

Details and Features of Line of Business

Business Summary

JHF conducts the following business, including securitization.

JHF not only supports private lenders by providing long-term fixed-rate housing loans as our main service, but also provides loan origination services, insurance services and housing-related information to promote the smooth provision of private housing loans, loans for which societal demand is expected to grow and loans for areas that are difficult for private institutions to handle.

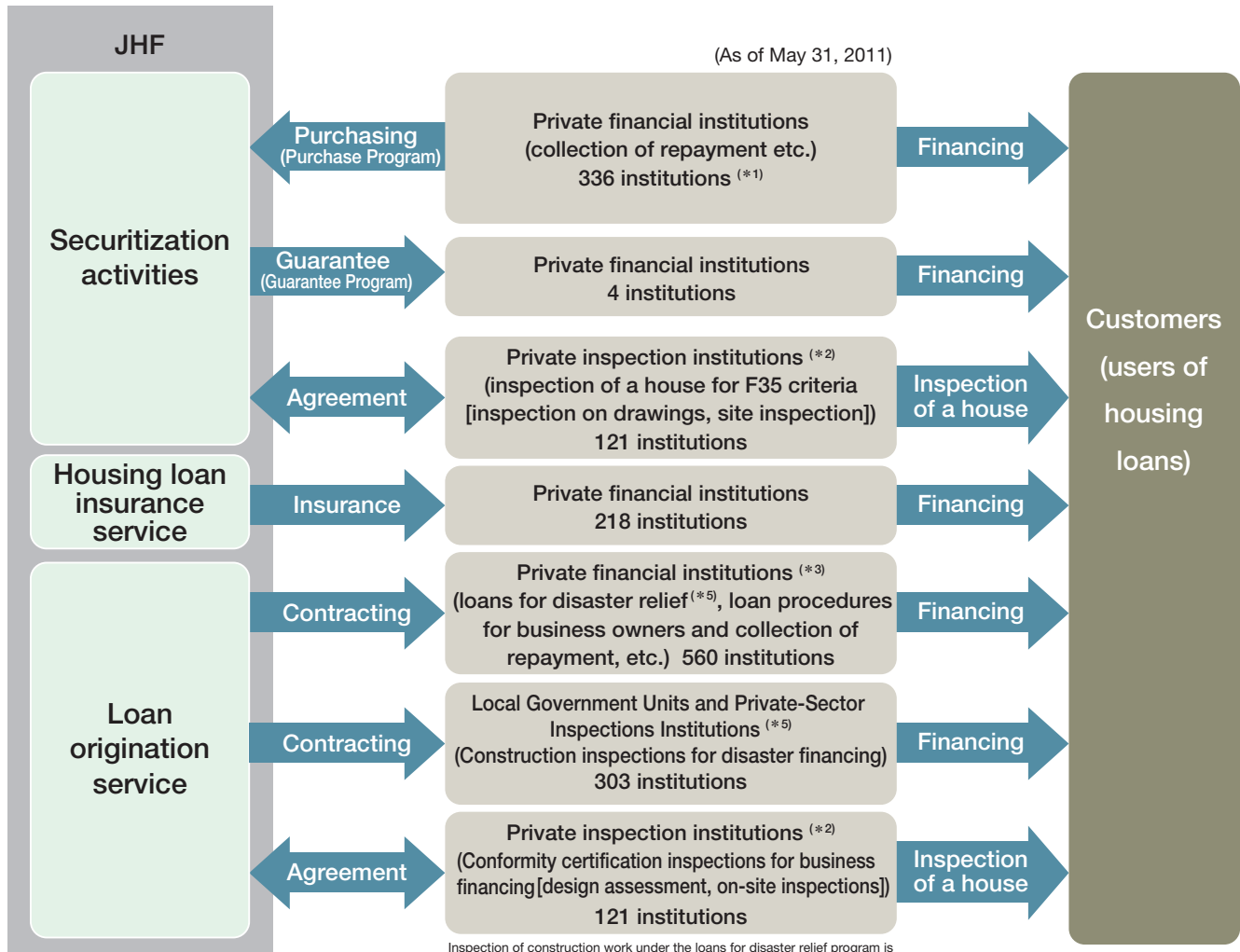
Securiti- zation	Support private financial institutions to provide long-term fixed-rate housing loans		Technical assess- ment Page 32	Operation of group credit life insurance (mutual relief) Page 31	Page 21				
	<p>Purchase Program (JHF-Pooling Model) JHF purchases long-term fixed-rate housing loans from private financial institutions and issues MBS (mortgage backed securities).</p> <p>Guarantee Program (Originator-Pooling Model) JHF insures long-term fixed-rate housing loans made by private financial institutions, and guarantees the timely payment of MBS backed by those loans.</p>	<table border="1"> <thead> <tr> <th>Result for FY 2010</th> <th>FY 2011 Original plan</th> </tr> </thead> <tbody> <tr> <td>○Purchase Program 2,808.2 billion yen (114,271 houses)</td> <td>○Purchase Program 2,304 billion yen (108,000 houses)</td> </tr> <tr> <td>○Guarantee Program 12.2 billion yen (527 houses)</td> <td>○Guarantee Program 22.5 billion yen (1,000 houses)</td> </tr> </tbody> </table>				Result for FY 2010	FY 2011 Original plan	○Purchase Program 2,808.2 billion yen (114,271 houses)	○Purchase Program 2,304 billion yen (108,000 houses)
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Housing loan insurance service	When housing loans made by private financial institutions become defaulted because of unexpected situations, JHF pays the insurance to the private financial institutions under the insurance policy concluded in advance to support the stable supply of housing loans provided by private financial institutions.		Management of outstand- ing Loans Page 34	Page 28					
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Loan origination service	In an area such as loans for disaster relief, for which societal demand is expected to grow, and which are difficult for private financial institutions to handle, JHF shall provide support for people to acquire housing by providing long-term fixed rate housing loans.		Research and survey on housing finance Page 35	Page 29					
	<table border="1"> <thead> <tr> <th>Result for FY 2010</th> <th>FY 2011 Original plan</th> <th>FY 2011 Supplementary Budget</th> </tr> </thead> <tbody> <tr> <td>303 billion yen (32,381 houses)</td> <td>516.4 billion yen (35,500 houses)</td> <td>696.4 billion yen (45,500 houses)</td> </tr> </tbody> </table>	Result for FY 2010			FY 2011 Original plan	FY 2011 Supplementary Budget	303 billion yen (32,381 houses)	516.4 billion yen (35,500 houses)	696.4 billion yen (45,500 houses)
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Business Implementation Structure and Funding

