

Session 3: “Cooperative, green and affordable housing: the future of living?”

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(旧「住宅金融公庫」)

1. Background history of housing finance market in Japan

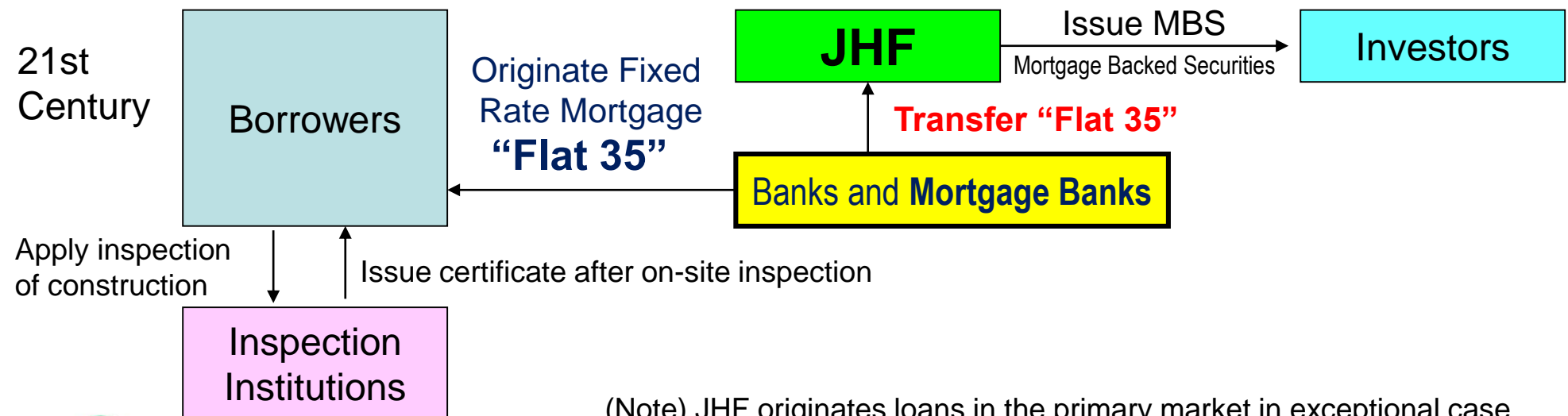
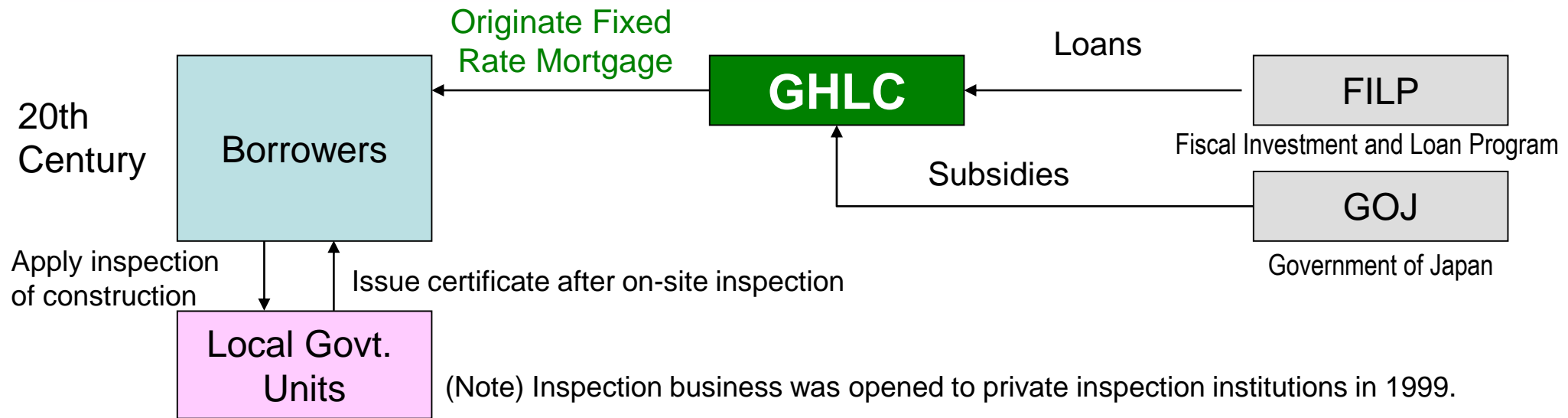
JHF (Japan Housing Finance Agency)



■ Date of Establishment	April 1, 2007 Replaced GHLC established in 1950 ※GHLC: Government Housing Loan Corporation
■ Total asset	26,045 billion JPY as of end of FY2018 (app. 243 billion USD) ※
■ Capital	701 billion JPY as of end of FY2018 (app. 6.6 billion USD) ※ 100% Owned by the Government of Japan
■ Net Income	204 billion JPY for FY2018 (app. 1.90 billion USD) ※
■ Supervising Authorities	Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and Ministry of Finance (MOF)
■ Number of Employees	871 as of April 1, 2019,

