

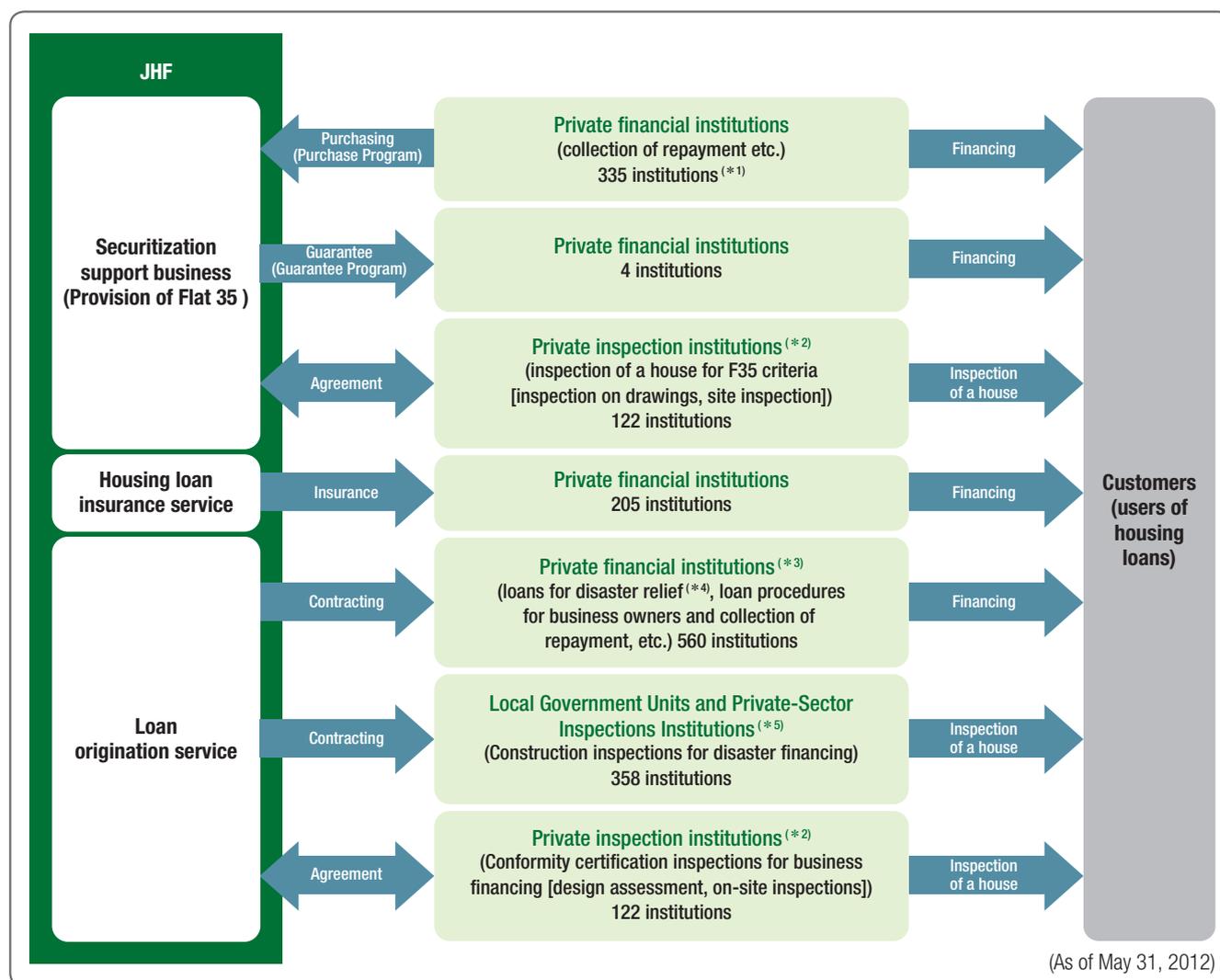
# Details and Features of Line of Business

## Business Summary

**Business operation is efficiently performed through a network of related organizations.**

By contracting out some operations to private financial institutions, private inspection institutions, local government units, etc., JHF efficiently carries out business operations.

### 〈Business Summary〉



\* 1 Excludes two institutions to which JHF outsources only the collection of loan payments related to Securitization Business and from which JHF does not purchase housing loans. We contract with one non-financial institution regarding the foreclosure procedure on defaulted borrowers.

\* 2 Private inspection institutions mean specified inspection institutions and registered housing performance evaluation institutions that conclude an agreement of conformance certificate services with JHF. Architects who are registered in the Japan Association of Architectural Firms or the Japan Federation of Architects & Building Engineers Associations also perform conformance certificate inspections for existing houses or renovations.

\* 3 We contract out the recovery of credits having forfeited the benefit of time to 3 companies besides private financial institutions.

\* 4 Applications for loans for disaster mitigation and loans for disaster mitigation concerning the Great East Japan Earthquake have been entrusted to 128 institutions as of May 31, 2012.

\* 5 Refers to designated construction inspection institutions that have agreements with JHF and registered housing performance evaluation institutions.

## Funding

### MBS (mortgage backed securities) are the major funding sources.

JHF raises funds for securitization and other operations from the capital market mainly through the issuance of MBS (mortgage backed securities).

The use of loans from the Government of Japan is limited to the funds for loans for disaster mitigation, for which emergency measures should be taken.

#### Purchased loans, etc.

	Result for FY 2011	Budget for FY 2012
Total (Purchased loans) (Loans)	3,164.6 billion yen (2,882 billion yen) (282.6 billion yen)	2,730.6 billion yen (2,224 billion yen) (506.6 billion yen)

#### Sources of Funding

	Result for FY 2011	Budget for FY 2012
Total of funds raised	3,164.6 billion yen	2,730.6 billion yen

#### ● Self-raised

	Result for FY 2011	Budget for FY 2012
JHF bonds (Mortgage backed securities) (General collateral bonds) (Condominium repair program)	2,829 billion yen (2,370.9 billion yen) (402 billion yen) (56.2 billion yen)	2,346 billion yen (1,710 billion yen) (523.3 billion yen) (112.7 billion yen)
JHF property accumulation savings scheme-tied housing bonds	53.7 billion yen	91.3 billion yen
JHF saving bonds for acquiring houses and house sites	34.8 billion yen	30.9 billion yen
Borrowings from private institutions	122.2 billion yen	118.5 billion yen

#### ● Fiscal Investment and Loan Program

	Result for FY 2011	Budget for FY 2012
Borrowing from Fiscal Investment and Loan Program	16.8 billion yen	300 billion yen

#### ● Subsidies, etc.

	Result for FY 2011	Budget for FY 2012
Income from subsidies, etc.	321.8 billion yen	114.6 billion yen

#### ● Others

	Result for FY 2011	Budget for FY 2012
Collection of repayments for loans and purchased loans	4,672.9 billion yen	3,914.2 billion yen
Redemption from the borrowers	△4,886.6 billion yen	△ 4,184.8 billion yen

(Note 1) For FY 2011, 51.9 billion yen in capital was paid to the national treasury and 1.1 billion yen was returned to the national treasury.

(Note 2) For FY 2012, 36.4 billion yen in capital will be returned to the national treasury although the figure is not budgeted.

# Securitization Support Business (Provision of Flat 35)

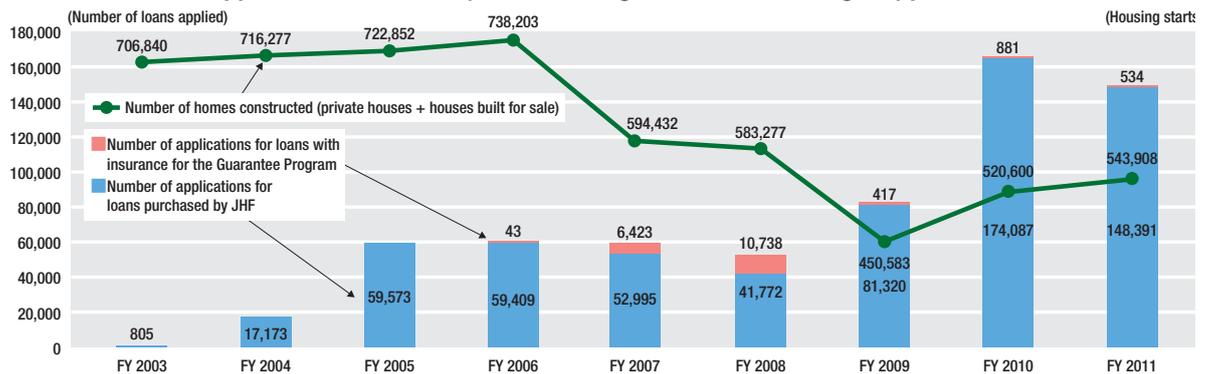
## Support for private financial institutions to provide long-term fixed-rate housing loans

JHF has implemented securitization business for private financial institutions to provide long-term fixed-rate housing loans, for which there is a persistent demand from people. Housing loans provided through securitization business are collectively referred to as Flat 35.