Business Implementation Structure

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.



Inspection of construction work under the loans for disaster relief program is outsourced to 284 local authorities.

- * 1 Excludes one institution to which JHF outsources only the collection of loan payments related to Securitization Business and from which JHF does not purchase housing loan.
- * 2 Private inspection institutions mean specified inspection institutions and registered housing performance evaluation institutions that conclude an agreement of conformance certificate services with the 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 July 1, 2011.
- * 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 from the market mainly through the issuance of MBS (mortgage backed securities).

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

Self-raised			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
JHF bonds <Mortgage backed securities> <General collateral bonds> <Condominium repair program>	2,217.8 billion yen <1,774.1 billion yen> <402 billion yen> <417 billion yen>	2,919.9 billion yen <2,364.5 billion yen> <459.2 billion yen> <96.2 billion yen>	2,919.9 billion yen <2,364.5 billion yen> <459.2 billion yen> <96.2 billion yen>
JHF property accumulation savings scheme-tied housing bonds	124 billion yen	74.3 billion yen	74.3 billion yen
JHF saving bonds for acquiring houses and house sites	441 billion yen	39.7 billion yen	39.7 billion yen
Borrowings from private institutions	143.6 billion yen	140.3 billion yen	140.3 billion yen

Fiscal Investment and Loan Program			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Borrowing from Fiscal Investment and Loan Program	-	30 billion yen	210 billion yen

General Account			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Subsidies and payment for various loans	353 billion yen	100.7 billion yen	156.7 billion yen

(Note 1) For FY 2010, 230 billion yen in capital was returned to the national treasury.
(Note 2) For FY 2011, 51.9 billion yen in capital (including that from FILP Special Account) will be returned to the national treasury.

Repayment of Borrowings, etc.			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Collection of repayments for loans and purchased loans	5,273.6 billion yen △ 5,248.6 billion yen	4,893 billion yen △ 4,597.4 billion yen	4,896.1 billion yen △ 4,656.5 billion yen

Budget for the JHF			
	Result for FY 2010	FY 2011 Original budget	FY 2011 Supplementary Budget
Purchase of loans Lending	2,567.6 billion yen 339.9 billion yen	3,074 billion yen 526.5 billion yen	3,074 billion yen 706.5 billion yen

Securitization Business

Support 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. Purchase Program and Guarantee Program were launched in October 2003 and October 2004, respectively.

Housing loans provided through securitization business are collectively referred to as Flat 35.

There are two types of loans for JHF's debt securitization business: Purchase Program and Guarantee Program.

There are two types of Securitization Business by JHF: Purchase Program and Guarantee Program.

Under the Purchase Program, JHF purchases long-term fixed-rate housing loans originated by private financial institutions and entrusts those housing loans to trust banks or similar organizations. JHF then issues MBS (mortgage backed securities) backed by those collateralized assets to raise funds from the investors in the capital market. JHF began its Purchase Program in October 2003. We have also introduced a "Flat 50" product, which allows for a maximum 50-year repayment period for a houses certified as long-life high-quality (durable), as well as refinancing* of outstanding housing loans under Purchase Program. Under the Guarantee Program, JHF will underwrite housing loans insurance on long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on MBS backed by those housing loans which are pooled by originators. JHF began its Guarantee Program in October 2004.

Both Purchase Program and Guarantee Program are eligible for "Flat 35S" a special product which can enjoy reduction of interest rate for a certain period. "Flat 35S" is available to persons applying for "Flat 35" who purchase houses with high energy-efficiency or other criteria. "Flat 35" is a brand name of JHF product that supports borrowers to acquire high-quality houses.

* Refinancing applies to Guarantee Program as well.

