

# Japan Housing Finance Agency's GHLC Series 11, 12 and 14 To 23 Structured Note 'AAA (sf)' Ratings Affirmed

June 24, 2020

## Overview

- The GHLC series 11, 12 and 14 to 23 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 12 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.

TOKYO (S&P Global Ratings) June 24, 2020--S&P Global Ratings today said it has affirmed its 'AAA (sf)' ratings on Japan Housing Finance Agency's (JHF's) Government Housing Loan Corp. (GHLC; the predecessor of JHF) series 11, 12 and 14 to 23 fixed-rate residential mortgage-secured pass-through notes (see list below).

Our 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 11%-21% 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 14%-21% 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.
- We also consider default scenarios with a duration of 120 months in addition to the scenarios described in our Japanese RMBS criteria. This is because the number of months remaining on the loans backing the transactions is declining.
- No losses have occurred in the underlying pools because JHF replaced any loans with impending losses, such as defaulted loans or four-month delinquent loans, with performing

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loans.

- Current credit enhancement available for each rated series of notes is sufficient to cover each transaction's various risks, such as credit risk, under a stress scenario consistent with our rating on the transaction.

These transactions are made up of structured notes 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 the credit quality of JHF. In addition, the transactions lack updated loan-by-loan data in the surveillance period.

## **Related Criteria**

- Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- 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
- Methodology: Credit Stability Criteria, May 3, 2010
- Methodology For Servicer Risk Assessment, May 28, 2009

## **Related Research**

- How Will COVID-19 Affect Japanese Structured Finance? April 8, 2020
- Japan Structured Finance 2020 Outlook: Potential Apartment Loan RMBS Woes Amid General Tranquility, Jan. 8, 2020
- Outlook Assumptions For The Japanese Residential Mortgage Market, Jan. 8, 2020
- Japanese Structured Finance Scenario And Sensitivity Analysis 2017: The Effects Of The Top Five Macroeconomic Factors, Dec. 26, 2017
- 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

## Ratings List

### Ratings List

#### Ratings Affirmed

#### Japan Housing Finance Agency

	Rating	Initial issue amount	Closing date
GHLC Series 11 fixed-rate residential mortgage secured pass-through notes due June 2038	AAA (sf)	¥100.0 bil.	June 11, 2003
GHLC Series 12 fixed-rate residential mortgage secured pass-through notes due September 2038	AAA (sf)	¥100.0 bil.	Sept. 11, 2003
GHLC Series 14 fixed-rate residential mortgage secured pass-through notes due January 2039	AAA (sf)	¥30.0 bil.	Jan. 7, 2004
GHLC Series 15 fixed-rate residential mortgage secured pass-through notes due February 2039	AAA (sf)	¥30.0 bil.	Feb. 5, 2004
GHLC Series 16 fixed-rate residential mortgage secured pass-through notes due March 2039	AAA (sf)	¥30.0 bil.	March 5, 2004
GHLC Series 17 fixed-rate residential mortgage secured pass-through notes due April 2039	AAA (sf)	¥30.0 bil.	March 29, 2004
GHLC Series 18 fixed-rate residential mortgage secured pass-through notes due May 2039	AAA (sf)	¥30.0 bil.	May 11, 2004
GHLC Series 19 fixed-rate residential mortgage secured pass-through notes due June 2039	AAA (sf)	¥30.0 bil.	June 7, 2004
GHLC Series 20 fixed-rate residential mortgage secured pass-through notes due July 2039	AAA (sf)	¥30.0 bil.	July 2, 2004
GHLC Series 21 fixed-rate residential mortgage secured pass-through notes due August 2039	AAA (sf)	¥30.0 bil.	Aug. 4, 2004
GHLC Series 22 fixed-rate residential mortgage secured pass-through notes due September 2039	AAA (sf)	¥30.0 bil.	Sept. 2, 2004
GHLC Series 23 fixed-rate residential mortgage secured pass-through notes due October 2039	AAA (sf)	¥30.0 bil.	Oct. 6, 2004

Note: In this report, "JHF" refers to both the former GHLC and JHF, unless otherwise noted.

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