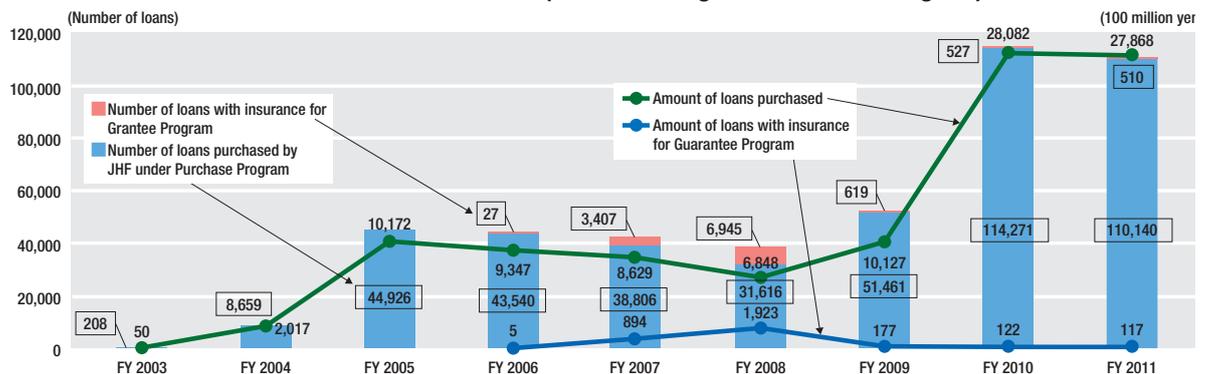
There are two types of program for JHF's securitization business: Purchase Program and Guarantee Program. Both Purchase Program and Guarantee Program are eligible for "Flat 35S," a support scheme in which lower interest rates are applied for a certain period for customers who purchase high-quality housing in terms of energy saving and the like.

### Changes in the numbers of Flat 35 (Purchase Program/Guarantee Program) purchased (insured) and their amounts of money

#### ● Changes in the numbers of applications for Flat 35 (Purchase Program/Guarantee Program) purchased and insured



#### ● Number of loans and amount of disbursements for Flat 35 (Purchase Program/Guarantee Program)



### "Flat 35" Product Information Website

Information about "Flat 35" products, including interest rate, financial institutions that provide "Flat 35" products, application procedures, etc. is available on the "Flat 35" website, [www.flat35.com](http://www.flat35.com). (Annual access figure for FY 2011: 55.05 million)



## Securitization Support Business (Purchase Program) Flat 35

Flat 35 (Purchase Program) is a long-term fixed-rate mortgage provided through collaboration between private financial institutions and JHF. The program started in October 2003. Also provided under the same Program is Flat 50, which allows a maximum 50-year repayment period for houses certified as long-life high-quality (durable). Refinancing\* of outstanding housing loans is also possible under the same Program.

\* Refinancing applies to Guarantee Program as well.

### ● Features of Flat 35 (Purchase Program)

#### Safe because interest rate is fixed to maturity

The borrowing rate and the amount repaid is fixed to maturity when the loan is closed.

#### No guarantee fee and no prepayment penalties

There is no guarantee fee that is usually required for housing loans. No guarantor is required, either. In addition, no fee is required for prepayment and modification of repayment conditions during the repayment period.

#### JHF's technical criteria to support housing

Houses shall be inspected based on technical criteria set by JHF for thermal insulation, durability and the like, and JHF confirms a certificate issued based on the Building Standards Act for new housing.

(Refer to p. 33 for housing inspection (technical assessment))

#### Support to provide security during the repayment period

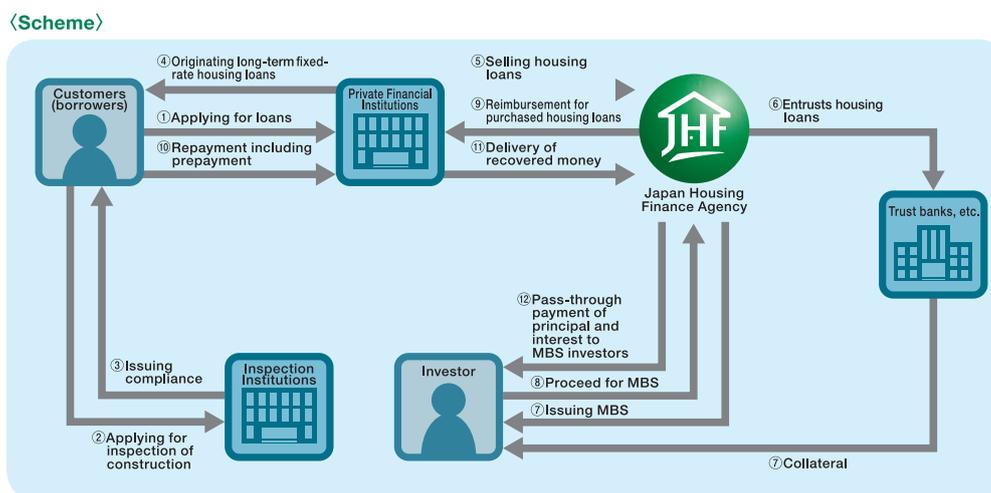
JHF provides consultations for customers experiencing difficulties in repaying their loans, and proposes options for modifying repayment terms and conditions depending on their circumstances. JHF also provides its group credit life insurance as well as group credit life insurance for three major diseases.

(Refer to p. 32 for group credit life insurance)

### ● Scheme of Flat 35 (Purchase Program)

JHF purchases housing loans from private financial institutions and entrusts them to trust banks, etc. JHF issues MBS backed by this collateral and raises funds for housing loans from the bond market (i.e., from investors). (See the figure below). Using this system, private financial institutions can provide long-term fixed-rate housing loans. Such housing loans must meet certain underwriting criteria set by JHF, and are transferred to JHF from private institutions when they are disbursed.

The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc.



### ● Institutions participating in the securitization business (Purchase Program)

A total of 335 institutions participate in securitization business (Purchase Program), including city banks (5), trust banks (1), regional banks (64), other regional banks (39), cooperative banks (161), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (9) and insurance companies/mortgage banks/other banks (25). The figures in the brackets indicate the numbers of participating institutions (As of May 31, 2012).

## Securitization Support Business (Guarantee Program) Flat 35

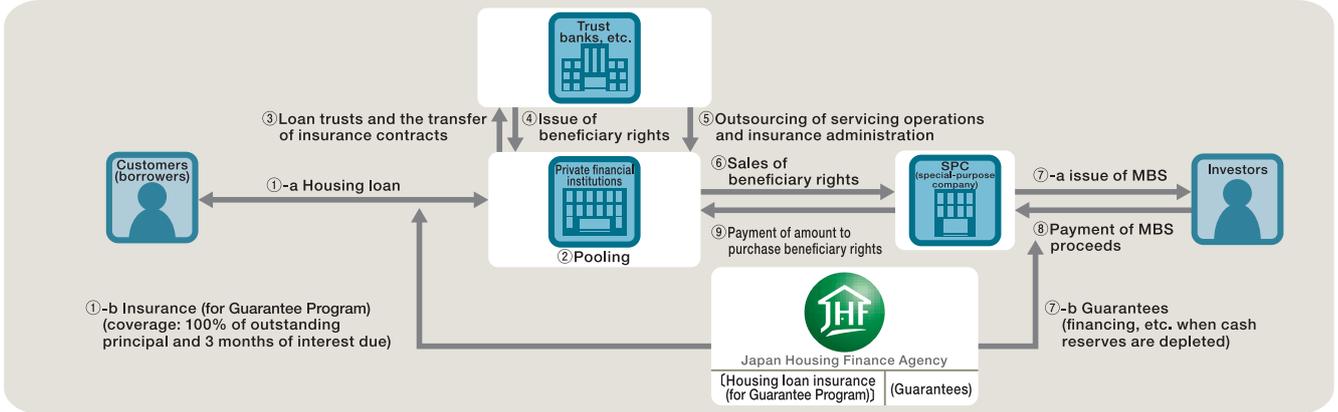
Flat 35 (Guarantee Program) is a long-term fixed-rate housing loans originated and securitized by private financial institutions. JHF provides credit enforcement by guaranteeing timely payment on such MBS and so on. This program started in October 2004.

### ● Scheme of Flat 35 (Guarantee Program)

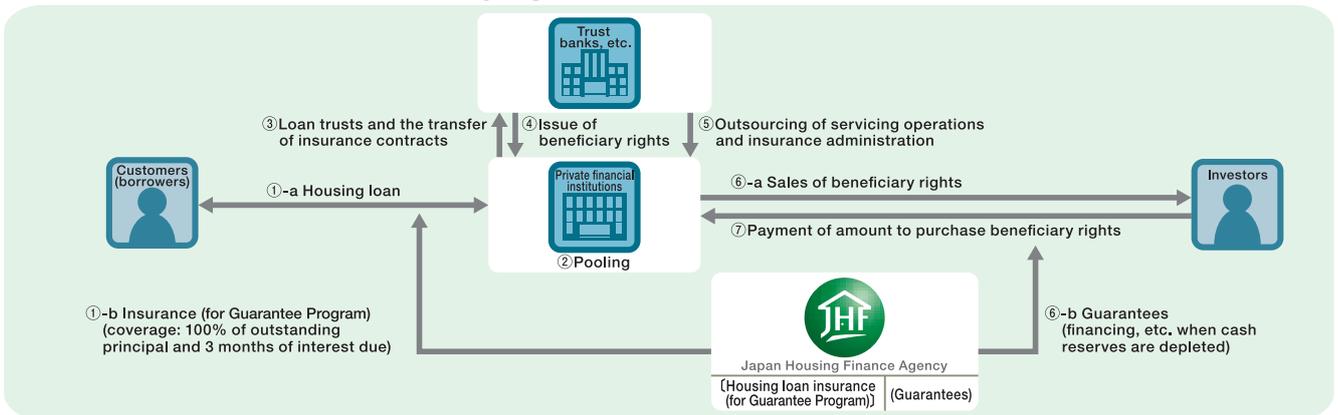
JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by collateral for the housing loans (see figure below).