"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. (Annual access figure for FY 2010: 72.42 million)

The screenshot shows the homepage of the Flat 35 website. At the top, there is a navigation bar with links for '検索', '文字サイズ', '拡大', '標準', and 'サイトマップ'. The main banner features a photograph of a couple in a living room and the text: **【フラット35】金利引下げ幅拡大!** 当初10年間 年1.0%金利引下げ. Below this, there are several product cards: **【フラット35】** (with a '安心' icon), **【フラット35】S** (with a '金利引下げ' icon), and **【フラット35】借換融資**. A large green arrow on the right side of the page points towards the website URL.

Visit here
www.flat35.com

Feature of Flat 35 (Purchase Program)

- No worry about interest rate fluctuations
- No guarantee fee or prepayment penalties
- JHF's technical criteria to support housing
- Counseling to prevent foreclosure

Securitization Business (Purchase Program) Flat 35

● Scheme

The 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.

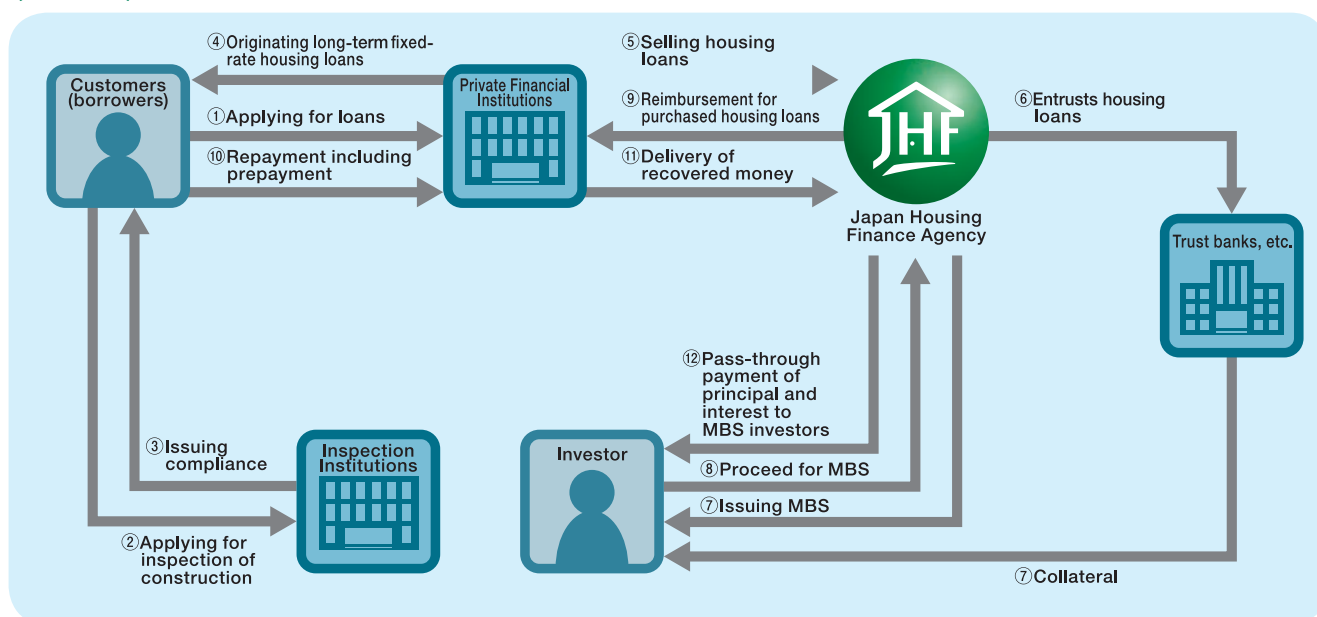
The interest rate on these loans is decided by individual private institutions based on the coupon on MBS, etc.

For details, visit the Flat 35 website

(<http://www.flat35.com/>).

Please refer to the financial data section for the product outline.

<Scheme>



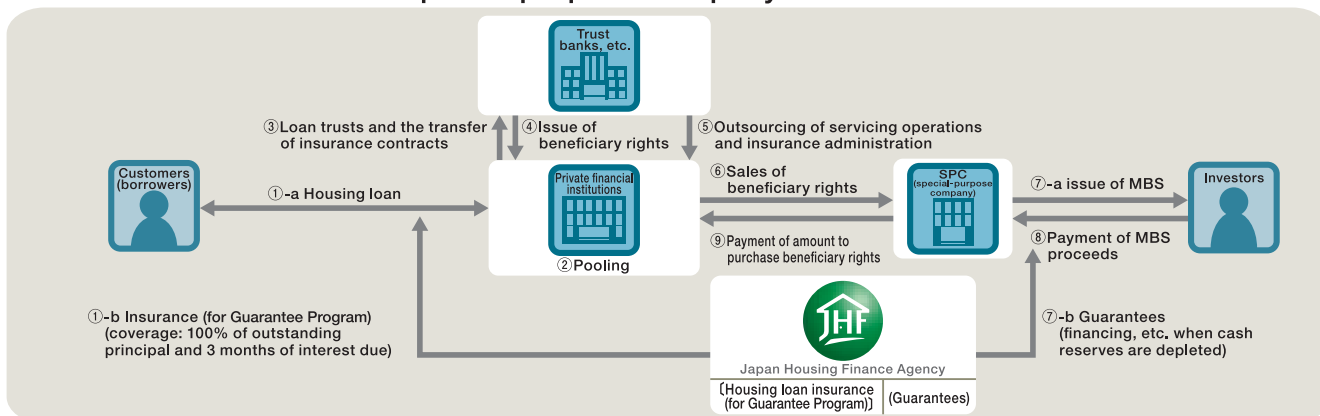
Securitization Business (Guarantee Program) Flat 35