※1 USD=107JPY

GHLC and JHF: Business Model



Comparison of GHLC and JHF

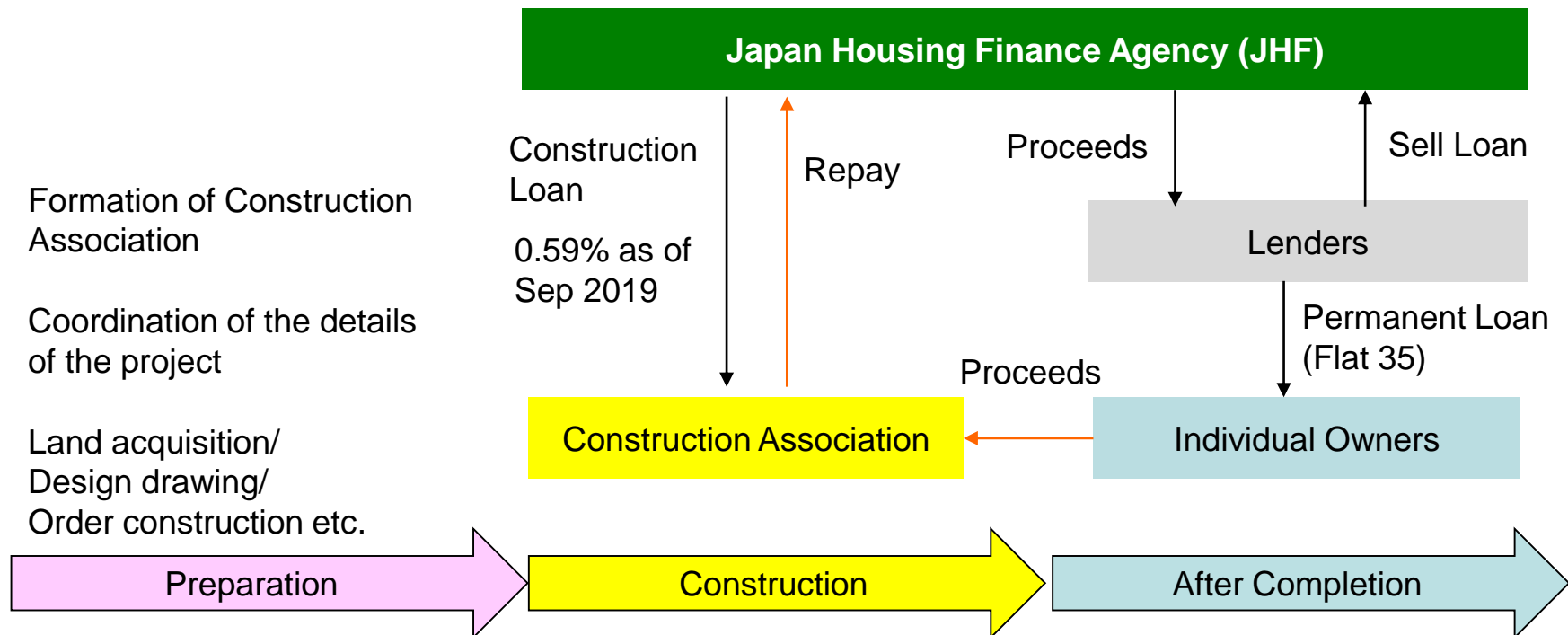
	Former GHLC	JHF
Established	1950	2007
Ownership	100% Owned by the Government of Japan	
Mission	<ul style="list-style-type: none"> • Provide liquidity to mortgage markets to low and medium income household • Enhance quality of housing 	
Main Products	Fixed Rate Mortgages	
Main Business	Origination in primary mortgage market (Compete with private sector)	Secondary market operation (Support private sector)
Main Funding Source	Borrowing from the Government (MOF FILP)	Mortgage Backed Securities (MBS)
Subsidy	Yes	No (in principle)

(Note) JHF still originates mortgages for such exceptional cases as disaster mitigations, among others. In such cases, JHF still has access to funding from the MOF FILP and subsidies from General Appropriations.