#### 〈Scheme〉

#### ■ Cases in which a trust or special-purpose company are involved



#### ■ Cases in which trust beneficiary rights are sold to an investor



### ● Criteria for housing loans provided by accredited institutions

With regard to housing loans provided through the use of securitization (Guarantee Program) (Flat 35 (Guarantee Program)), since financial institutions themselves structure MBS, various products are available through the originality and ingenuity of these institutions.

#### Criteria for approving applications for Flat 35 (Guarantee Program) (\* 1)

- (1) The loan is necessary for the construction/purchase of a house for the applicant and/or relatives.
- (2) The house in question satisfies the technical requirements specified by JHF.
- (3) The cost of housing construction, including the cost of purchasing the land, or the cost of purchasing the house and land is 100 million yen or less (including consumption tax).
- (4) The amount of money to be taken out is more than 1 million yen and less than 80 million yen, inclusive, and is equal to or less than 100 percent of the cost of the housing construction or the cost to purchase the house and land.
- (5) The duration of the loan is between 15 years and 35 years, inclusive.
- (6) The interest rate remains fixed throughout the duration of the loan.

\* 1 Requirements for Flat 35 (Guarantee Program) vary according to the financial institution. Please contact the relevant financial institution for more information.  
\* 2 Refinancing is also covered.

### ● Accredited institutions in the securitization business (Guarantee Program)

In the securitization business (Guarantee Program), we concluded agreements with four institutions: city bank (1), regional bank (1) and insurance company/mortgage banks (2). The number of institutions is shown in the parenthesis.

\* Some financial institutions have suspended the acceptance of new applications (as of May 31, 2012)

## Flat 35S (Purchase Program/Guarantee Program)

Flat 35S is available for Flat 35 (Purchase Program) and Flat 35 (Guarantee Program). This is a system in which lower interest rates are adopted for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency and the like. To support the recovery from the Great East Japan Earthquake and promote eco-friendly housing, we have launched Flat 35S Eco, in which the range and length of interest rate reduction are expanded for energy-saving housing.

### ● Four types of Flat 35S

There are four interest-rate reduction plans for Flat 35S as outlined below. Please note that the range and duration of interest-rate reduction, maximum loan-to-value ratio and the application deadline vary according to the plan.

Technical criteria vary according to the plan. Please see the Flat 35 website ([www.flat35.com](http://www.flat35.com)) for more information.



Interest-rate reduction plan	Range and duration of interest-rate reduction	Maximum loan-to-value ratio (*2)	Application deadline				
<b>Flat 35S Eco</b> (Interest rate plan A)	First 5 years <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Areas affected by the Great East Japan Earthquake (*1)</td><td>▲1.0%/year</td></tr><tr><td>Other areas</td><td>▲0.7%/year</td></tr></table> 6th to 20th year ▲0.3%/year	Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year	Other areas	▲0.7%/year	100%	October 31, 2012 (Note 1) (Note 2)
Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year						
Other areas	▲0.7%/year						
<b>Flat 35S Eco</b> (Interest rate plan B)	First 5 years <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Areas affected by the Great East Japan Earthquake (*1)</td><td>▲1.0%/year</td></tr><tr><td>Other areas</td><td>▲0.7%/year</td></tr></table> 6th to 20th year ▲0.3%/year	Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year	Other areas	▲0.7%/year		
Areas affected by the Great East Japan Earthquake (*1)	▲1.0%/year						
Other areas	▲0.7%/year						
<b>Flat 35S Basic</b> (Interest rate plan A)	First 10 years ▲0.3%/year	90%	March 31, 2013 (Note 2)				
<b>Flat 35S Basic</b> (Interest rate plan B)	First 5 years ▲0.3%/year						

As of April 2012

\*1 As for the areas affected by the Great East Japan Earthquake, please see the Flat 35 website ([www.flat35.com](http://www.flat35.com)).

\*2 Maximum loan-to-value ratio for Flat 35 (Guarantee Program) is 100%.

(Note 1) The application deadline is scheduled for October 31, 2012. However, since there is a budgetary ceiling for Flat 35S Eco, the deadline will be accelerated if the total amount reaches the ceiling. From the day after the deadline, Flat 35S Eco (interest rate plan A) and Flat 35S Eco (interest rate plan B) will be transformed to the same conditions (in terms of the range and duration of interest-rate reduction and Maximum loan-to-value ratio) as Flat 35S Basic (interest rate plan A) and Flat 35S Basic (interest rate plan B), respectively.

(Note 2) There is a budgetary ceiling for Flat 35S Eco. 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](http://www.flat35.com)) by three weeks prior to ending.

### Images of eligible houses for Flat 35S

#### Housing with excellent earthquake resistance

Houses with resistance to stronger earthquakes, preventing collapse, destruction, etc.



#### Housing with high energy-saving performance

Houses achieving high air-tightness, etc.



#### Housing with excellent barrier-free performance

Housing aimed at making daily life easier for seniors



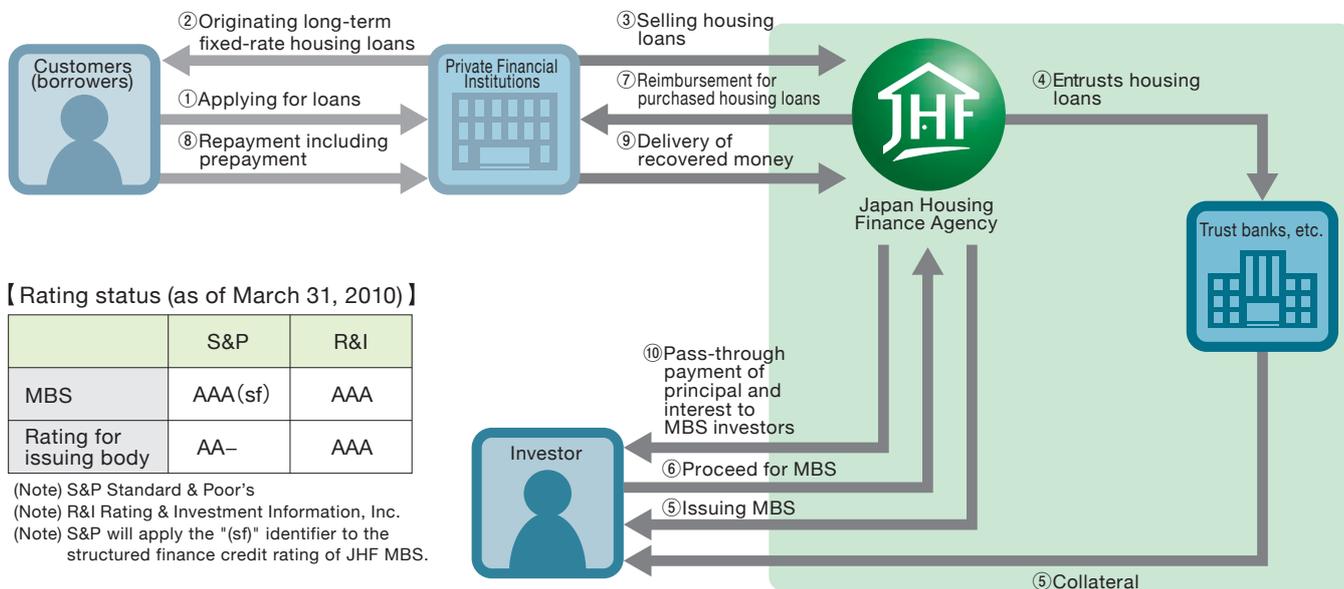
#### Housing with high durability and flexibility

Housing with durability, measures to maintain long-term good condition



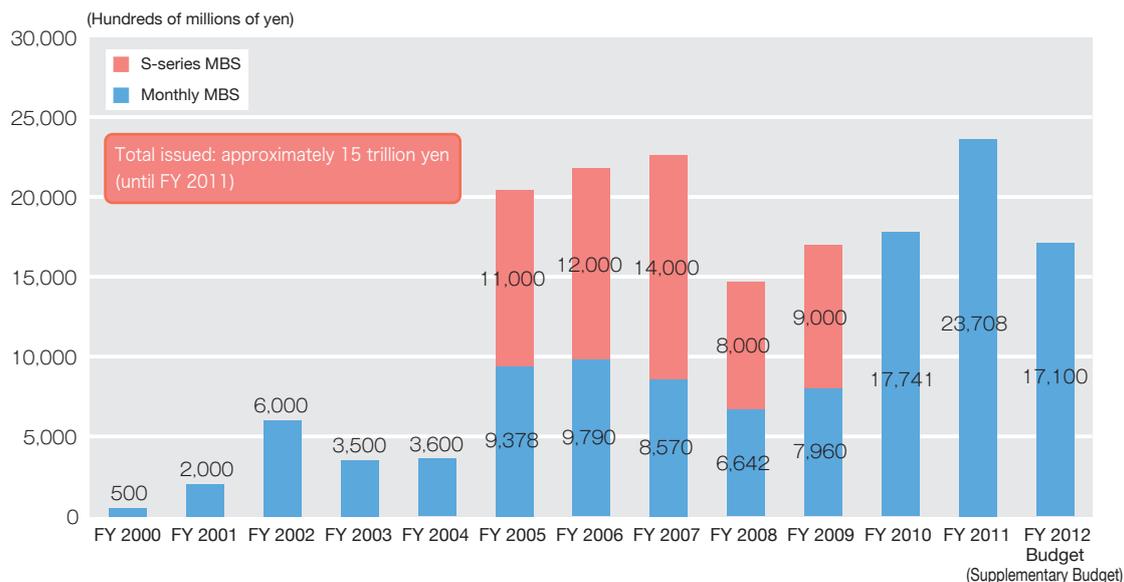
## Commitment to MBS (mortgage backed securities)

With the objective of diversifying funding sources, JHF carried out securitization of loans (issuance of MBS: mortgage backed securities) since March, 2001 prior to the reform of Fiscal and Investment Loans Program that began in FY 2001. JHF started securitization activities (Purchase Program) in October, 2003, establishing a scheme for private financial institutions to stably provide long-term fixed-rate housing loans.



