

Japan Housing Finance Agency's GHLC Series 1 To 14 Structured Notes 'AAA (sf)' Ratings Affirmed

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OVERVIEW

- The GHLC series 1 to 14 fixed-rate residential mortgage-secured pass-through notes are securitizations that GHLC issued. A pool of residential mortgage loans ultimately backs the notes issued under each transaction.
- We assume a foreclosure frequency for the mortgage loans currently outstanding of about 2%-3% under our base-case scenarios.
- We are affirming our 'AAA (sf)' ratings on the above 14 series of notes following our review.
- Because of the structural features of these transactions, we believe the ratings on the notes depend to an extent on the credit quality of JHF (GHLC's successor).

TOKYO (S&P Global Ratings) Aug. 16, 2017--S&P Global Ratings today said it has affirmed its 'AAA (sf)' ratings on Government Housing Loan Corp.'s (GHLC; predecessor of Japan Housing Finance Agency [JHF]) series 1 to 14 fixed-rate residential mortgage-secured pass-through notes (see list below).

The affirmations reflect the following:

- We assume a foreclosure frequency for the residential mortgage loans currently outstanding of about 2%-3% under our base-case scenarios and about 12%-19% under stress scenarios consistent with our 'AAA' ratings. These rates, which reflect our view of the credit quality of the underlying assets, are prior to applying adjustments for the

transactions' convertible pro rata pay structure. We also assume a loss severity rate of about 18%-28% for defaulted loans under our 'AAA' stress scenarios. We apply a floor for the projected losses (net loss rate after accounting for recoveries from defaulted loans) of 4.0% at the 'AAA' rating level and 0.35% in our base-case scenarios.

- No losses have occurred in the underlying pools because JHF replaced any loans that had impending losses, such as defaulted loans or four-month delinquent loans, with performing loans.
- Current credit enhancement available for each rated series of notes is sufficient to cover that transaction's various risks such as credit risk under a stress scenario consistent with our rating on the transaction.

These transactions are structured note issuances that JHF issued. A pool of residential mortgage loans that JHF purchased from private-sector financial institutions and/or directly originated ultimately secures the notes issued under each transaction. JHF entrusted the loan pool underlying each transaction with a trust as collateral. Because of the structural features of these transactions, we believe the ratings on the notes depend to an extent on JHF's credit quality. In addition, the transactions lack regular updates to loan-by-loan data in the surveillance period.

RELATED CRITERIA

- Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Methodology And Assumptions For Rating Japanese RMBS, Dec. 19, 2014
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Methodology: Credit Stability Criteria, May 3, 2010
- Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Japan Structured Finance 2017 Outlook: Economic Growth Remains Modest; Stable Performance Of Securitized Assets Will Likely Endure, Jan. 19, 2017
- Outlook Assumptions For The Japanese Residential Mortgage Market, Dec. 20, 2016
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Overview Of Japan Housing Finance Agency's Structured Notes, April 21, 2015
- Stable Japanese RMBS Fundamentals Reflect Low Unemployment And Interest Rates, Nov. 11, 2014
- Japanese Structured Finance Scenario And Sensitivity Analysis: The Effects Of Major Macroeconomic Factors; Update For 2014, Aug. 8, 2014

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RATINGS AFFIRMED

Japan Housing Finance Agency
GHLC Series 1 fixed-rate residential mortgage secured pass-through notes due
March 2036

Rating Initial issue amount
AAA (sf) ¥50.0 bil.

The transaction closed on March 22, 2001.

GHLC Series 2 fixed-rate residential mortgage secured pass-through notes due
June 2036

Rating Initial issue amount
AAA (sf) ¥50.0 bil.

The transaction closed on June 21, 2001.

GHLC Series 3 fixed-rate residential mortgage secured pass-through notes due
September 2036

Rating Initial issue amount
AAA (sf) ¥50.0 bil.

The transaction closed on Sept. 20, 2001.

GHLC Series 4 fixed-rate residential mortgage secured pass-through notes due
December 2036

Rating Initial issue amount
AAA (sf) ¥50.0 bil.

The transaction closed on Dec. 20, 2001.

GHLC Series 5 fixed-rate residential mortgage secured pass-through notes due
March 2037

Rating Initial issue amount
AAA (sf) ¥50.0 bil.

The transaction closed on March 20, 2002.

GHLC Series 6 fixed-rate residential mortgage secured pass-through notes due
June 2037

Rating Initial issue amount
AAA (sf) ¥100.0 bil.

The transaction closed on June 21, 2002.

GHLC Series 7 fixed-rate residential mortgage secured pass-through notes due
August 2037

Rating Initial issue amount
AAA (sf) ¥100.0 bil.

The transaction closed on Aug. 22, 2002.

GHLC Series 8 fixed-rate residential mortgage secured pass-through notes due
October 2037

Rating Initial issue amount
AAA (sf) ¥100.0 bil.

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The transaction closed on Oct. 23, 2002.

GHLC Series 9 fixed-rate residential mortgage secured pass-through notes due December 2037

Rating	Initial issue amount
AAA (sf)	¥150.0 bil.

The transaction closed on Dec. 20, 2002.

GHLC Series 10 fixed-rate residential mortgage secured pass-through notes due February 2038

Rating	Initial issue amount
AAA (sf)	¥150.0 bil.

The transaction closed on Feb. 21, 2003.

GHLC Series 11 fixed-rate residential mortgage secured pass-through notes due June 2038

Rating	Initial issue amount
AAA (sf)	¥100.0 bil.

The transaction closed on June 11, 2003.

GHLC Series 12 fixed-rate residential mortgage secured pass-through notes due September 2038

Rating	Initial issue amount
AAA (sf)	¥100.0 bil.

The transaction closed on Sept. 11, 2003.

GHLC Series 13 fixed-rate residential mortgage secured pass-through notes due December 2038

Rating	Initial issue amount
AAA (sf)	¥30.0 bil.

The transaction closed on Dec. 8, 2003.

GHLC Series 14 fixed-rate residential mortgage secured pass-through notes due January 2039

Rating	Initial issue amount
AAA (sf)	¥30.0 bil.

The transaction closed on Jan. 7, 2004.

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