Reconstructing Livelihoods of Disaster Victims (Act No. 66 of 1998) to use loans even though they have not been issued disaster certificates.
January 2017	Start of handling of housing loans for recovery from disasters (special system repayment for the elderly)	It became possible for persons of age of 60 or older to use special repayment system for the elderly* when they build, purchase or repair housing for themselves to reside in.

\*Repayment each month will only be the interest portion, and the principal will be paid in lump sum when the applicant dies, by disposition of property, etc. by the inheritors (it is possible to reduce the burden of monthly repayment).

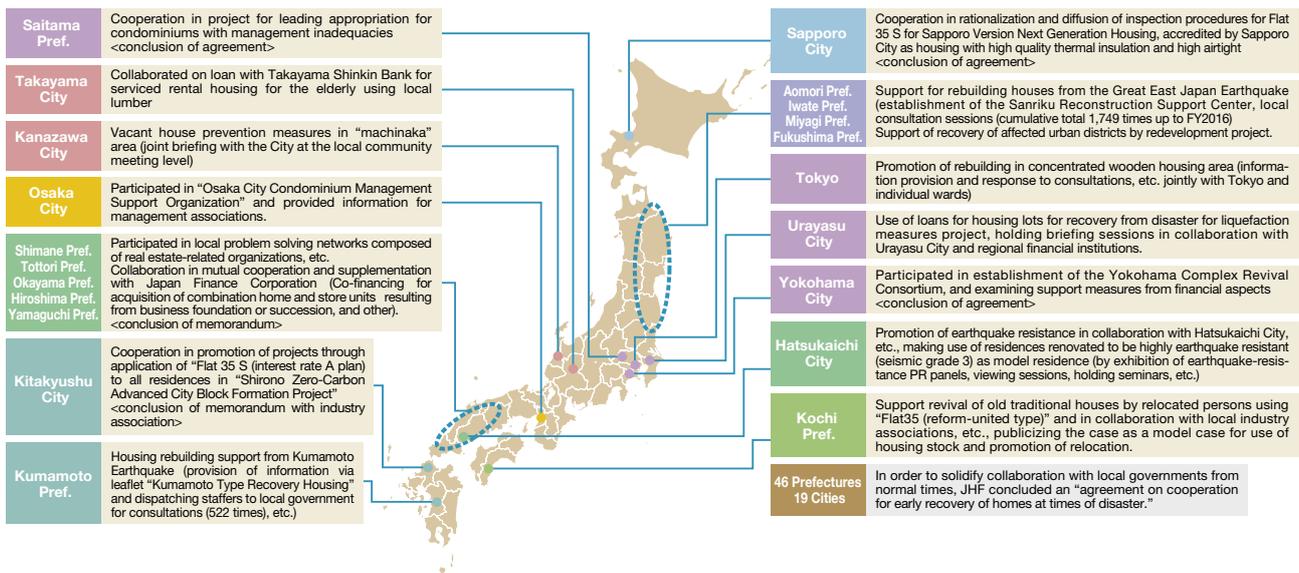
## Effort in Collaboration with Local Governments, etc.

### ◆ Collaboration with local communities (efforts nationwide)

JHF has been making efforts for resolution of tasks related to building housing and urban development in the community in collaboration with local governments, etc. under the management philosophy of “contributing to improvement of housing in Japan.”

Based on the serious social situation of decreasing population and aging society, local governments have been striving for local tasks such as recovery from disaster, disaster prevention, condominium management, revival of housing complexes, migration/relocation, vacant houses measures, stable living for the elderly, etc. nationwide, and JHF has made efforts as well in support of those tasks, centering on financial aspects.