## MBS (mortgage backed securities) issuance results

JHF securitizes purchased mortgages under the Flat 35 program (Purchase Program) and outstanding loans originated by the former GHLC. JHF MBS (mortgage backed securities) issuance amounts are as shown below. The outstanding balance as of March 31, 2011 was 9,030.1 billion yen.



## Key features of JHF MBS (Monthly MBS)

### ● Asset-backed Zaito Agency bonds

- JHF MBS is asset-backed Zaito Agency bond
- Before Beneficiary Certificate Trigger Event, JHF is primarily responsible for all interest and principal payments. Therefore, JHF MBS is supported by JHF's credit. After Beneficiary Certificate Trigger Events, JHF MBS will no more be a Zaito Agency bond, however, converted to a beneficiary certificate
- The risk weight of Zaito Agency bonds under Basel II standardized approach is 10%

(Notes) Beneficiary Certificate Trigger Events are as follows

1. The successor of JHF MBS obligation is not determined by the act, and the dissolution of JHF is enforced by the act and JHF is dissolved by this act:
2. An act is enacted to designate as the successor of JHF MBS obligation a joint stock corporation (kabusiki kaisha) or a legal entity to which application of the Corporate Reorganization Act (Act #154 of year 2002 including subsequent amendments) or other similar bankruptcy proceedings is legally permitted, and JHF is dissolved by such act:
3. An act is enacted to designate as JHF MBS obligor a joint stock corporation or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF MBS obligor becomes such legal entity:, and
4. JHF fails to fulfill its payment obligation under JHF MBS or other bond issued or assumed by JHF on the day such obligation is due and such condition is not cured within 7 days.

### ● Backed by regionally diversified and homogeneous housing loan pools

- As JHF purchases Flat 35 nationwide, the underlying housing loan pools of JHF MBSs are regionally diversified.
- JHF applies standardized uniform criteria for all housing loans when purchasing housing loans from the private financial institutions. Therefore, housing loan pools are homogeneous

### ● JHF bears credit risks of defaulted loans

- Principal and interest of delinquent loans up to three months will be paid by JHF
- For Monthly MBS, JHF prepays the defaulted loans, such as loans delinquent for four months. JHF removes such defaulted loans from the trust asset and repay an amount equivalent to the outstanding principal amount of defaulted loan multiplied by the outstanding amount of JHF MBS divided by the outstanding amount of entrusted housing loans (so called "Prepayment Method")
- For S-series MBS, JHF replaces the defaulted loans, such as loans delinquent for four months, with performing loans and maintains the soundness of the entrusted housing loan pool (so called "Replacement Method")
- \* For Monthly MBS issued during GHLC years, JHF applies Replacement Method also to S-series MBS.

\* "Prepayment Method" and "Replacement Method" are applicable only before Beneficiary Certificate Trigger Events.

(Notes) The outstanding amount of entrusted housing loans is calculated assuming no delinquency of housing loans occurred.

### ● Achieves AAA ratings by over-collateralization

- A sufficient level of over-collateralization is set to achieve AAA ratings (the highest possible rating) at the time of issuance.
- By utmost limiting the associated credit risk of JHF MBS, investors can focus on interest rate risk and prepayment risk when deciding JHF MBS investments

(Notes) Over-collateralization is an excess amount of the total entrusted housing loan amount over the issuance amount of JHF MBS, therefore, overcollateralization functions as credit enhancement after Beneficiary Certificate Trigger Events.

### ● Principal and interest of JHF MBS are paid reflecting repayment of entrusted housing loan pool (so called a Monthly Pass-through Payment Method)

- JHF MBS is an asset-backed security backed by a large number of housing loans
- Principal and interest of JHF MBS are paid to the investors reflecting repayment amount of housing loan pool
- In general, principal and interest of housing loans is paid every month, therefore, principal and interest of JHF MBS are also paid every month
- Housing loans are paid both periodically and can also be prepaid, therefore, principal and interest payment of JHF MBS may change reflecting the condition of prepayment of underlying housing loans
- This method of principal and interest payment of JHF MBS is so called a Monthly Pass-through Payment Method

# Housing Loan Insurance Business

## JHF underwrites insurance for private-sector housing loans.

Housing loan insurance is public credit insurance provide by JHF. By underwriting insurance for housing loans originated by private financial institutions, JHF supports the supply of housing loans by private financial institutions.

(Note) Business under housing loan insurance is subject to reviewing based on the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agency (approved by the Cabinet on December 7, 2010) (See page 00).

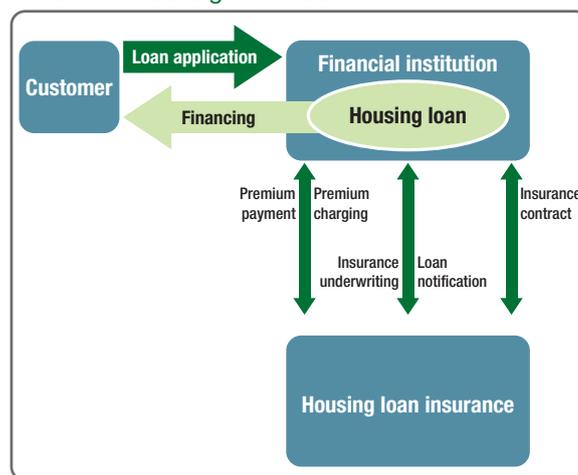
### Scheme of housing loan insurance

When housing loans made by private financial institutions default, JHF covers part of the incurred losses based on the insurance policy concluded between JHF and the private finance institution in advance.

10% of the risk weight for the insured portion is applied to housing loans with housing loan insurance in the standard calculation of the capital adequacy ratio.

For more details, see the Announcement of the Financial Services Agency No. 19 (on March 27, 2006).

### Scheme of housing loan insurance



### Loan types eligible for housing loan insurance

- Loans related to housing (construction, purchase, extension / renovation, etc.)

\*Bridge loans and renovation of shared parts of condominiums are also covered.

- The loan amount shall be 80 million yen or less.
- Repayment of the loan is expected without default.
- The collateral/surety and debt-to-income ratio shall meet the criteria determined by JHF.

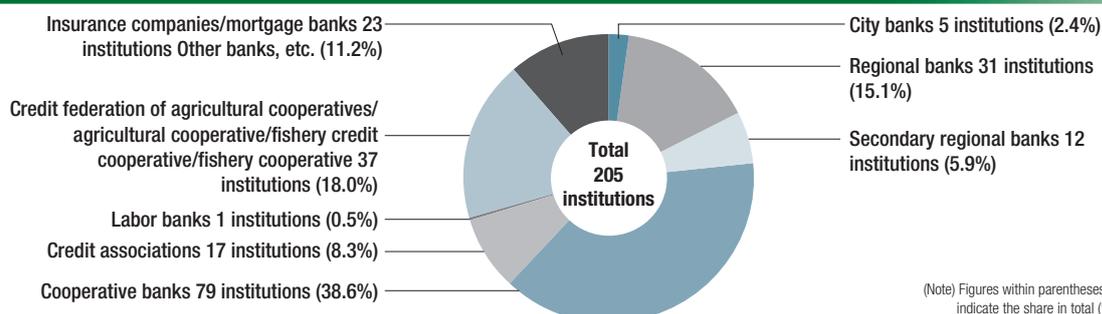
#### Product outline

Type	Eligible loans	Insurance coverage*1
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35 or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Also applicable to refinance.	100%
Specific short-term loan insurance (bridge-loan type)	Bridge loans for installed payments at the commencement of construction, interim payments and payments on completion that have been underwritten by JHF insurance. To be connected into permanent mortgages that are Flat 35 (including Flat 35 package) or disaster relief housing loans (exclusive to the Great East Japan Earthquake). Those with a loan period of 1 year or less	
Specific personal loan insurance (private financial institute loan type)*2	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by JHF in advance (LTV: 85%). Also applicable to refinance (except for in-house refinance by banks)	
Specific personal loan insurance (Reverse mortgage for home improvement loans for elderly people)	Loans for remodeling of property with elderly residents (60 years or older) that has been underwritten for insurance approval by JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	90%
Personal loan insurance*2	Retail housing loan in accordance with the underwriting criteria of a private financial institution (LTV: up to 85%, the debt-to-income ratio: up to 40% (if the criteria of the private financial institution is less than these, the values from the criteria are the upper limits)). Also applicable to refinance (except for in-house refinance by banks)	
Personal bridge loan insurance*2	Bridge loans in accordance with the underwriting criteria of a private financial institution Loans with maturity of less than one year.	

\*1 The ratio of insuring uncollected principals (excluding interest, late charges, etc.)

\*2 The insurance is available exclusively to small and mid-sized financial institutions that do not own guaranty companies as subsidiaries as prescribed in the provisions of Article 2 of the Companies Act (Act No. 86 of 2005).

### Number of financial institutions entering into housing loan insurance contracts by type of operation (as of May 31, 2012)



(Note) Figures within parentheses indicate the share in total (%).