● Scheme

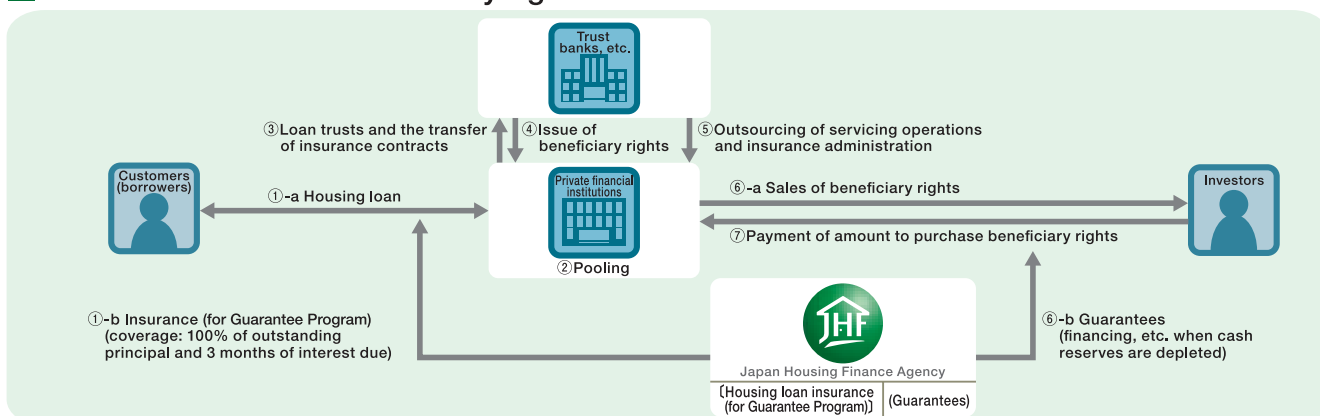
JHF will underwrite housing loan insurance (for Guarantee Program) for housing loans with long-term fixed-rate housing loans originated by private financial institutions, and guarantees investors the timely payment of interest and principal on bonds backed by collateral for the housing loans (see figure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

- The loan is necessary for the construction/purchase of a house for the applicant and/or relatives, or for refinancing serving the same purpose.
- The house in question satisfies the technical requirements concerning durability, as specified by JHF. (The buyer of such a house is eligible to assist the purchase of high-quality housing.)
- 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).
- 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 10 percent of the cost of the housing construction or the cost to purchase the house and land.
- The duration of the loan is between 15 years and 35 years, inclusive.
- The interest rate remains fixed throughout the duration of the loan.

● 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, 2011)

Support scheme for acquiring high-quality housing (【Flat 35】S)

The support scheme to facilitate for acquiring high-quality housing Flat 35S is a system in which lower interest rates are adopted for a certain period when customers applying for Flat 35 acquire high-quality housing in terms of energy efficiency and so on. (Flat 35S is a brand name of the support scheme for acquiring high-quality housing).

(Note) There is a ceiling for total amount for the support scheme to facilitate for acquiring high-quality housing Flat 35S, and applications will be accepted until they reach that ceiling. The end date will be notified on the Flat 35 website (www.flat35.com) approximately three weeks prior to ending.

The support scheme to facilitate for acquiring high-quality housing Flat 35S consists of the three types of Flat 35S, Flat 35S (existing-house type) and Flat 35S (20-year interest rate-reduction type).

The support scheme to facilitate for acquiring high-quality housing

【フラット35】S

● Three types of Flat 35S

As of July 2011

Type	Interest rate reduction period	Range of interest-rate reduction	Eligible housing
Flat 35S	First 10 years	1.0% /year	New/existing house
Flat 35S (existing-house type)			Existing house
Flat 35S (20-year interest rate-reduction type)	First 20 years	First 10 years: 1.0% /year 11th year - 20th year: 0.3% /year	New/existing house

* 1.0% interest rate reduction for the initial 10 years under “Flat 35S” and “Flat 35” S (existing house) will be eligible for application by December 30, 2011. Beyond this point, JHF plans to offer a 0.3% interest rate reduction for the initial 10 years.

Furthermore, the interest rate reduction period is the “initial 10 years” for applications by March 31, 2012, but it will be shortened to “initial five years” for applications received on April 1, 2012 or after.

* 1.0% interest rate reduction for the initial 10 years under “Flat 35S” (20-year interest reduction type) will be eligible for application by December 30, 2011.

After that, borrower will receive a 0.3% reduction instead of 1.0%. Additionally, the interest rate reduction period is the “initial 20 years” for applications received by March 31, 2012, but it will be shortened to the “initial 10 years” for applications received on April 1, 2012 or after.

* There is a ceiling for total amount for the support scheme to facilitate for acquiring high-quality housing Flat 35S, and applications will be accepted until they reach that ceiling. The end date will be notified on the Flat 35 website (www.flat35.com) approximately three weeks prior to ending.