#### Major local collaboration efforts nationwide (FY2016)

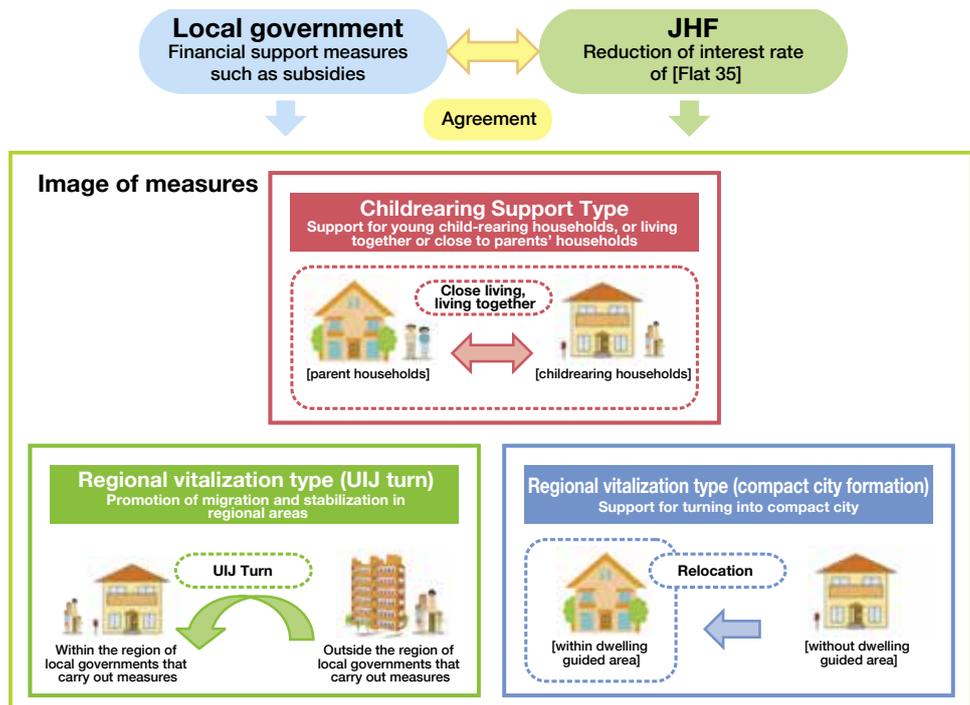


### ◆ Collaboration with Local communities ([Flat 35] Childrearing Support Type, Regional Vitalization Type)

JHF has been striving to support regional revitalization, etc. by reducing the interest rate on Flat35 together with financial support from local governments.

In April 2017, JHF launched a new product called [Flat35] Childrearing Support Type and Regional Vitalization Type, in relation to regional revitalization named as one of the government’s vital measure, subject to collaboration with measures of local government.

This system is to reduce the interest rate of [Flat 35] for a certain period together with financial support by local government that carried out measures for Childrearing support, UIJ Turn or Compact City Formation, in attempting promotion of childrearing and regional vitalization.



## Providing Loans for Politically Important Areas

### Rebuilding housings affected by disasters   Loans for recovery from disasters etc.

JHF provides low-interest loans for people whose houses were damaged by the Great East Japan Earthquake and the Kumamoto Earthquake in 2016, as well as other earthquakes, torrential rains, gusty winds and typhoons and other natural disasters to build, purchase or renovate their houses. JHF also provides loans for ground-work together with residential structures when housing lots are damaged due to collapse or liquefaction, etc.

#### (Project example) Liquefaction Measures Project

Project: "Urayasu City Urban Area Liquefaction Measures Project" Urayasu City, Chiba Prefecture

This is a public project to carry out liquefaction measures in a single unit of public facilities such as roads and residential land, upon consent of all the land title holders in the area that have suffered significantly due to liquefaction of ground because of the Great East Japan Earthquake, and the project plans were determined for 3 areas, 471 residential lands, a part of which construction has already started as of March 2017.

JHF supports execution of the project by providing briefing and consultation sessions on funding plans upon structuring of administrative work so that land title holders can use loans for housing land for recovery from disaster, etc., for construction costs which need to be covered by land title holders.

(As of March 31, 2017 Application for loan for housing land for recovery from disaster relating to liquefaction measures project, 22 cases (preliminary))

<status upon suffering disaster>



<construction status>



### Stable living for the elderly   Loans for rental houses with nursing services for the elderly

JHF provides loans to business operators to build rental houses with nursing services for the elderly, or purchase houses once used for other purposes to convert to rental houses with nursing services for the elderly, or do renovation to convert to rental houses with nursing services for the elderly.