## Loan Origination Business

**We provide loans for which societal demand is expected to grow, and which are difficult for private financial institutions to originate.**

At present, JHF provides loans in limited areas, such as prompt housing reconstruction in disaster-affected areas, constructing serviced rental housing for the elderly, rebuilding old housing in high-density urban districts, and reforming shared parts of condominiums those important in terms of policy and also difficult for the private sector to provide financing for.

### Overview of loan origination programs

#### ● Loans for disaster mitigation available for the people affected by disasters

Loans to build, purchase or repair housing damaged by disasters aiming for prompt housing reconstruction in disaster-affected areas.

#### ● Loans for serviced rental housing for the elderly available for those building rental housing for the elderly

Loans to build, purchase and repair serviced rental housing for the elderly aiming to provide safe housing with welfare services for the elderly.

#### ● Loans for energy-saving rental housing available for those building energy-saving rental housing

Loans to build and repair energy-saving rental housing aiming to enhance energy conservation in housing as a measure against global warming.

#### ● Loans for town development available for urban redevelopment unions, condominium rebuilding unions and other reconstruction business operators

Loans for urban redevelopment, condominium reconstruction and reconstruction in high-density urban districts (for initial funding, construction costs, etc.) aiming to improve the disaster-prevention function and the living environment in high-density urban districts.

#### ● Loans for reforming the shared parts of condominiums available for condominium associations and condominium owners

Loans for extensive repair (such as exterior wall repairs) and seismic strengthening of condominiums aiming to improve aged structures and strengthen the seismic resistance of condominiums.

In addition to the above loan programs, JHF supports condominium associations by issuing Condominium Sumairu Bond (“*Mansion Sumairusai*”), which condominium associations can periodically purchase and accumulate as funding for future extensive repairs.

#### ● Special repayment system for the elderly (reform loan/town development loan) available for the elderly

This system is available for elderly building barrier-free housing or purchasing housing in a condominium reconstruction project. In order to reduce the burden of monthly payments, elderly are required to repay only interest until the time of their death and repay the remaining outstanding loan amount at the time of their death.

\* In addition to the above loan origination programs, JHF provides loans for those who have joined employees' savings scheme, those who renovate their houses to improve earthquake resistance, and those who conduct works to protect their homes from disasters such as landslides.

## Examples of loan programs

### Loans for rental housing

Rental housing for the elderly (apartment complex name: Waraku Bokkui Retirement Housing, Inaba-gun, Chiba Prefecture, completed in Feb. 2011)

This rental housing for the elderly provides an ample living space of 25 m<sup>2</sup> with a bath and toilet, and can be used in the same way as an ordinary one-room apartment. It also provides an in-house daycare facility where renters can avail themselves of nursing care, meals and other services upon request. This facility is certified by the Ministry of Land, Infrastructure, Transport and Tourism as a model for the stable provision of housing for the elderly.

(Note) This apartment complex was constructed with a loan from the previous rental housing loan program.

(Building appearance)



(Inside of the building)



### Loans for town development

Condominium rebuilding project (project name: Daikyo-cho Condominium Reconstruction Project, Shinjuku-ku, Tokyo, completed in Mar. 2010)

This project was led by a reconstruction union to improve the living environment after a resolution for reconstruction was adopted in 2006, because the condominium constructed by the Tokyo Metropolitan Housing Supply Corporation in 1957 was considered too old and inconvenient without an elevator.

(Before reconstruction)



(After reconstruction)



Disaster prevention district improvement project (project name: Project to Construct a Disaster Prevention District in the East Area of Higashi-Kishiwada Station, Kishiwada, Osaka Prefecture, completed in Sep. 2010)

This project was meaningful in terms of policy because a fire-resistant district was established by building fireproof structures in an area with a high concentration of wooden houses, and because urban disaster-prevention functions were realized by improving roads and parks. This is a typical case of disaster-prevention district improvement projects implemented in regions.

(Before improvement)



(After improvement)



## Loans for reforming shared parts of condominiums

### Seismic strengthening works (apartment complex name: Churis Nishiazabu, Nishiazabu, Tokyo, completed in Jan. 2011)

Seismic strengthening works were conducted for this 45-household condominium built in 1978 because the structure was very old and there was a concern about earthquake resistance. The seismic isolation method was adopted for the works since it was the most suitable technique for a condominium in an urban area, given that the structure stands very close to adjacent buildings and that the first floor has pilotis.

(Building appearance)



(Part of the seismic works: seismic isolation device)



(Part of the seismic works: seismic isolation device)



## Condominium Sumairusai supporting condominium associations

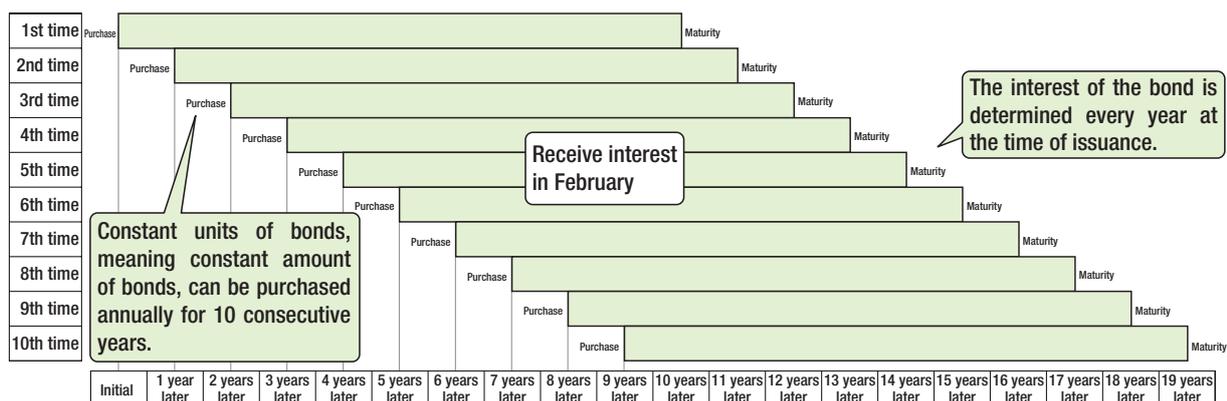
Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond issued by JHF with the approval of the national government aimed to support condominium associations to systematically accumulate and properly manage funds for repair costs.

- \* To ensure a safe living environment over a long period of time, condominium associations collect money from residents to accumulate funds for the maintenance and future repairs of the shared parts of condominiums, such as exterior walls and elevators.
- \* Condominium Sumairu Bond (“Mansion Sumairusai”) is a bond that condominium associations can continuously purchase. JHF issues the bond to support proper management and systematic accumulation of funds for repair costs. JHF began to offer the bond in 2000 and has received a fund totaling approximately 775 billion yen from approximately 20,000 condominium associations.
- \* JHF semiannually sends a magazine named Mansion Information Box (“Mansion Jyoho Bokkusu”) containing useful information about management of condominium to condominium associations those purchased Condominium Sumairu Bond (“Mansion Sumairusai”). In addition, JHF will send out a mail magazine containing invitation to seminars regarding management and reconstruction of condominiums

### Features of Condominium Sumairu Bond (“Mansion Sumairusai”)

- \* A 10-year bond with interest to be paid in February each year.  
(The annual average interest rate increases yearly according to the elapsed years since the issuance of the bond.)
- \* The bond is issued for 500,000 yen per unit and multiple units can be purchased at a time.
- \* Constant units of bonds can be purchased annually for 10 consecutive years.
- \* Redemption before maturity for repair purpose can be applied if one or more years have elapsed since the initial issuance date of the bond.

#### An image of purchasing the bond for 10 consecutive years



## Efforts to Support Recovery from the Great East Japan Earthquake

We would like to express our deepest condolences and sympathy to all those affected by the Great East Japan Earthquake.

JHF is providing loans to rebuild or repair disaster-affected houses (disaster relief housing loans, etc.). JHF also provides consultations regarding possible modification of loan contracts for JHF/former GHLC borrowers, including Flat 35 (Purchase Program) borrowers.

We are striving to serve all those who have been affected by the disaster and wish for the earliest possible recovery.

### Efforts to support disaster victims

#### ● Establishment of a disaster relief framework

JHF set up a disaster response headquarters in the Head Office (Tokyo) and a local disaster response headquarters in the Tohoku Branch (Sendai city) on the day of the earthquake to quickly and smoothly provide consultations to disaster victims with respect to special loans and repayments.

We also set up a reconstruction support office in the Tohoku Branch in April 2012 to strengthen cooperation with local governments and other related bodies concerning a collective relocation promotion project for disaster prevention.

#### ● Consultations in affected areas

JHF has dispatched a total of 165 employees as counselors from its head and branch offices to affected areas on a one-week rotation. In addition to consultations at the branch office, the employees dispatched have provided consultations on loans and repayments at more than 100 housing consultation counters set up at Sendai city and other local government offices.

### Support through consultations on loans and repayments

With the passing of the government's first and third FY 2011 supplementary budgets, JHF has expanded its disaster mitigation programs for housing loans and loan modification.