● Images of eligible houses for Flat 35S

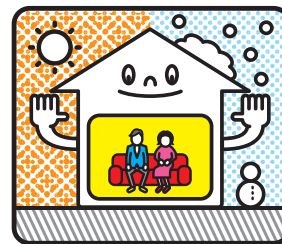
Housing with excellent earthquake resistance

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



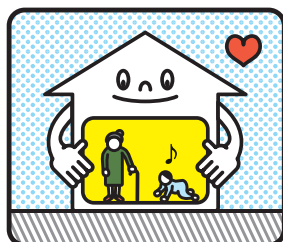
Housing with high energy-saving performance

Houses achieving high air-tightness, etc.



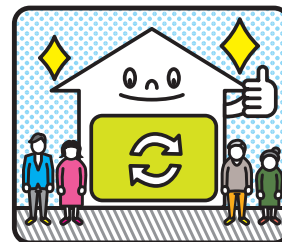
Housing with excellent barrier-free performance

Housing aimed at making daily life easier for seniors



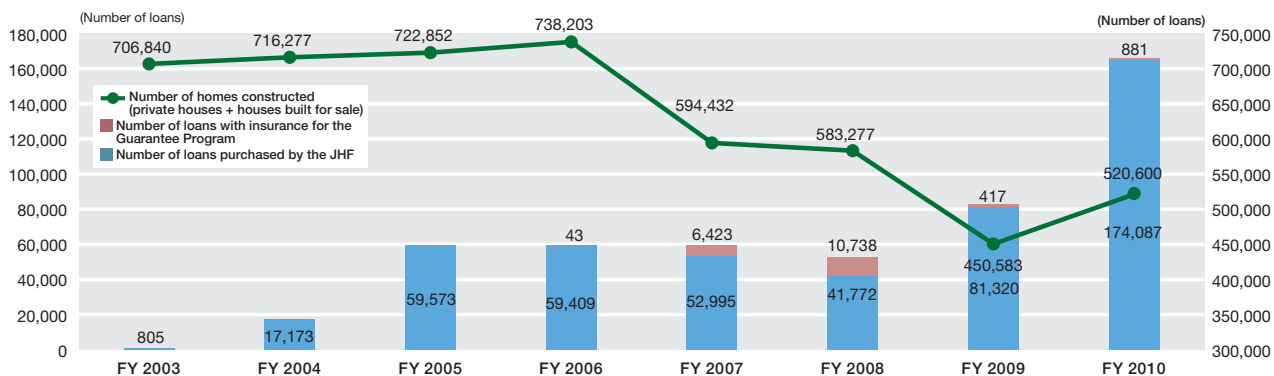
Housing with high durability and flexibility

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

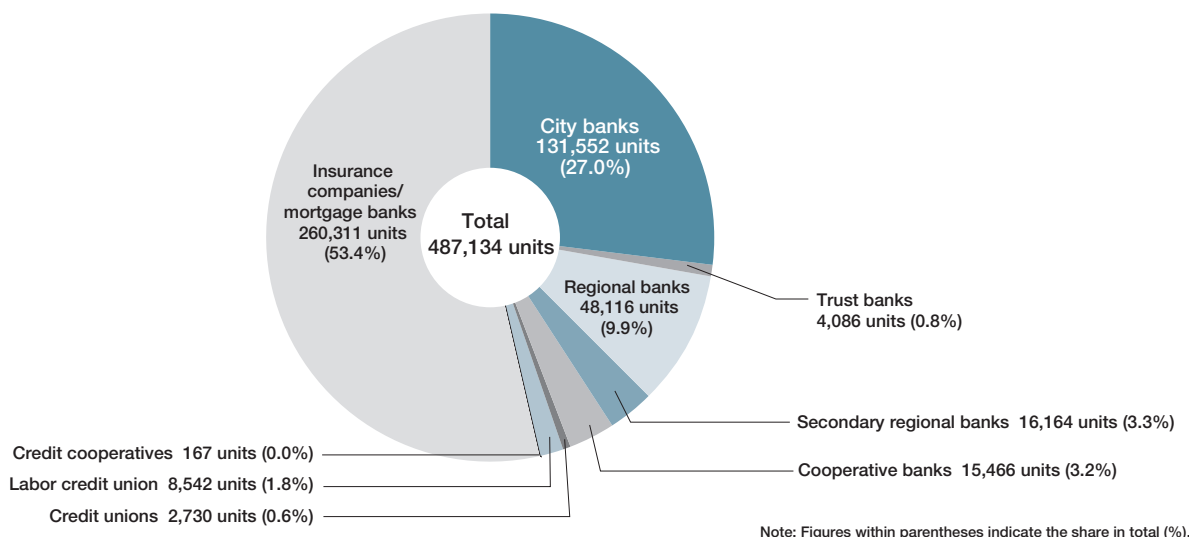


※ Technical criteria vary for Flat 35S, Flat 35S (used-house type) and Flat 35 S (20-year interest rate-cut type). For details, visit the Flat 35 website (<http://www.flat35.com>)