#### Serviced rental housing for the elderly

This refers to barrier-free rental housing that encompasses services such as monitoring and nursing care for the elderly, which was introduced when the "Act on Securement of Stable Supply of Elderly Persons' Housing" was revised in 2011. This is rental housing that meets the registration criteria, and is registered with the municipal government. This is supported by governmental subsidies, preferential tax treatment and policy-related loans.

### Support for families raising children   Loans for energy-saving rental housing for households with small children

JHF provides loans for construction and other purposes to promote the supply of energy-efficient rental housing capable of accommodating families raising children.

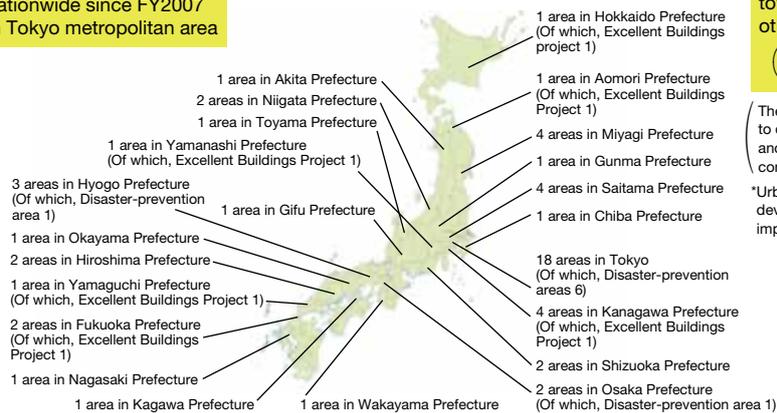
### Development of safe residential areas   Urban development loans

JHF provides loans for the following projects to secure disaster-resilience and improve living conditions in urban areas with high concentrations of structures to promote rational land use:

- Rebuilding old condominiums (including sale of land)
- Disaster-prevention block improvement projects and projects to rebuild rental structures in core city centers with high concentrations of structures
- Urban redevelopment projects, etc.
- Joint rebuilding projects in urban areas with high concentrations of structures, rebuilding projects of buildings that conform with wall setback standards of the district planning.

[As of end of FY2016]  
 Acceptance of 56 projects nationwide since FY2007  
 Acceptance of 18 projects in Tokyo metropolitan area

- Urban development projects:  
42 areas in 18 prefectures (26 cities, 6 wards)
- Disaster-prevention area improvement projects:  
8 areas in 3 Prefectures (2 cities, 4 wards)
- Excellent buildings improvement projects:  
6 areas in 6 Prefecture (6 cities)



The share of JHF loans to develop towns in urban redevelopment and other projects\*.  
 (From April 2007 to March 2017) **28.5%**

(The ratio of projects that received JHF loans to develop towns among urban redevelopment and other projects for which the correct conversion plan was approved.)  
 \*Urban redevelopment and other projects to develop disaster-prevention areas with housing implemented by private business operators, etc.

► Disaster-prevention area improvement projects

(Example)  
 Project: “Ebaramachi Station Front Area Disaster-Prevention Area Improvement Project”  
 Shinagawa Ward, Tokyo.  
 Completed in March 2016



Complex awarded for JHF President’s Letter of Appreciation for FY2016

► Urban Redevelopment projects

(Example)  
 Project: “Hiroshima Station South Exit B Block Urban Redevelopment Project” Hiroshima City, Hiroshima Pref.  
 Completed in August 2016  
 “Hiroshima Station South Exit C Block Urban Redevelopment Project” Hiroshima City, Hiroshima Pref.  
 Completed in December 2016



Complex awarded for JHF President’s Letter of Appreciation for FY2017

Renovation of Condominium Stocks Loans for renovating common areas of condominiums

JHF provides loans for condominium management associations and unit owners to repair exterior walls and other areas to help them address deterioration and enhance anti-seismic strength.

Stable living for the elderly, and others/  
 Condominium stock maintenance and renovation Special repayment system for the elderly (renovation loans/urban development loans)

In general, funding plans by ordinary housing loans with repayment of principal and interest become difficult as the repayment period shortens when the borrower gets old.