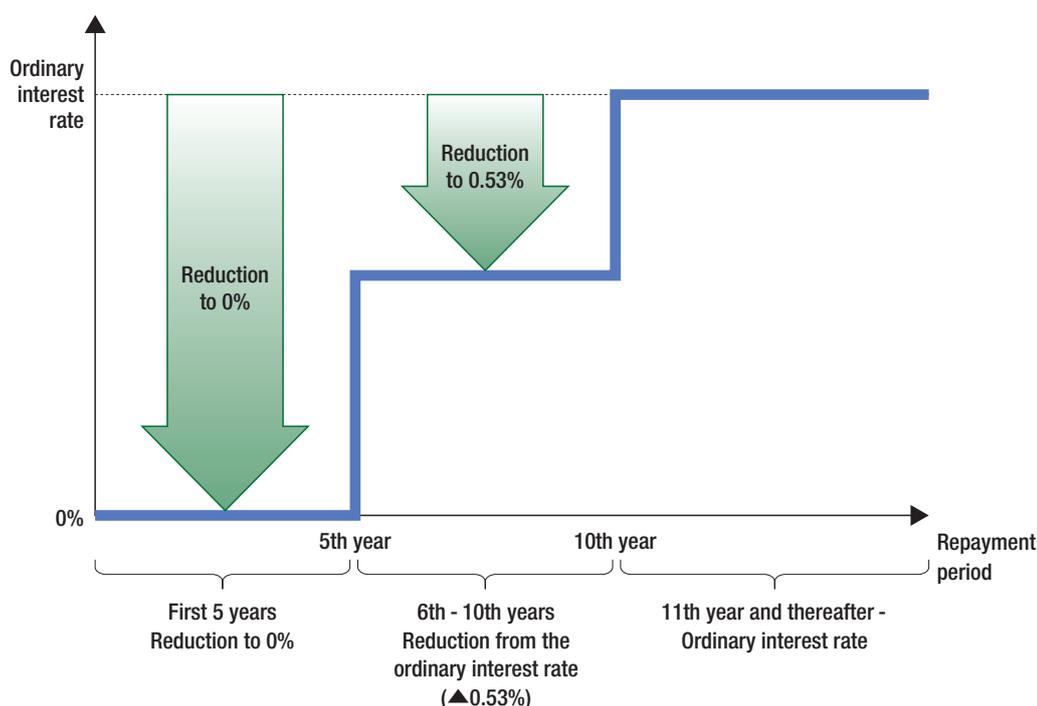
To facilitate use of these programs, we have also made 72 improvements to our programs and procedures (simplification of the classification for loan limits, expansion of people eligible for loans (addition of successors to disaster-affected rental housing), etc.) based on the requests, complaints and other comments from customers and financial institutions.

#### ● Disaster relief housing loans, etc

JHF has expanded its programs, such as interest-rate reduction and the extension of deferred principal payment periods and payback periods with regard to disaster relief housing loans, and has established a new type of financing to support repair work in cases where the residential lot suffers damage but the housing remains intact.

Applications for disaster relief housing loans, etc. amounted to 4,451 as of March 31, 2012.

(Reference: case of construction/purchase of housing)



## ● Modification of loan terms

Borrowers of JHF (former GHLC), including Flat 35 (Purchase Program) borrowers, who are affected by the Great East Japan Earthquake are eligible for a grace period for a part or all of the repayment and/or an extension of repayment periods up to five years (it was three years before the expansion). During the grace period, the interest rate reduction was expanded from a maximum reduction of 1.5% to the lower of either the level after the maximum reduction of 1.5% or the level of 0.5%.

As a result, modifications of loan terms amounted to 4,159 as of March 31, 2012.

Afflicted ratio / Modification of loan terms	Grace period of a part or all of the repayment	Extension of the repayment period	Interest rate during the grace period
Under 30%	1 year	1 year	The lower of: 1) the interest rate after a reduction of 0.5%; or 2) an interest rate of 1.5%
30% or more and under 60%	Up to 3 years	Up to 3 years	The lower of: 1) the interest rate after a reduction of 1.0%; or 2) an interest rate of 1.0%
60% or more	Up to 5 years	Up to 5 years	The lower of: 1) the interest rate after a reduction of 1.5%; or 2) an interest rate of 0.5%

JHF appropriately deals with the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors to support self-help reconstruction of lives and businesses.

(Reference) Use results of the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors Number of claims: 21 (as of Mar. 31, 2012)

## ● Group Credit Life Insurance

The following special measures were taken for Great East Japan Earthquake disaster victims.

1. For customers who found it temporarily difficult to pay the special contract premium for group credit life insurance, the time limit of the payment period was extended to no later than March 31, 2012. In addition, special contract premiums paid on or after February 28, 2011 were temporarily refunded upon request (number of extensions: 473 (number of temporary refunds: 12) (as of Mar. 31, 2012)).

2. Group credit life insurance coverage was paid with the cooperation of life insurance co-underwriters for simplified and quick implementation (number of insurance payments due to the disaster: 256 (as of Mar. 31, 2012)).

## Contact points for consultations

We have set up the following contact points for consultation services for disaster victims.

### ● Telephone Consultation Service

#### ■ JHF Customer Call Center

Dedicated Support Line for Disaster Victims

 **0120-086-353**

- \* Please note that the above telephone line is strictly for the use of disaster victims.
- \* If you cannot access the above line from an IP phone, etc. please use the following number. (TEL: 048-615-0420)
- \* Telephone consultations are available from 9:00-17:00 daily, including Saturdays and Sundays.

#### ■ Borrowers with outstanding balance

JHF has a variety of options for modifying repayment terms in accordance with the level of damages. Please ask the financial institutions at which you are serviced.

### ● Website

#### ■ JHF website referring to the Great East Japan Earthquake

[http : //www.jhf.go.jp/shinsai](http://www.jhf.go.jp/shinsai)

#### ■ Mobile website

[http : //www.jhf.go.jp/i](http://www.jhf.go.jp/i)



QR code



Special website referring to the Great East Japan Earthquake

# Operation of Group Credit Life Insurance (Mutual Relief)

## Providing security for unforeseeable circumstances during the loan repayment period

JHF's group credit life insurance (mutual relief) program is a system in which if borrowers of Flat 35 or retail loans through JHF etc. who have joined in this system die or incur a serious disability, the outstanding loan balance is offset by the insurance (mutual aid money) that is paid by life insurance companies and the like.

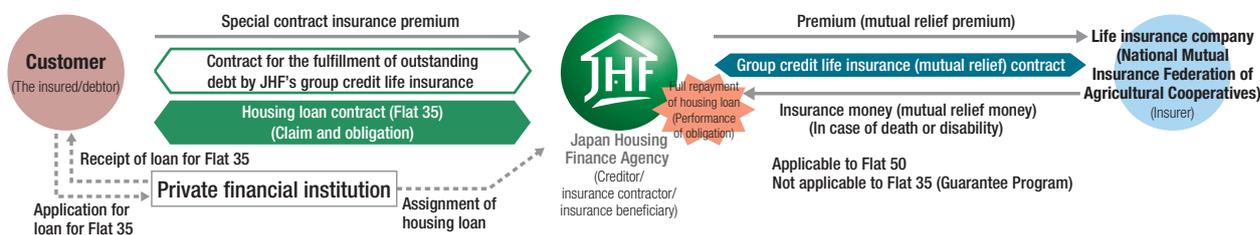
In addition, group credit life insurance with security insurance for three major diseases (cancer, acute myocardial infarction and cerebral apoplexy) is also available.

If the housing loan is co-borrowed with the spouse, the both can join this scheme (known as Duet) (unavailable to those with group credit life insurance with security insurance for three major diseases).

\* Retail loans through JHF, etc. refer to housing loans from JHF, the Welfare and Medical Service Agency (the former Government Pension Investment Fund) and Okinawa Development Finance Corporation.

## Scheme of JHF's group credit life insurance

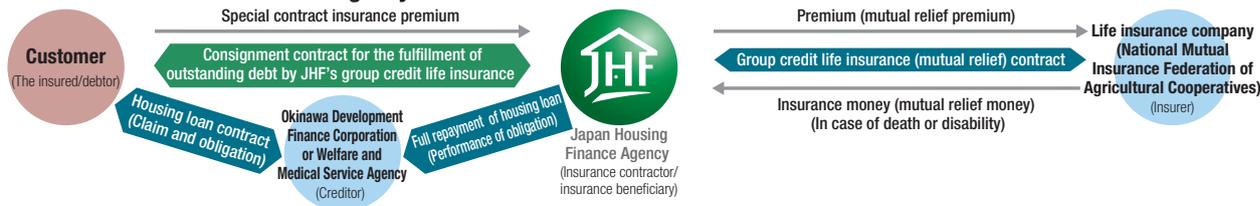
### ● In the case where Flat 35 is used



### ● In the case where a JHF loan (disaster relief loan, etc.) is used

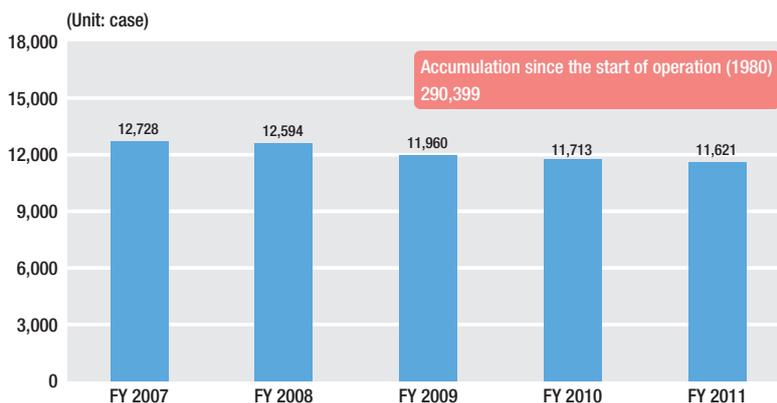


### ● In the case where a loan from the Okinawa Development Finance Corporation or the Welfare and Medical Service Agency is used



## Changes in the number of obligations performed with group credit life insurance

Number of obligations performed with group credit life insurance



# Technical Assessment

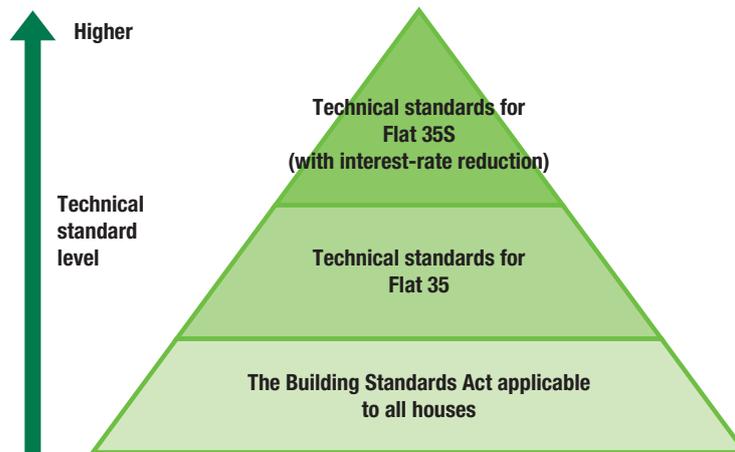
## JHF provides support for improving housing standards in accordance with its proprietary technical criteria.