Number of loans purchased (insured) through the securitization program

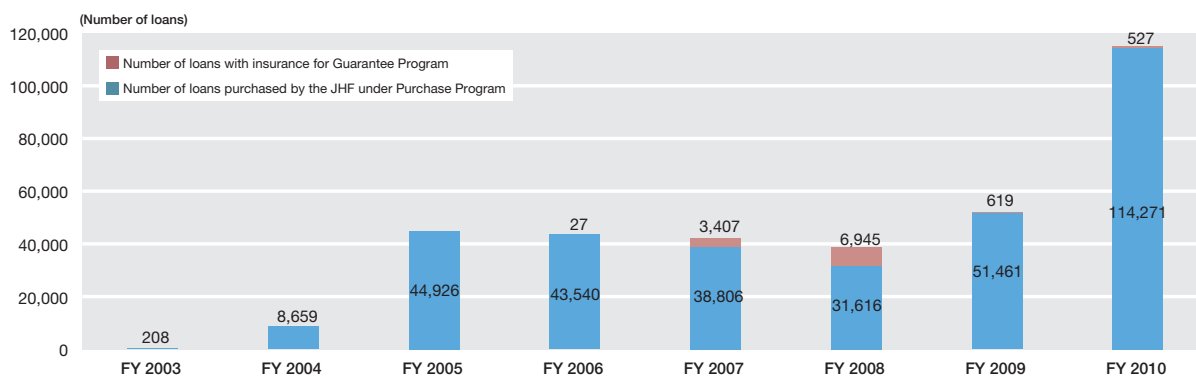


The number of loans purchased, by type of institutions, in the securitization business (Purchase Program) (as of March 31, 2010)



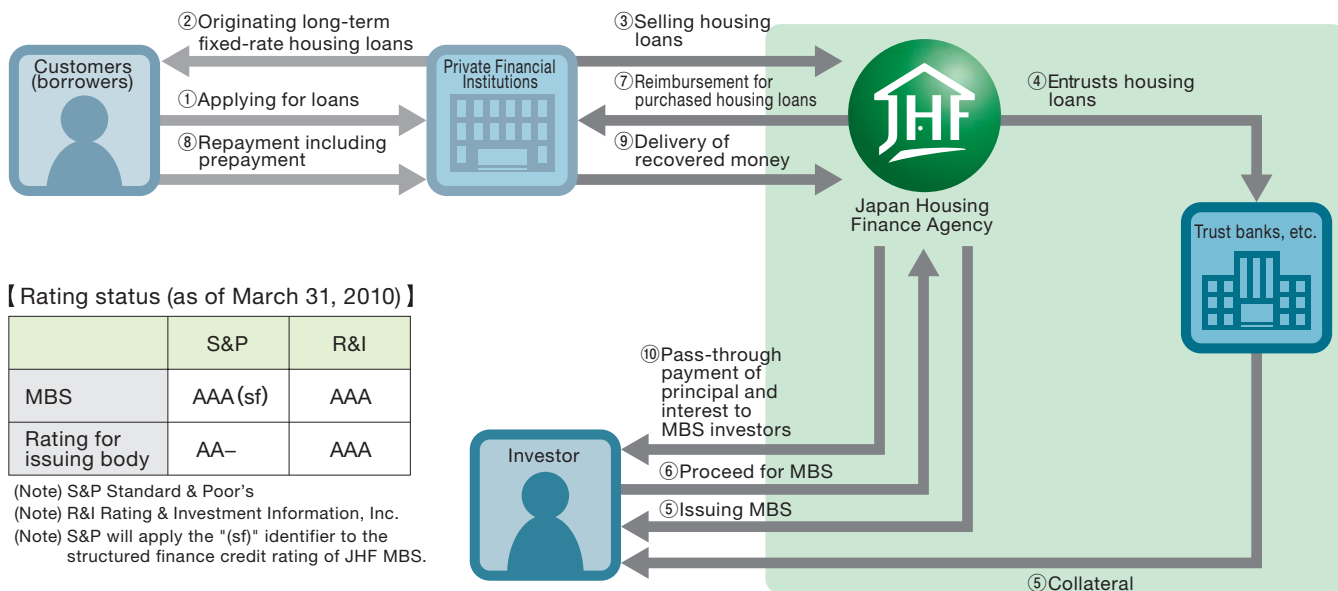
City banks (5), trust banks (1), regional banks (63), other regional banks (39), cooperative banks (161), credit unions (19), labor credit unions (12), prefectural associations of agricultural credit cooperatives (11) and insurance companies/mortgage banks (26), for a total of 337 financial institutions, have entered into the securitization business (Purchase Program). The number of institutions is shown in the brackets (.). (As of May 31, 2010)

Number of loans purchased (insured) through the securitization program



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.



