

# Response Measures Related to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

## Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

Japan Housing Finance Agency engages in response measures in accordance with the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010).

### Review of clerical processes and business operations

Clerical processes / business operations	Steps to be taken	Time of implementation	Specific content	Response measures
Securitization support business	Repayment to the national treasury of capital provided for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans), the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Repayment of reserve funds for interest rate change to the national treasury	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
Housing loan insurance business	To be discontinued	Implementation beginning in FY 2012	As part of the Policy Package to address Economic Crisis in April 2009, insurance premium rates have been lowered until FY 2011 (as part of the Emergency Economic Countermeasures of December 2009, rates were lowered further until December 2010). After the end of the economic countermeasures, the existing operations will be discontinued and government funds no longer needed will be paid to the national treasury. Exceptions to the above are, however, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to "Flat 35" loans), and such operations will be implemented until they can be substituted by the private sector.	With regard to the housing loan insurance business, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to Flat 35 loans) have been implemented since FY 2012, and will be continued until they can be substituted by the private sector. Regarding government funds no longer needed, an amount of ¥23.4 billion was repaid to the national treasury on November 21, 2012.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with Support Services for Seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with other ministries and government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan insurance will be implemented.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011), the housing loan insurance business has been implemented to cover upfront admission fees for serviced housing for the elderly when private financial institutions' provide such funding under reverse mortgage program. From 2012, the current housing loan insurance business was discontinued, and operations, etc., limited in those necessary to be maintained in step with securitization business have been implemented until they can be substituted by the private sector.
Loan origination business	Discontinuation of mortgage loan operations for rental housing	Implementation beginning in FY 2011	Existing mortgage loan operations for rental housing will be discontinued in FY 2011. However, with regard to loan operation related to the supply of highly energy efficient housing, acquisition of which is particularly promoted at securitization business, operations will be implemented until they can be substituted by the private sector.	With regard to loan origination related to the supply of highly energy-saving rental housing, acquisition of which has been particularly promoted at the securitization business as well, operations have been implemented since FY 2011, and will be continued until they can be substituted by the private sector.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with support services for seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with ministries and other government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan will be implemented.	Followed by the discontinuation of mortgage loan operations for rental housing and in line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011) on October 20, 2011, loan origination has been implemented for serviced rental housing for the elderly since November 7, 2011.
	Discontinuation of town development loan	Implementation beginning in FY 2012	After the end of the measure for the relaxation of lending conditions until the end of FY 2011 implemented under the Policy Package to Address Economic Crisis of April 2009, existing operations will be discontinued, and unnecessary government capital will be paid to the national treasury. However, with regard to condominium rebuilding operations where the reorganization of property rights causes problems and operations last for a long term, operations only implemented by small and medium-sized enterprise will be continued until they can be substituted by the private sector.	With regard to town development loan origination, operations have been implemented since FY 2012 exclusively for condominium rebuilding projects (which involve complexity of property rights adjustment among owners and whose procedure would likely to last for a long term) conducted by small and medium-sized enterprise, and will be continued until they can be substituted by the private sector. Regarding government funds no longer needed, an amount of ¥0.7 billion was repaid to the national treasury on November 21, 2012.
Management of outstanding loans	—	—	—	—
Operation of group credit life insurance	—	—	—	—
Housing information providing business	To be discontinued	Implementation beginning in FY 2011	Operations will be discontinued, and the field will be left to the private sector (relevant operations do not include the provision of information related to the implementation of the respective operations of securitization business, etc.).	Operations were terminated at the end of March, 2011 except for the housing information website service, which was also terminated on July 26, 2011.

## Review of assets and operations, etc.

Steps to be taken		Time of implementation	Specific content	Response measures
Return of unnecessary assets to the national treasury	Capital for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans) the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Reserve funds for interest rate change	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
	¥200.0 billion in government capital funds related to Securitization business	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥200.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
	¥30.0 billion in capital funds from the government related to town development loan operations	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥30.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
Review of offices, etc.	A review plan will be prepared at an early time	Implementation beginning in FY 2010	Over the course of FY 2010, an examination will be conducted on the appropriateness of the holding and/or renting of all assets including the headquarters, branch offices, lodging facilities, and rented offices. Based on this examination, a review plan will be formulated at an early time and deliberations will be implemented on consolidating offices and lodging facilities, etc.	With regard to the current branch office system divided their responsible regions in 11 blocks, their reallocation, etc., including deliberations, towards an efficient and effective system has been reviewed in the second mid-term plan based on their volume of business. A review plan was formulated. Moreover, in accordance with the decision made for reviewing branch office structure in the Basic Policies for Reforming Incorporated Administrative Agencies (approved by the cabinet on December 24, 2013), consideration has been made for concrete contents of the review, issues in reviewing, and future response. As for employee dormitories, a review plan was formulated in December 2012 in line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012). The plan indicates that 15 dormitories (91 houses) and 13 rented dormitories are to be disposed by the end of FY 2016, in addition to 3 dormitories decided their disposal in the second mid-term plan.
Review of employee dormitories	Disposal of employee dormitories and the Kouko General Sport Ground.	Implementation beginning in FY 2010	Employee dormitories facilities and Kouko General Sport Ground will be sold.	With regard to employee dormitories, a review plan was formulated in December 2012 in line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies. The plan indicates that 15 dormitories (91 houses) and 13 rented dormitories are abolished by the end of FY 2016, in addition to 3 dormitories decided their disposal in the second mid-term plan. 4 dormitories out of 18 to be disposed as well as Kouko General Sports Ground were sold in FY 2013.
Review of personnel expenditures	Lowering of the Laspeyres index	Implementation beginning in FY 2010	Steps will be taken with certainty to reduce the Laspeyres index through such as reviews of employees' base salaries and the allowances for officials above director level, among other steps, with further checks on overall personnel expenses.	For FY 2013, as in the previous fiscal year, measures for lowered salary payment have been taken in line with the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No.2, 2012). In addition, personnel and salary systems were reformed including review of the salary structure (terminate guarantee for the current salary for operations of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank). To normalize wage levels, a retirement system for management positions (staff members who will turn 55 years or older at the end of FY 2012 become non-management employee and their salary level is lowered to around 70%) was introduced.

## Basic Policy on Reform of Incorporated Administrative Agencies, etc.

Matters in the basic policy on the reform of incorporated administrative agencies, etc., (Cabinet decision on Dec. 24, 2013), for which measures are to be taken individually, are as follows:

- (1) As for the securitization support business, a third-party committee comprising external experts in a neutral position is established to examine the relevance of business operation. This reflects the wish to prevent excessive expansion, align the approach with private financial institutions and disclose the outline, given the importance of maintaining sound management to retain credibility of our MBS from the markets.
- (2) Taking into account the circumstances under which housing loans provided by private financial institutions are mostly offered at variable interest rates, efforts will be made in the foreseeable future to equalize JHF's MBS issuance amount and enhance awareness as the benchmark to promote active MBS issuance by private financial institutions and increase liquidity to boost the securitization market in Japan. There will also be ongoing dialog with private financial institutions intending to issue MBS to ensure needs are swiftly understood.
- (3) The Kita-Kanto and Minami-Kyushu branches will be integrated with others by the end of FY2016.