



PRESS RELEASE



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CMHC Announces Expansion of CMB Program

OTTAWA, Ontario, August 31, 2008 — Canada Mortgage and Housing Corporation (CMHC) today announced that the Canada Mortgage Bonds (CMB) Program will be expanded to include a CMB with a 10-year maturity.

“In the past year, when mortgage lending institutions across many countries have faced liquidity and funding challenges, Canada’s CMB Program has provided cost-effective funding to Canadian mortgage lenders and a high-quality investment for investors,” said CMHC President Karen Kinsley. “Through this enhancement, the CMB Program will continue to provide Canadians with access to affordable mortgage financing and cost-effective funding to Canadian mortgage lenders.”

The introduction of a CMB with a 10-year maturity will allow the program to attract a broader pool of investors.

CMHC introduced the CMB Program in June 2001. The objective of the Program is to benefit homebuyers and the housing industry as a whole by improving access to lower cost mortgages for Canadians and enhancing liquidity in the mortgage market. CMB are issued by the Canada Housing Trust and are fully guaranteed as to timely payment of principal and interest by CMHC.

The measure announced today is in addition to the record \$12.5-billion CMB issue that occurred in June, which provided funding for 25 different financial institutions and roughly 64,000 Canadian mortgages. The total outstanding amount for the CMB program is roughly \$136 billion.

The size and success of CMB transactions and the growth in the program underscore the value of this mortgage funding vehicle to Canada’s mortgage industry. They also highlight the commitment of the government and CMHC to work with our industry partners to continue to improve housing affordability and choice for Canadians.

As Canada’s national housing agency, CMHC draws on over 60 years of experience to help Canadians access a variety of quality, environmentally sustainable, and affordable homes — homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, call 1-800-668-2642.

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Backgrounder

Canada Mortgage Bonds

Introduced in 2001, the Canada Mortgage Bonds (CMB) Program has provided a continuing investment opportunity for investors and provided a cost-effective source of funding for mortgage lenders. The objectives of the Program are to help ensure Canadians have access to affordable mortgage financing and to improve the competitiveness of the Canadian mortgage market.

The CMB Program was designed to complement CMHC's long-standing National Housing Act Mortgage-Backed Securities (NHA MBS) Program. Investors in NHA MBS purchase undivided interests in the pool of mortgages and receive monthly instalments of principal and interest from the cash flows of the underlying mortgages.

Through the CMB Program, Canada Housing Trust (CHT) sells CMB to investors and uses the proceeds to purchase mortgages packaged into NHA MBS from financial institutions. CMB investments offer investors regular semi-annual coupon payments and a single repayment of principal at maturity. CMB are guaranteed as to the timely payment of interest and principal by the Government of Canada through CMHC.

What it means for Consumers

- helps provide Canadians with access to lower-cost mortgage financing;
- offers enhanced liquidity in the Canadian mortgage market; and
- supports greater competition in the Canadian mortgage market.

What it means for Investors

- non-amortizing, bullet-maturity instruments guaranteed by CMHC;
- offers a modest yield premium to Government of Canada Bonds; and
- an investment, the timely payment of which is explicitly guaranteed by CMHC and therefore constitutes a direct and unconditional obligation of Canada.

What it means for Lenders/Issuers/Sellers

- An established source of cost-effective funding for residential housing loans.