2. Cooperative houses in Japan

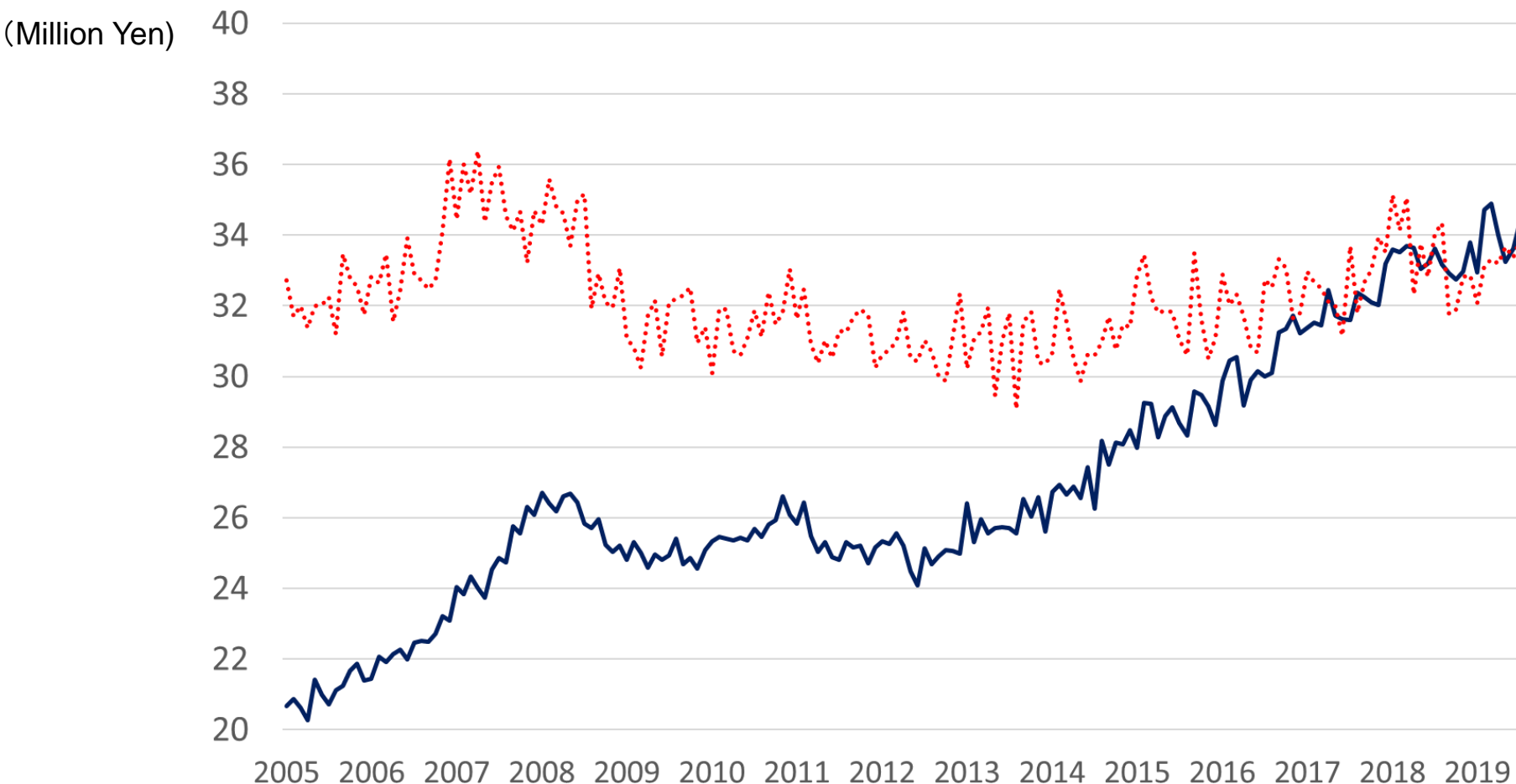
Cooperative house: project stage and funding

- JHF provides construction loan with short maturity to construction association which is comprised of members who are interested in the project to construct a cooperative house.
- After completion of the construction, lenders may extend permanent loans (Flat 35) to individual owners, and they may use the proceed to pay off the short term construction loan, which have to be paid within 2 years of the completion (they may opt to pay in cash).