This system can be used when an elderly person who is 60 years of age or older renovates his/her house in terms of barrier-free or earthquake resistance, or builds or purchases a housing unit supplied by a condominium rebuilding project, etc. Before the decease of the borrower the borrower only pays interest, and by which the burden of repayment is eased while the elderly borrower is alive. After the decease of all of the borrowers (including joint debtors) JHF requires the inheritors, etc. to repay the outstanding balance in lump sum by means of sale of the residence and land subject to financing, etc.

JHF holds briefing and consultation sessions, etc. with management associations, etc. that are considering rebuilding of condominiums, to cooperate in forming agreements on rebuilding.

Scenes from briefing



Improving Earthquake Resilience Loans for Renovation (earthquake resistance improvement)

JHF provides loans for earthquake-resilient renovation aiming to improve the earthquake resistance of housing. In preparation for the anticipated Nankai Trough Earthquake or earthquakes that might directly hit the Tokyo metropolitan area, etc., the “Revision of the Act on Promotion of Seismic Retrofitting of Buildings” (Act No. 123 of 1995) went into effect in November 2013, and earthquake-resilient renovation of condominiums lacking earthquake-resilience along emergency transport roads in particular is considered to be an urgent task.

This earthquake-resistant renovation construction, a great deal of expense is required for seismic isolation construction, etc., so we increased the loan limit amount for loans to renovate shared parts of condominiums (earthquake-resistant repair construction) from 1.5 million yen, for the case of general large-scale renovation, to 5 million yen, and reduced the loan interest rate.

# Strengthening Operating Foundations to be an Organization that can Implement Effective and Efficient Business Operations

## ◆ Financial Conditions and other (FY2016 Settlement)

### Status of assets and debts

Total assets as of end of FY2016 were approximately 26 trillion yen, and total debts were approximately 25 trillion yen. Status of major assets and debts is as follows.

#### ▶ Status of outstanding balance of purchased loans and other loans

The balance of “Flat 35 (Purchased loans)” at the end of FY2016 was approximately 14 trillion yen. The balance of purchased loans has been increasing year by year and now accounts for a majority of the balance of the housing loans that JHF holds.

#### ▶ Status of outstanding balance of bonds and borrowings

Fundraising from the financial markets through issuance of MBS has increased due to the business growth of “Flat 35,” etc., and now the MBS outstanding balance accounts for a majority of the balance of fundraising from bonds, etc. Meanwhile, borrowings for Fiscal Loan Funds, which are borrowings from the Japanese government, have declined due to the decrease in the balance in the Outstanding Loans Management Account.

### Status of profit and loss

JHF posted gross income of 202.5 billion yen for the overall agency.

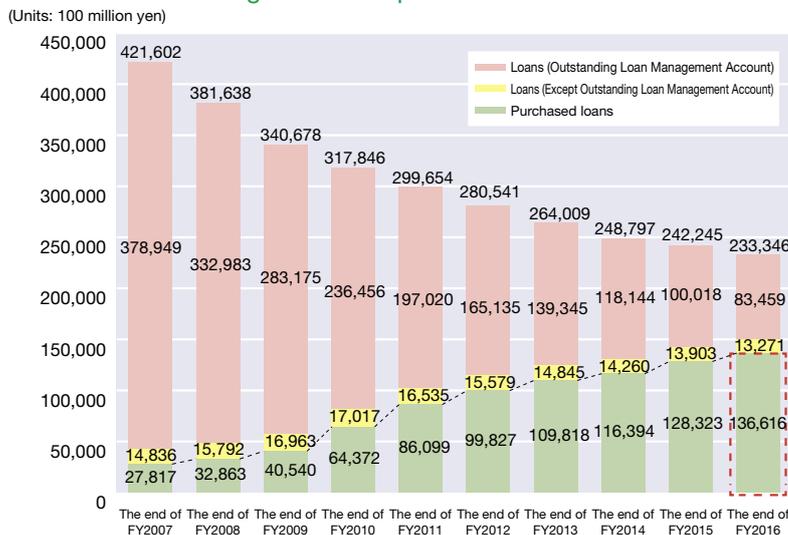
#### <Securitization Support Account>

JHF posted gross income of 64.5 billion yen in the Securitization Support Account, through an increase in the balance of purchased loans and appropriate loan management and so on. From this, including the reserves up to the previous term, it posted a surplus carried forward of 276.7 billion yen. As costs tended to emerge later than earnings for credit risk, etc. of the Securitization Support Business (Purchased Program), the loss in the latter half was offset by profit in the first half of the loan period, and therefore, in order to be prepared for future emergence of credit risk, etc., JHF has carried over the necessary amount as reserve funds to the 3rd Mid-term Target Period.