【Rating status (as of March 31, 2010)】

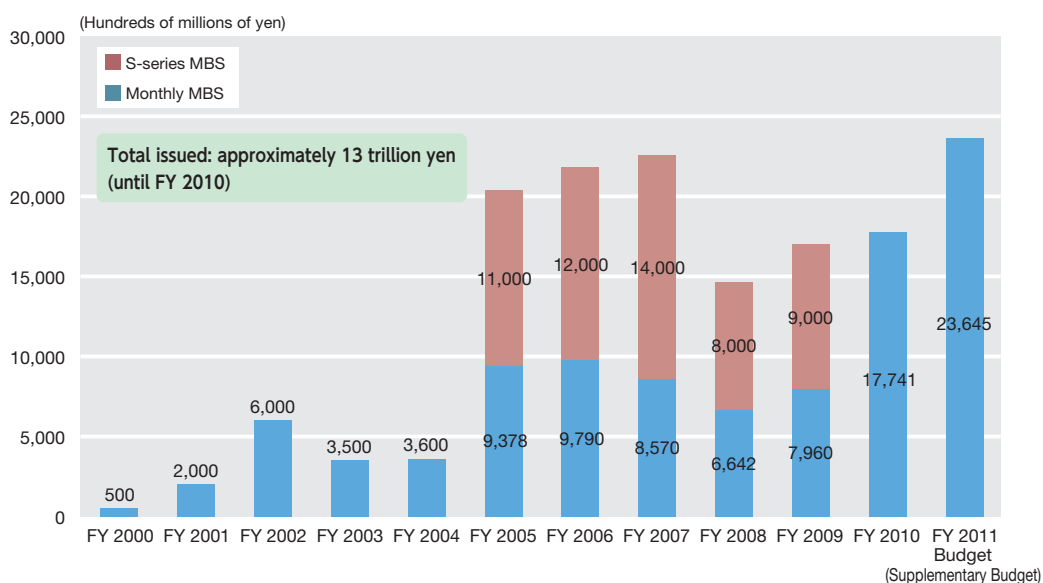
	S&P	R&I
MBS	AAA (sf)	AAA
Rating for issuing body	AA-	AAA

(Note) S&P Standard & Poor's
 (Note) R&I Rating & Investment Information, Inc.
 (Note) S&P will apply the "(sf)" identifier to the structured finance credit rating of JHF MBS.

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.



(Note) Monthly MBS are issued with the purpose of raising fund related to Securitization Business (Purchase Program) and direct origination business.

(For issues from FY 2003 onward, "Flat 35" is included in underlying assets with the start of Securitization Business (Purchase Program).)

(Note) S-series MBS have been issued since FY 2005 for the purpose of refinancing the outstanding loans directly originated by the former Government Housing Loan Corporation.

Key features of JHF MBS (Monthly MBS)

Point 1 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.

Point 2 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

Point 3 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.

Point 4 Achieves AAA ratings by over-collateralization

- A sufficient level of over-collateralization is set to achieve AAA ratings (the highest possible rating) (All of JHF MBS and GHLC MBS receive AAA ratings from R&I and S&P)
- 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, over-collateralization functions as credit enhancement after Beneficiary Certificate Trigger Events.

Point 5 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.

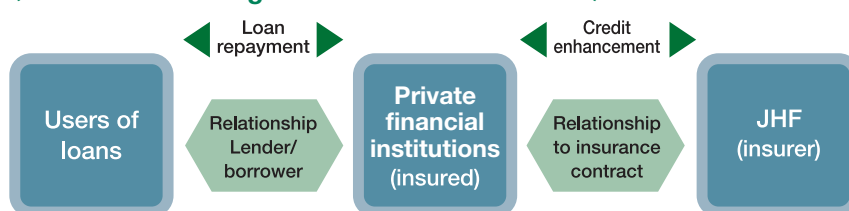
By underwriting insurance for housing loans originated by private financial institutions, JHF supports the supply of housing loans by private financial institutions.

(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 91).

Scheme

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

◀ Outline of housing loan insurance business ▶



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
Specific personal loan insurance (private financial institute loan type)	Retail housing loans that are in accordance with the underwriting criteria of a private financial institution and have been approved by the JHF in advance (loans can include miscellaneous expenses in addition to funds required for construction or purchase). Also applicable to refinancing (except for in-house refinancing by banks)	100%
Specific personal loan insurance (Flat 35 package type)	Housing loans received in combination with Flat 35. Also applicable to refinancing.	
Specific personal loan insurance (lump-sum-repayment improvement loans for older people)	Loans for remodeling of property with elderly residents (60 years or older) that has been screened for insurance approval by the JHF (the principal, etc. is repayable as a lump sum upon the death of the borrower.)	
Specific short-term loan insurance (bridge-loan type)	Bridge loans for entrance payments at the commencement of construction, interim payments and payments on completion that have been screened for insurance approval by the JHF. Those with a loan period of 1 year or less	90%
Personal loan insurance	Retail housing loan in accordance with the underwriting criteria of a private financial institution. Also applicable to refinancing (except for in-house refinancing by banks)	
Personal bridge loan insurance	Bridge loan in accordance with the underwriting criteria of a private financial institution. Loans with maturity of no more than one year.	