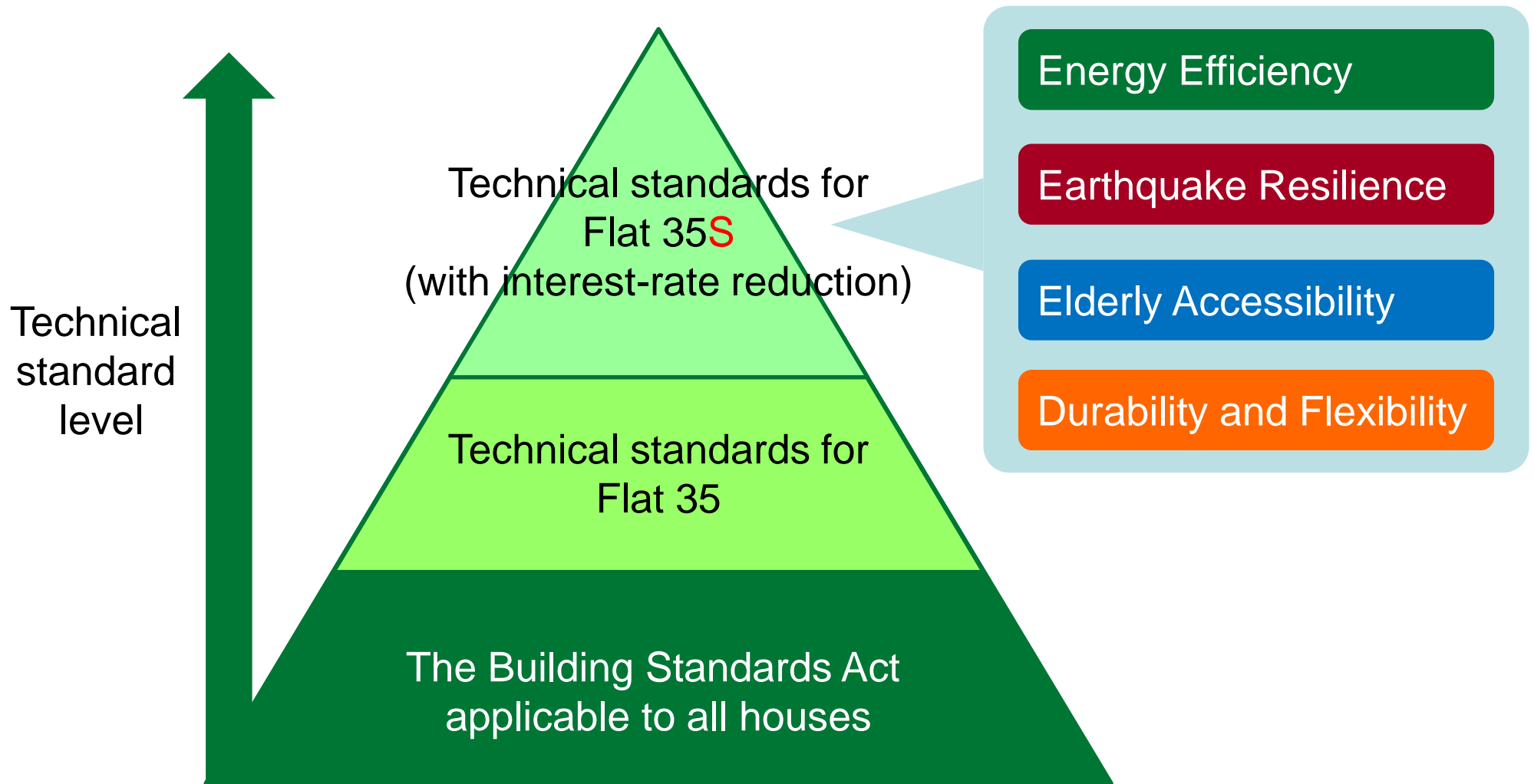
Average price of existing house sold in Tokyo Region

- In the past, single detached house was regarded as the final stage of “housing ladder”.
- However, condominium is getting more popular in these days in the aging society.



3. Promotion of quality houses and JHF green bond

Hierarchy of technical standards for houses



Flat35S

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

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



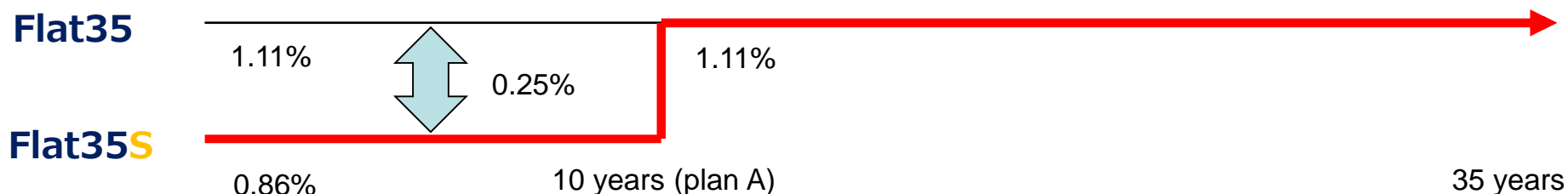
Eligible for application from April 1, 2019 to March 31, 2020

Interest-rate reduction plan	Duration of interest-rate reduction	Range of interest-rate reduction
Flat 35S (Interest rate plan A)	First 10 years	Reduction of 0.25% /year from Flat 35
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 Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except "Flat 35" refinancing).

Interest rate (as of September 2019)



Three pillars to ensure quality of houses under Flat 35

1. Technical Standards

■ Related to the country's housing policies

Promoting



Energy efficient housing



Earthquake resilient housing



Barrier-free housing



Durable and flexible housing

2. Inspection of Construction

■ Inspection system which can work throughout the country



Agreement



Inspection Institutions

- Nationwide inspection system
- JHF provides inspection manuals
- JHF monitors Inspection institution work

3. Housing Construction Specification

■ Contributing to construction quality

【As a manual】

■ Prevent disputes between construction company and client

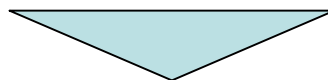
【As a contract】

■ Minimize time and cost in the preparation of design documents, etc.