JHF has established technical standards for housing durability, thermal insulation and the like as one of the requirements for Flat 35 and conducts technical assessments based on the standards while ensuring conformity with the housing performance labeling system and other regulations. Further, JHF checks for the issuance of compliance certificates based on the Building Standards Act for newly built houses.

### JHF technical standards

In addition to the Building Standards Act, JHF has its proprietary technical standards for housing eligible for Flat 35 as shown in the figure below. The technical standards for Flat 35 are largely divided into essential standards and those that are requirements for interest-rate reduction.

We have also our own standards for JHF-originated loans (loans for serviced rental housing for the elderly and other loans).



### Encouraging Quality Housing

JHF supports the improvement of housing quality through its proprietary technical criteria for Flat 35. Specifically, JHF cuts interest rates for a certain period for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance to attract consumers to the high quality housing (refer to page 23).

**Housing with excellent earthquake-resistance**

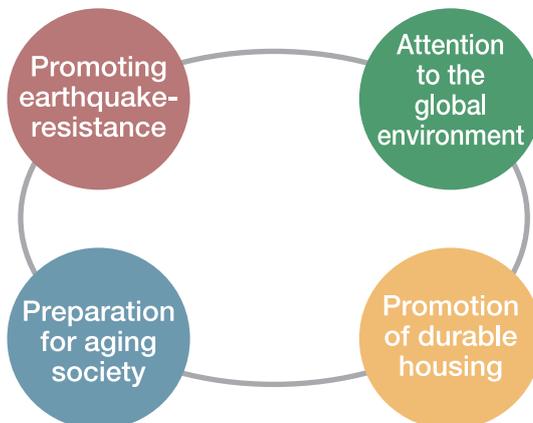
- Securing of wall quantity Balanced layout
- Strengthen joint parts of building frames
- Strengthen foundation

It is very important to prepare for large earthquakes, enhance housing seismic resistance and ensure safety.

**Housing with excellent barrier-free performance**

- Ensure that there are no different levels on the same floor.
- Install handrails
- Make sufficiently wide corridors.

It should be a principle requirement in building houses that houses are comfortable for elderly people, including preparation for nursing care.



**Housing with high energy-saving performance**

- Use heat-insulation materials sufficiently.
- Equip windows and doors with double-closing device.

It is required that houses be more heatproof so that they consume less electricity and fossil fuels such as kerosene for heating and cooling in view of conserving the global environment.

**Housing with high durability and flexibility**

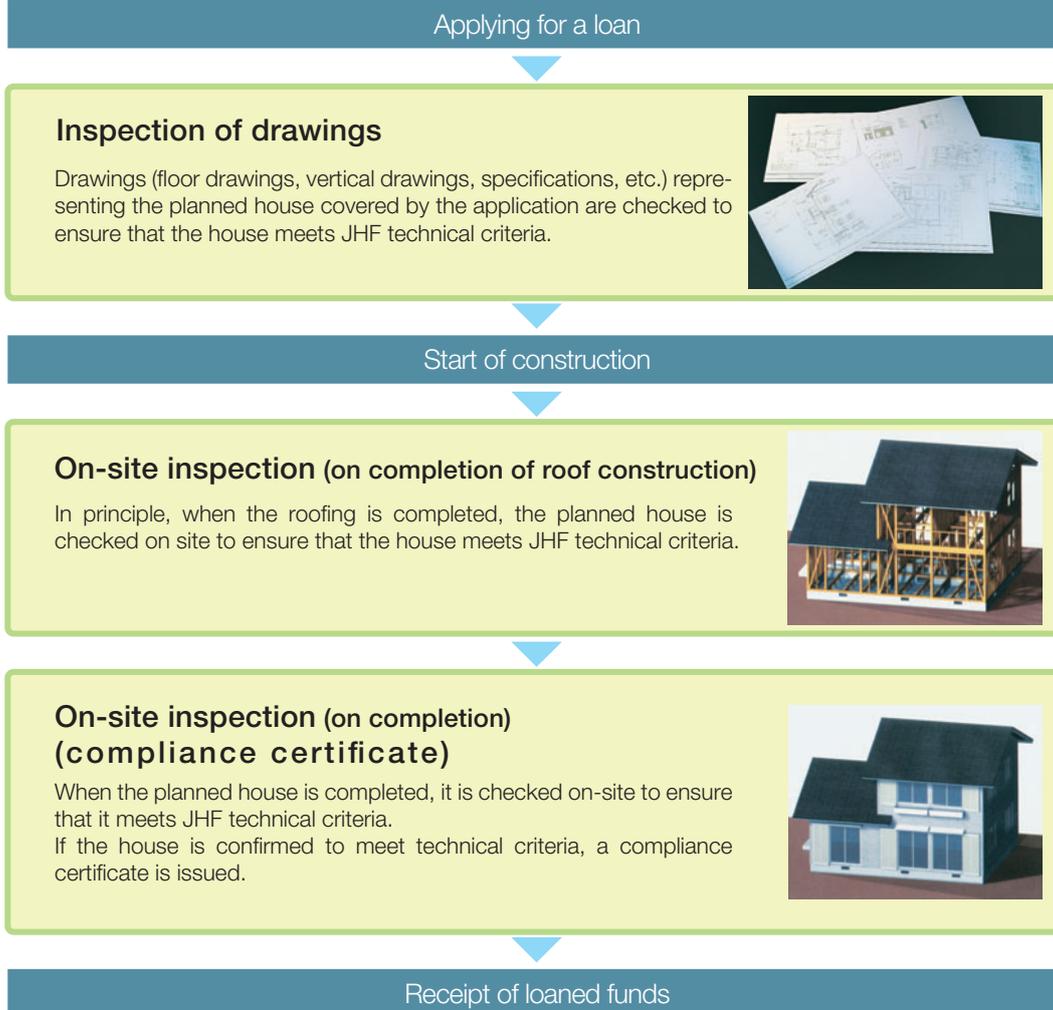
- Proof against decay and termites
- Ensure ventilation in the roof frame and under the floor

As Japan has become a mature society, there is now an urgent need for a good-quality housing stock to be built. Building as durable houses as possible and using them carefully for a long time will help us to protect our lives and the global environment.

## Flow of technical assessment

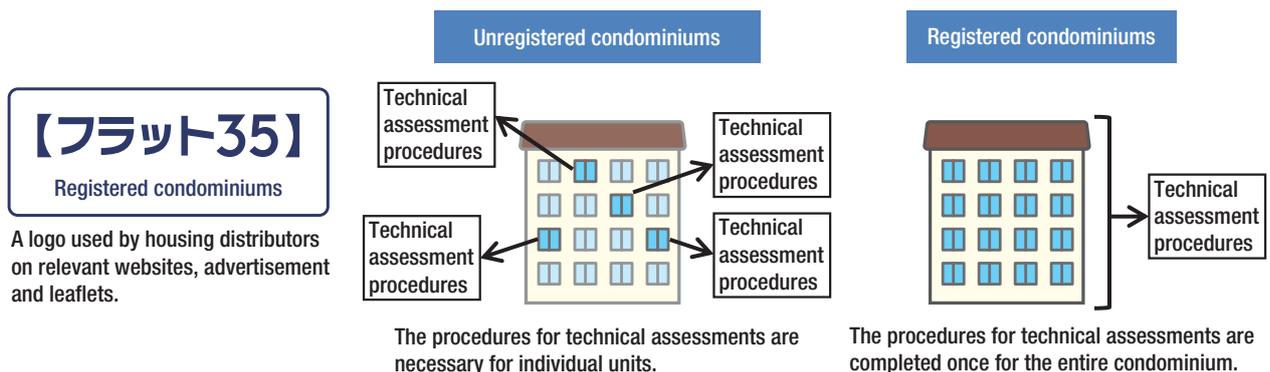
Technical assessments for Flat 35 are performed both at the drawing stage and at construction sites by private inspection institutions that have contractual agreements with JHF (in cases of newly built housing). If customers' houses are confirmed to meet technical standards for Flat 35 through the design and on-site inspections, private inspection institutions issue compliance certificates. Technical assessments are also performed for loans for serviced rental housing for the elderly.