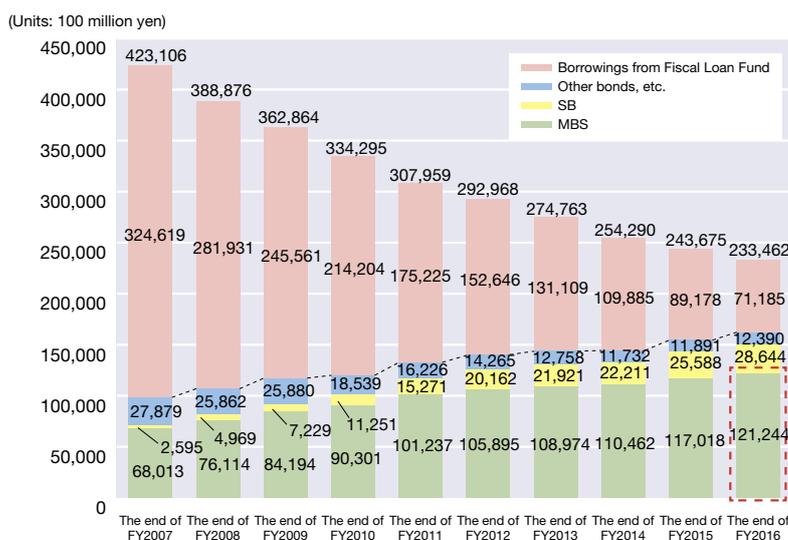
#### <Outstanding Loans Management Account>

JHF posted gross profit of 121.1 billion yen in the Outstanding Loan Management Account due to appropriate loan management. By this, including reserve fund up to the previous term, JHF posted a surplus carried forward of 143.3 billion yen. From the perspective of concluding the project stably without incurring new state liability, in order to be prepared for future emergence of credit risk, etc., JHF has carried forward the entire amount of surplus to the 3rd Mid-term Target Period.

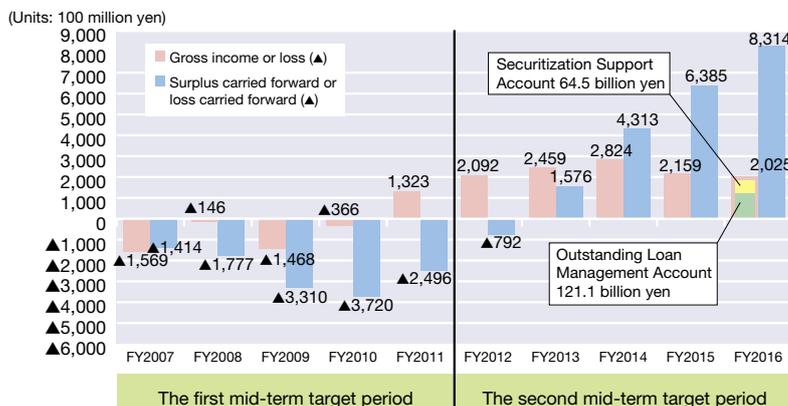
### <Outstanding balance of purchased loans and other loans>