【As a documents of inspection】

Outline of the 1st JHF Green Bond and 2nd and 3rd

- Issued JHF Green Bond (Straight Bond with 20 years maturity) in January 2019
- The first Green Bond issuance in Japan to finance residential mortgages
- Issued under the Green Bond Issuance Promotion Platform provided by Ministry of the Environment, GoJ

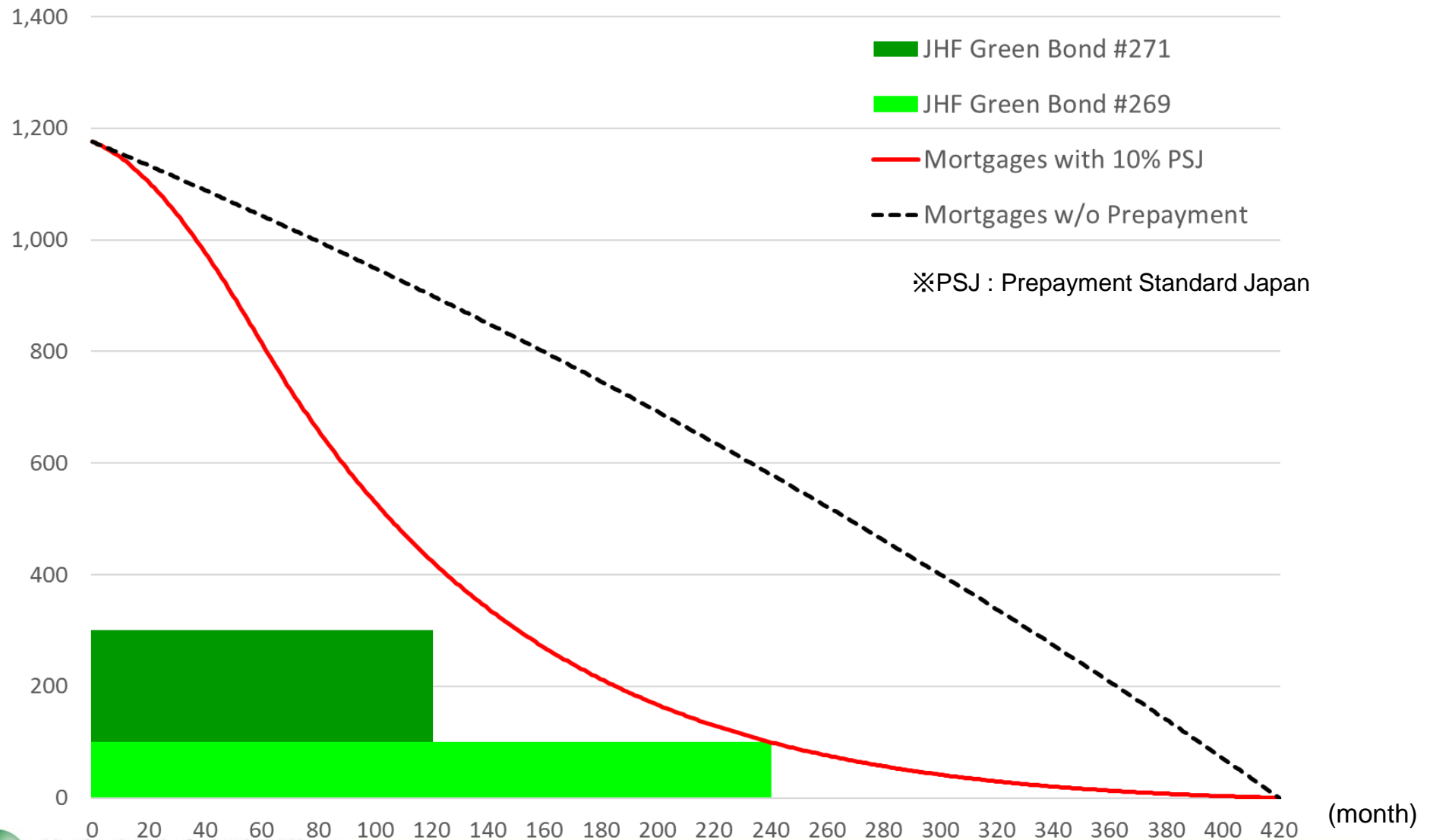


In March 2019, JHF was awarded the Japan Green Bond Award under the Japan Green Innovation Category from Ministry of the Environment.

Bond Series	Maturity	Amount Issued	Nominal Coupon	Issuance Date	Period of purchaing underlying mortgages
No. 255	20 year	10 billion JPY	0.548%	21-Jan-19	Sep 2018~Nov 2018
No. 269	20 year	10 billion JPY	0.273%	17-Jul-19	Dec 2018~May 2019
No. 271	10 year	20 billion JPY	0.055%	18-Sep-19	Dec 2018~May 2019