In the case of a detached house to be newly built with Flat 35



## Promotion of Flat 35-registered condominiums

JHF promotes the Flat 35-registered condominium scheme, which allows housing distributors to have the entire condominium complex inspected instead of having individual dwelling units inspected. Under this scheme, housing distributors can advertise and sell their condominiums as applicable for Flat 35. Property information on registered condominiums is posted on JHF website.



# Management of Outstanding Loans

JHF provides feeling of safety for customers during the repayment period.

## Overview of the management of outstanding loans

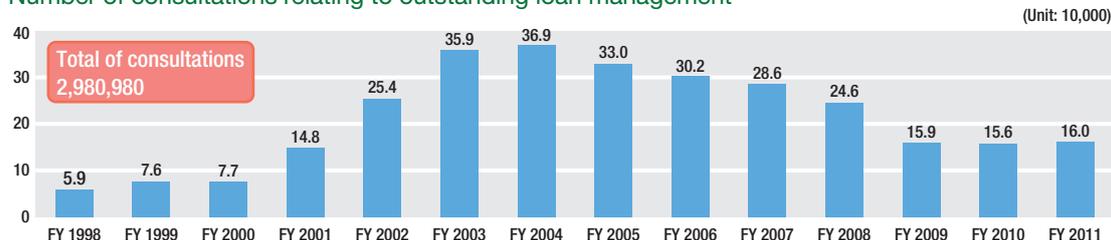
JHF provided 2.366 million housing loans (outstanding amount of 30.1 trillion yen)\* for customers as of the end of March 2012. The repayment of housing loans continues for a long period of time, during which we provide consultations on loan modification, prepayment and the issuance of certificates of outstanding balance so that customers can avoid uncertainty.

\* The figure includes housing loans originated by GHLC.

## Situation of consultations on repayments

JHF has organized a consultation system with servicing financial institutions for customers experiencing difficulty in repaying their loans in the adverse economic conditions. Also we have prepared options for modifying repayment terms and conditions depending on family income and other circumstances to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed.

Number of consultations relating to outstanding loan management



## Application situation of special measures for modifications to repayment methods

For customers experiencing difficulty in repaying their loans in the adverse economic conditions, JHF offers special measures for modifications to repayment methods to alleviate repayment burdens depending on family income and other circumstances, so that borrowers can continue to pay.

Other loan modification options include the change of repayment date, adjustments to the proportion of monthly and biannual bonus repayments and cancellation of biannual bonus repayments.

### ● Application requirements for special measures for modifications to repayment methods

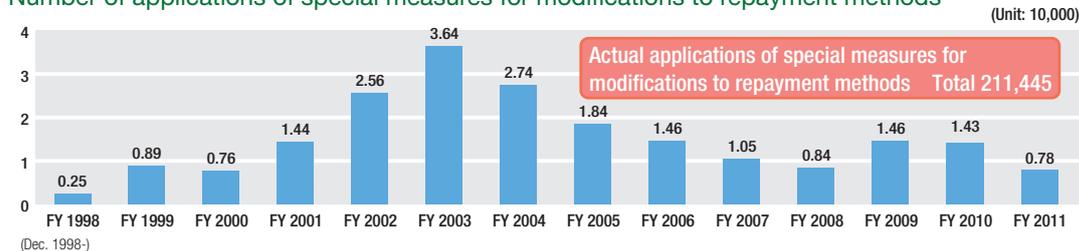
1. If customers have difficulty with repayment due to bankruptcy or changes in circumstances concerning the customers' employment; and
2. If the customers fall under any of the following items:
  - The DTI ratio (debt-to-income ratio) for JHF loans is 25% or more;[M.T.1]
  - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
  - The DTI ratio for housing loans from JHF and the private sector exceeds a certain percentage, and the income reduction rate reaches 20% or more; and
3. If the customers are able to continue the repayment under a modified repayment term, the extension of the repayment period up to 15 years will be applied to their loans to alleviate their monthly amortization.

Of them, for people unemployed or suffered reduction of income more than 20%, each repayment burden will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during this period\*.

\* The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

- (Loans under GHLC)
- Current interest rate of 6% or less: 1% reduction
  - Current interest rate of more than 6%: reduced to 5%
- (Flat 35)
- 1% reduction regardless of the current interest rate

Number of applications of special measures for modifications to repayment methods



(Dec. 1998-)

## Efforts on Finance Facilitation

### ● Strengthening of the business system in light of the enactment of the Small and Medium Sized Enterprises Finance Facilitation Law

In light of the enactment of the Act on Temporary Measures concerning the Facilitation of Financing for Small and Medium Sized Enterprises (Act No. 96 of 2009, hereinafter referred to as the “Small and Medium Sized Enterprises Finance Facilitation Law”), JHF reveals its business policies and strengthens the system based on the policies to provide more appropriate consultations on housing loans for customers.

#### Business policies

1. JHF fully recognizes its role as a safety net for customers who have difficulty in repaying their housing loans, provides consultations on repayment and presents better repayment alternatives.
2. JHF pays due attention on the sustainability of the borrower after the modification.
3. JHF provides detailed explanations to customers regarding repayment condition changes such as the increase of aggregate payment as a result of repayment changes.

#### Strengthening of the implementation framework (From December 2009)

1. Established positions and section at the head office
  - Executive Vice President in charge of workout plans shall supervise overall customer relations.
  - Director General in charge of workout plans shall support Executive Vice President as deputy.
  - Secretariat in the department shall be responsible for customer support to facilitate the supply of services.
2. Established positions at branch offices
  - Deputy Branch Manager in charge of workout plans shall supervise overall customer relations regarding mitigation measures in the branch offices.
  - Leader and sub-leader are assigned as directors in charge of workout plans.
3. Established position responsible for customer support management at the Head Office
  - Director General in charge of customer relations is assigned as the supervisor for customer support with regard to workout plans, and the call center responds to queries from borrowers in this regard.

#### Implementation status

##### 〈Implementation status of measures in accordance with Article 4 of the Small and Medium Sized Enterprises Finance Facilitation Law (loans to small and medium sized enterprises)〉

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	507	99,676
Of which, the number of accepted applications and their amount	431	84,676
Of which, the number of rejected applications and their amount	36	7,434
Of which, the number of applications under underwriting and their amount	16	3,822
Of which, the number of withdrawn applications and their amount	24	3,743

(Dec. 4, 2009 -Mar. 31, 2012)

##### 〈Implementation status of measures in accordance with Article 5 of the Small Business Finance Facilitation Law (loans to individuals with mortgage obligation)〉

	Number of loans	Amount (million yen)
Number of applications for loan modifications and their amount	67,335	864,239
Of which, the number of accepted applications and their amount	48,582	625,498
Of which, the number of rejected applications and their amount	2,234	30,057
Of which, the number of applications under underwriting and their amount	1,972	24,977
Of which, the number of withdrawn applications and their amount	14,547	183,706

(Dec. 4, 2009 -Mar. 31, 2012)

# Research and Survey on Housing Finance

## Research and study on housing finance to promote securitization business

With the rapid progress of globalization, every aspect of the Japanese economy has been affected by global financial affairs and business trends, and the environment surrounding housing loans has become complicated.

In addition, a structural shift in the Japanese housing loan market is taking place due to changes in lifestyles, consumers' awareness and behavior resulting from an aging population with a dwindling birthrate, as exemplified by a decrease in the population of young people, a reduced number of families and an increasing number of aged households.

Based on these backgrounds, the Research and Survey Department conducts the following surveys and research activities to promote securitization business while continuously providing accurate and fair information to allow consumers and market players to select appropriate loans.

### Surveys of housing loan markets and housing loan users

The department researches and studies the awareness and behavior of housing loan users concerning the selection of housing loans, including interest rates in the housing loan market, the attributes of users of "Flat 35" and other housing loans, sources of information on housing loans and reasons for their choices, and the volume of origination and trends of private housing loan.

Survey results were published on JHF website, with more than 800,000 accesses (FY 2011 results), and is widely viewed for the latest information on market trends.

### Surveys on overseas housing finance markets

JHF collects the latest information on overseas housing finance markets through literature research and field investigation, analyzes and reports their effects on Japan through finance and economy magazines and its own Housing Finance Magazine. In addition, JHF interacts with international organizations and public/private institutions overseas to exchange information, thereby deepening mutual understanding and making international contributions.

### disseminate of information and knowledge about housing and finance to society

JHF exchanges information and makes presentations on research covering a wide range of fields at outside seminars and academic conferences to disseminate its information and knowledge about housing and finance to society.

#### Fiscal 2012 surveys (draft)

Title	Target	Outline
Survey on new origination volume and outstanding loan balances by types of lenders	Relevant parties and organizations	Annual and quarterly statistics on the volume of loan origination and outstanding loan balances by types lender
Survey of trends of private-sector housing loans being extended	Private financial institutions	Questionnaire survey of private financial institutions concerning housing loan policies, marketing strategies, underwriting and securitization
Survey of recipients of housing loans	Recipients of housing loans (incl. Flat 35 users)	Internet survey on the usage situation of housing loans (incl. Flat 35) concerning interest rates, awareness among recipients about interest risk, responses to an increase in repayments caused by rising interest rates, and profiles of recipients
Survey of potential housing loan recipients	Potential housing loan users	Internet survey on property acquisition plans, desired interest rate types of housing loans, etc
Survey of Flat 35 recipients	Flat 35 users	Survey of recipient profiles, repayment plans and mortgaged properties, etc
Survey of housing finance abroad	Overseas housing finance markets	Collection of data and information on housing finance markets in the United States, Europe and Asia, on-site surveys and the exchanges of information at international conferences

Results of surveys conducted by JHF are available at its website including past results.

Website: <http://www.jhf.go.jp/research/index.html>