

Japan Housing Finance Agency's Series 221 Structured Issuance Assigned 'AAA (sf)' Rating

September 29, 2025

Overview

- The JHF series 221 fixed-rate residential mortgage-secured pass-through notes are a securitization that JHF issued. A pool of residential mortgage loans ultimately backs the notes.
- We are assigning our 'AAA (sf)' rating to the notes, based on our view of the transaction's legal structure, credit support, and pool characteristics, among other factors.
- Because of the structure of this transaction, the rating on the notes depends to an extent on JHF's credit quality.

TOKYO (S&P Global Ratings) Sept. 29, 2025--S&P Global Ratings today said it has assigned its 'AAA (sf)' rating to [Japan Housing Finance Agency's](#) (JHF) ¥50.2 billion series 221 fixed-rate residential mortgage-secured pass-through notes.

The JHF series 221 notes are a securitization JHF is to issue. A pool of residential mortgage loans that JHF purchased from private-sector financial institutions will ultimately back the notes. We base the preliminary rating on the notes on our view of the transaction's legal structure, credit support, and pool characteristics, among other factors.

Our rating reflects our opinion on the likelihood of the timely payment of interest, or interest distribution in the case of beneficiary certificates, allowing for a three-month grace period, and the ultimate repayment of principal by the transaction's legal final maturity date.

Our rating reflects the following:

- We assume a foreclosure frequency for the expected loan receivables of about 34.6% under a stress level commensurate with our 'AAA' rating and about 3.8% under a stress level commensurate with our 'B' rating. These rates, which reflect our view of the credit quality of the underlying assets, are prior to adjustments we apply to account for the transaction's convertible pro rata pay structure.
- We also assume a loss severity rate of about 44% for defaulted receivables under our 'AAA' stress scenario.
- We conducted a cash flow analysis based on the foreclosure frequency and loss severity rate assumptions. As a result, under a 'AAA' stress scenario, we concluded that interest payments and principal repayments on the notes and beneficiary certificates (subsequent to a

Primary Contact

Hiroshi Sonoda
Tokyo
81-3-4572-6201
hiroshi.sonoda
@spglobal.com

Secondary Contact

Yuji Hashimoto
Tokyo
81-3-4572-6179
yuji.hashimoto
@spglobal.com

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beneficiary trigger event) would be made as scheduled (allowing for a three-month grace period with respect to payment of interest, or interest distribution in the case of the beneficiary certificates).

- Prior to a beneficiary certificate trigger event and if receivables in the collateral pool default or are delinquent for four months, JHF will eliminate these receivables from the collateral pool and amortize the notes by the amount of these receivables to maintain the initial level of overcollateralization in the trust. After a beneficiary certificate trigger event, the overcollateralization will mitigate the credit risk of the transaction's underlying mortgage loans and interest rate risk (interest on the mortgage loans less the sum of interest payments on the beneficiary certificates and transaction costs).
- In our view, the transaction has limited exposure to setoff risk. This is because when JHF purchases loans from private-sector financial institutions, the agency secures the obligors' consent to the transfer of the loans and the obligors relinquish their rights to use any claims, including their right to offset their mortgage debt against the financial institutions.
- After considering the structural features of this transaction--including the transfer of collections from the collateral receivables, the level of liquidity protection, and the lack of a credit enhancement floor--we believe the rating on the notes depends to an extent on JHF's credit quality.

Related Criteria

- [Criteria | Structured Finance | General: Counterparty Risk Methodology](#), July 25, 2025
- [Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Asia-Pacific Supplement](#), April 4, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities](#), Dec. 22, 2020
- [Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions](#), Jan. 30, 2019
- [Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans](#), Jan. 25, 2019
- [Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions](#), Oct. 9, 2014
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment](#), May 28, 2009

Related Research

- [Japan Structured Finance Outlook: Shaking Off Rising Rates](#), Jan. 8, 2025
- [ESG Industry Report Card: Residential Mortgage-Backed Securities](#), March 31, 2021
- [Overview Of Japan Housing Finance Agency's Structured Notes](#), Nov. 19, 2020

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- [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

Rating Assigned

Japan Housing Finance Agency -- ¥50.2 billion JHF series 221 fixed-rate residential mortgage-secured pass-through notes due October 2060

- ¥50.2 billion; 2.12%; 25.1% overcollateralization: AAA (sf)

The transaction closed on Sept. 29, 2025. We define the overcollateralization ratio as: $1-(A+B)/(C-D-E)$. A: the rated obligations and equally ranked obligations; B: prior obligations to the rated obligations; C: underlying assets (including cash); D: liquidity reserves; E: obligations, except for senior, mezzanine, or subordinate obligations (seller's interest, etc.). The ratio in this report represents the transaction structure's minimum maintenance ratio for the overcollateralization of pro rata pay.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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