Outstanding balance of the bond and underlying mortgages

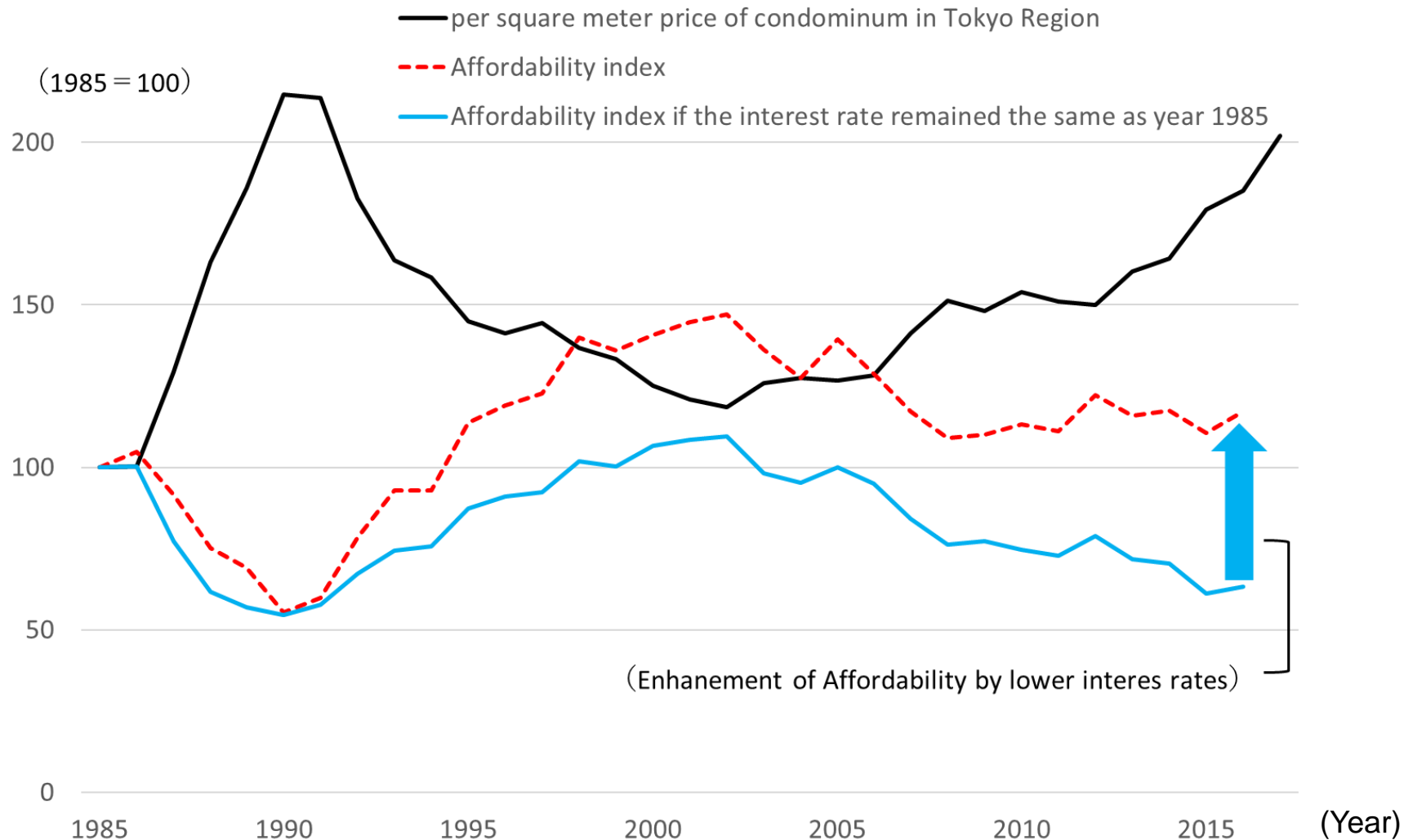
(100 million yen)



4. Enhancement of affordability

Enhancement of Affordability

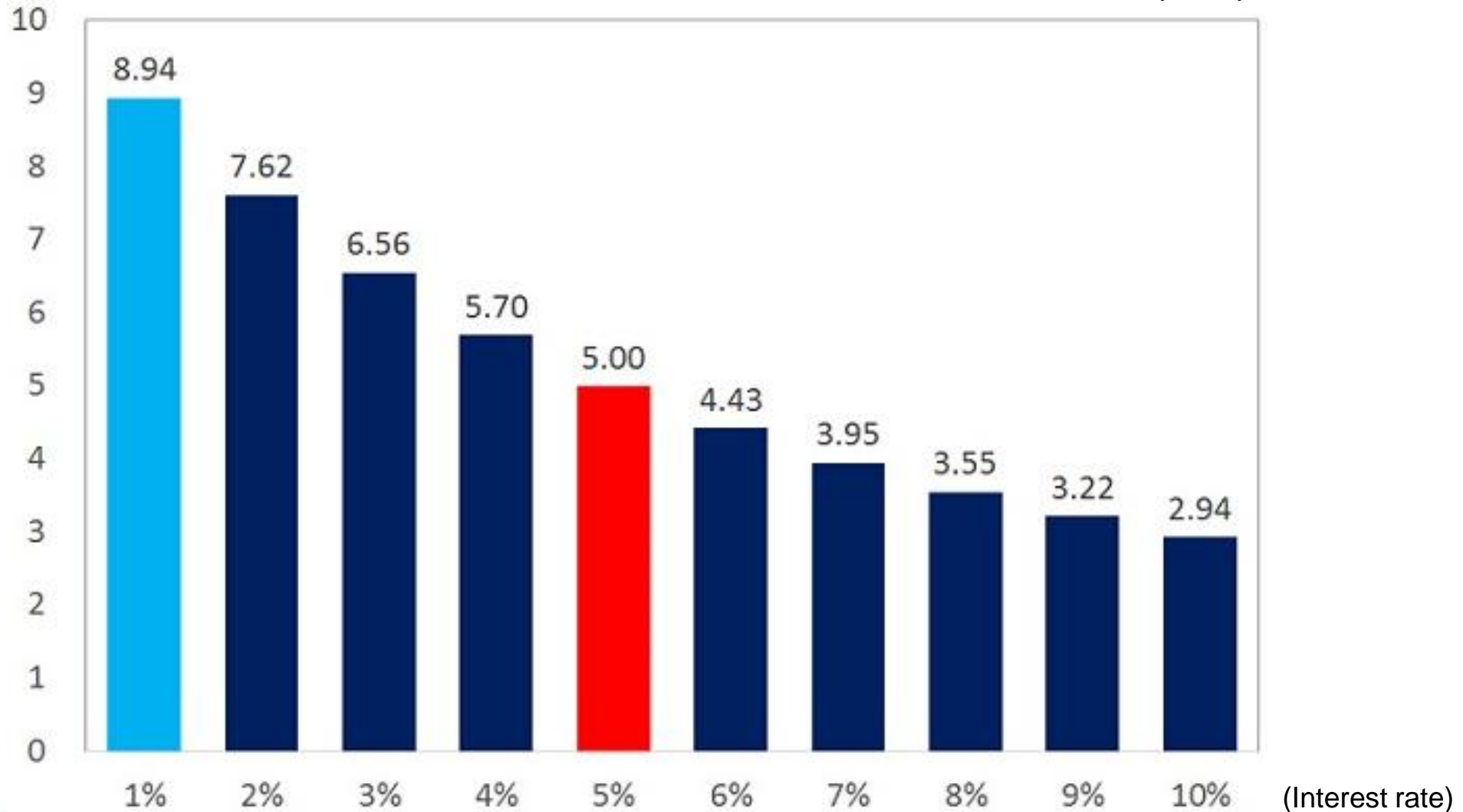
- Although the price of houses are rising in these couple of years, houses remain affordable thanks to the decline of interest rate.