### <Outstanding balance of bonds and borrowings>



### <JHF's profit and loss etc.>

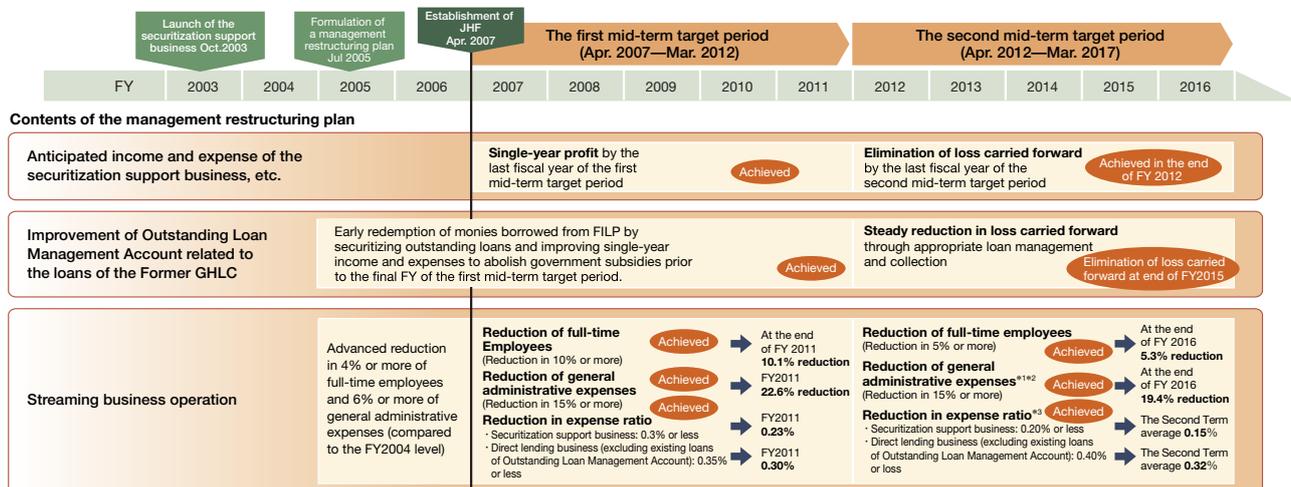


\*The surplus carried forward in FY2016 includes a reserve fund of 276.7 billion yen (after appropriation of profit for the year) in the Securitization Support Account, a reserve fund of 285.7 billion yen for the group credit life insurance business, and a reserve fund of 143.3 billion yen (after appropriation of profit for the year) in the Outstanding Loan Management Account.

## Business Operations Optimization

In the housing loan market, JHF has been working on efficiency improvements of business operations and improvement of financial details while steadily accumulating results in order to promote support and complement private financial institutions under autonomous management, and achieved the goals of the first mid-term target period.

JHF achieved its goal of eliminating loss carried forward for the Securitization Support Account at the end of FY2012, and for the Outstanding Loans Management Account the loss carried forward was eliminated at the end of FY2015, thus the loss carried forward was eliminated for all accounts. JHF also achieved all the other goals of the Second Mid-term Target Period.



\*1 Commissioning cost (excluding business outstanding cost), wages of temporary employees and expenses of office supplies, etc.  
 \*2 General administrative expenses in the second mid-term target period do not include labor costs, for which a reduction target is set separately based on government policy and taxes and public dues beyond the control of the JHF  
 \*3 Expense ratio: (administrative cost + (business outsourcing cost - entrustment charges) + bond issuance cost + depreciation) ÷ average balance of purchased receivables, etc.

## Disposition of reserve after the 2nd Mid-Term Target Period (carry forward to the 3rd Mid-term Target Period)

Reserve as of end of FY2016, which is the final business year of the 2nd Mid-term Target Period is carried forward to the 3rd Mid-term Target Period upon obtaining approval of business expenses, etc. by the competent ministers under the Act on the Japan Housing Finance Agency, Incorporated Administrative Agency, in preparation for future credit risk and interest fluctuation risk, as well as from the perspective of stable business termination or continuation concerning the Outstanding Loans Management Account, etc.

For Securitization Support Account and Housing Loan Insurance Account, where the reserve exceeds the necessary amount, JHF remits the amount of the portion that exceeds the necessary amount to the national treasury.

(unit : 100 million yen)

	Securitization Support Account	Housing Loan Insurance Account	Property Accumulation Housing Fund Loan Account	Housing Fund Loan, etc. Account	Outstanding Loan Management Account
Amount of reserve	2,767	292	359	3,464	1,433
Amount approved by the competent minister as to be carried over to the 3rd Mid-Term Target Period.	2,598	14	359	3,464	1,433
Amount of payment to national treasury	169	278	—	—	—

### Credit risk profit loss structure (image)

As costs tended to emerge later than earnings for credit risk and interest rate fluctuation risk of the Securitization Support Business, etc., the loss in the latter half was offset by profit in the first half of the loan period in its profit and loss structure.