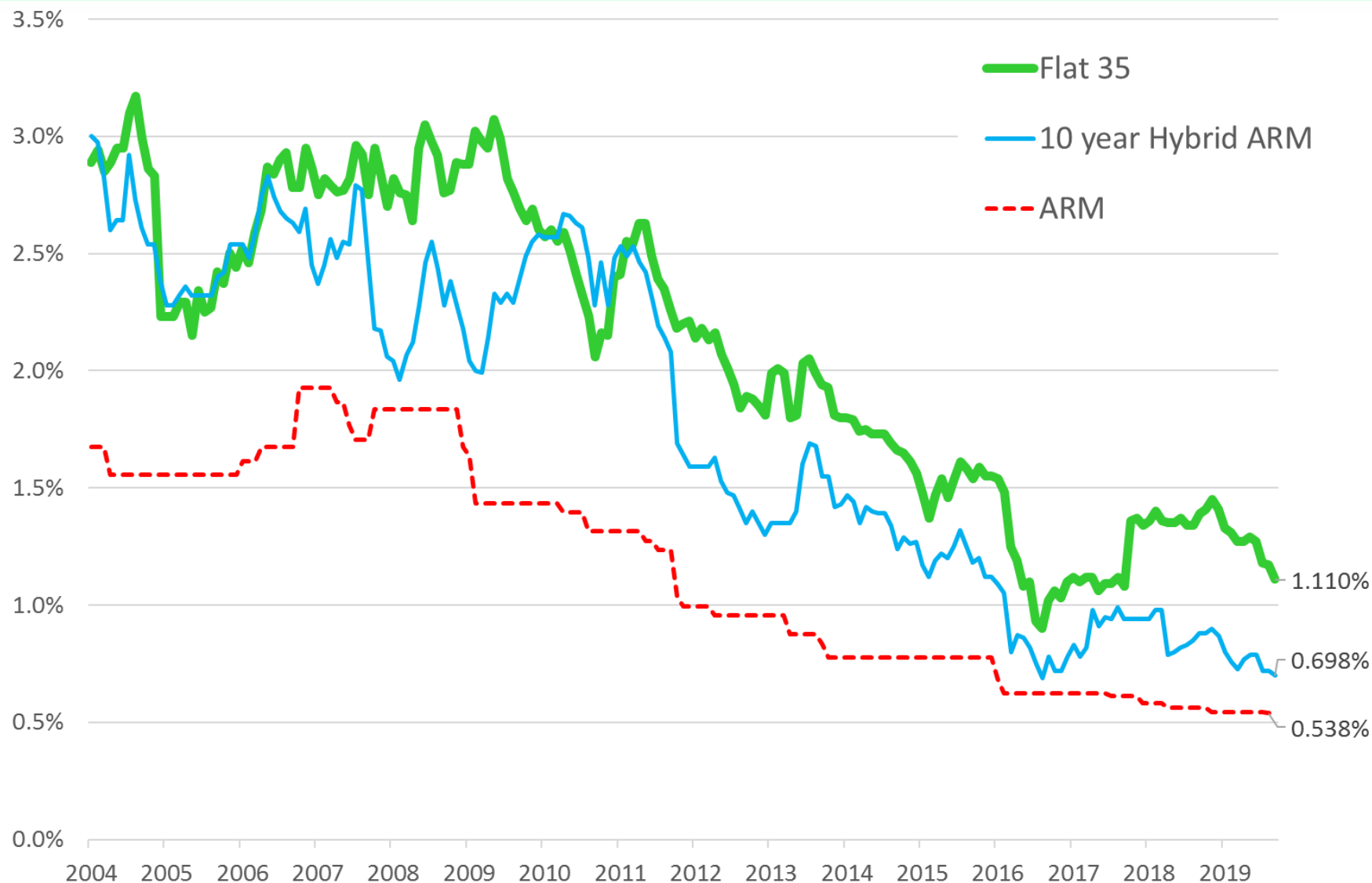
DTI30% equivalents of home price to income ratio by interest rate

Price to Income Ratio

※Maturity : 35 years



Mortgage Note Rates



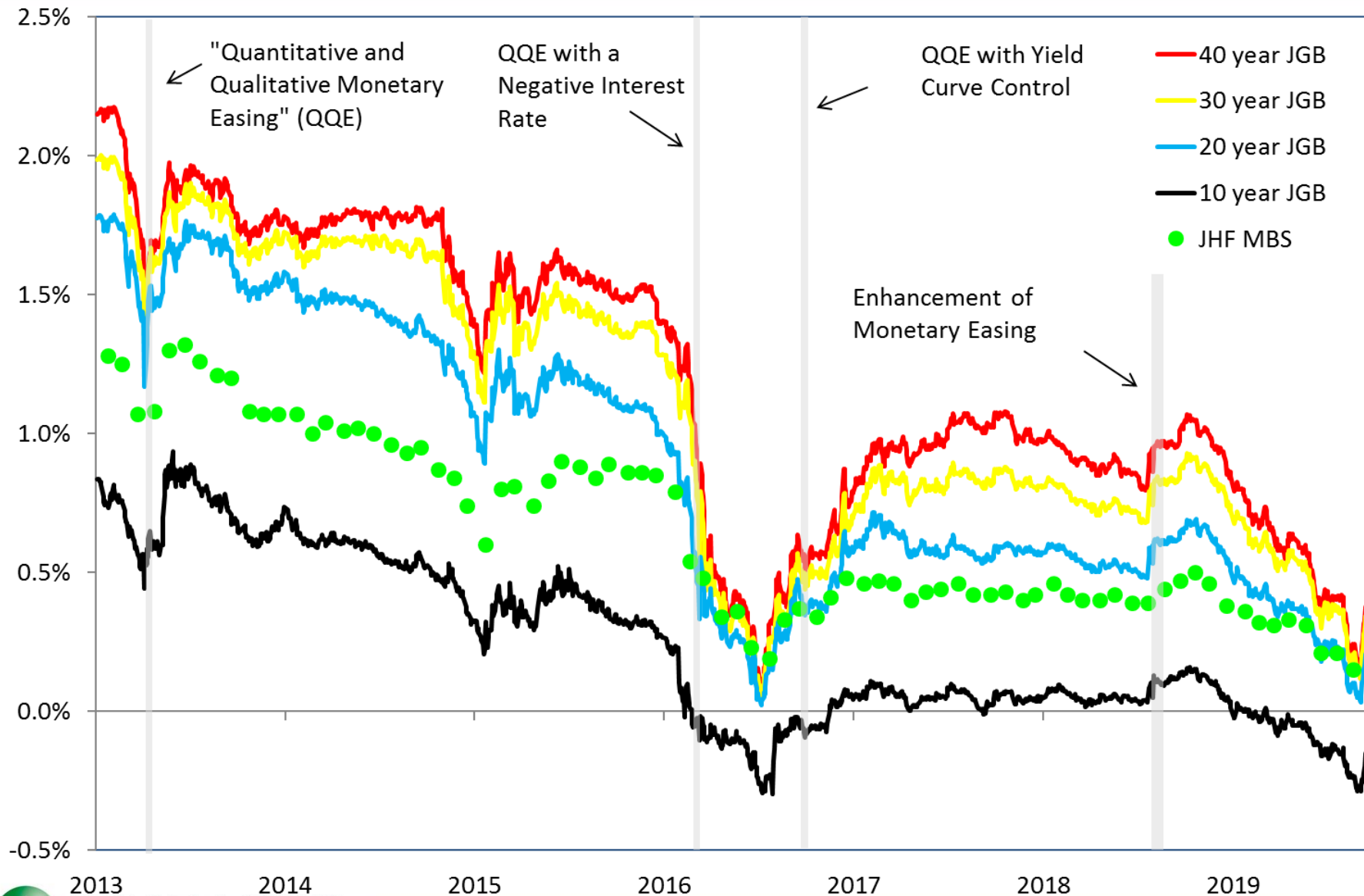
※The lowest interest rates for Flat 35 of repayment term 21~35 years and maximum LTV 90%



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Financial Market Conditions



Thank you for your attention



“Diamond Fuji”

Photo by Masahiro Kobayashi

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