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

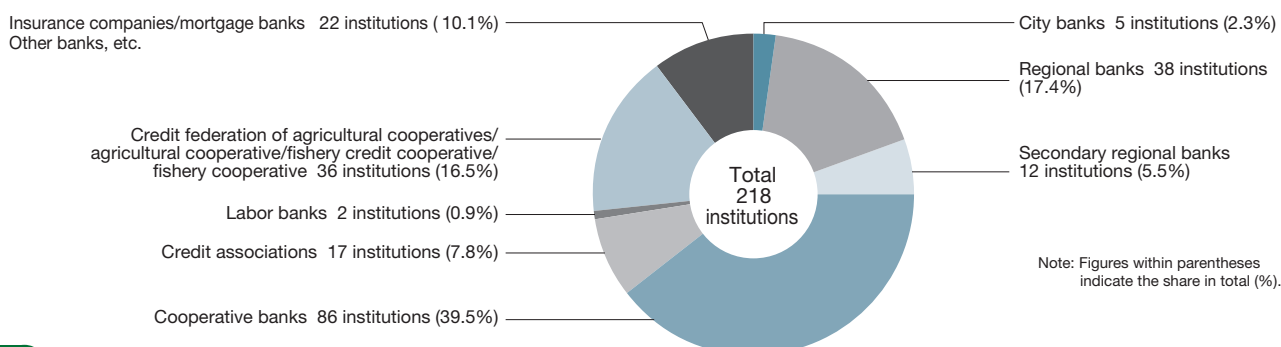
Treatment of housing loan insurance under Basel II Accord

Basel II is the final draft published by the Basel Committee on Banking Supervision in June 2004 and sets out new regulation on capital ratios for financial institutions.

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).

Number of financial institutions entering into housing loan insurance contracts by type of operation (as of May 31, 2011)

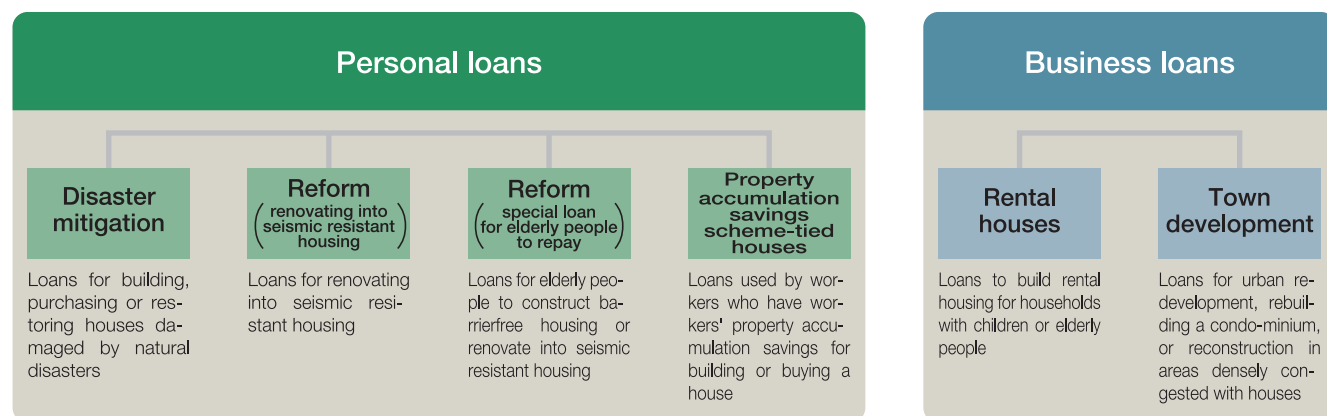


Loan Origination Business

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 which are important in terms of policy and also difficult for the private sector to address, such as loans for disaster relief, loans for renovation (refurbishing for earthquake resistance and a special repayment system catered to the elderly), property accumulation residence fund loan, urban rehabilitation, rebuilding houses or apartments in high density cities, loans for rebuilding apartments, and rental housing for the elderly and households with small children. General personal loans (loans for building a new house, etc.) were discontinued except for loans to people who accumulated housing bonds, etc. as a transitory treatment.

(Note) Business under rental housing loans and urban development financing 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 91).



Loans for disaster mitigation

In order to support the quick restoration of houses damaged by natural disaster, the JHF immediately supplies longterm and fixed rate loans for those affected by the natural disaster.

Refer to pages 36-37 for the response to the Great East Japan Earthquake

[Year-on-year results in and after FY 2007]		
(Unit: houses, 100 million yen)		
	Accepted applications	
	Number of houses	Amount disbursed
FY 2007	84	8.8
FY 2008	25	3.2
FY 2009	10	0.7
FY 2010	8	0.3

[Loans for mitigation of major disasters]		
(Unit: houses, 100 million yen)		
	Accepted applications	
	Number of houses	Amount disbursed
Great Hanshin-Awaji Earthquake of 1995	91,631	19,293.2
Earthquake on July 26, 2003, originating in northern Miyagi Prefecture	812	84.0
Typhoon no. 18 of 2004	154	9.3
Mid-Niigata Earthquake of 2004	366	43.2
Earthquake in 2005 originating off the west coast of Fukuoka	191	13.7
Noto Peninsula Earthquake of 2007	52	5.1
Earthquake off Niigata in 2007	36	4.1
2011 Great East Japan Earthquake	2	0.1

(As of March 31, 2011)

Rental Housing Financing

JHF supports the supply of quality rental housing by providing financing for the construction of rental housing with a large unit floor space aimed at child-rearing families or elderly accessible rental houses,.

【Examples of Rental Housing Financing】

Senior Rental Housing Business (Waraku Bokui Retirement Housing) (Inba-gun, Chiba Prefecture)



This retirement facility features an in-house daycare facility that renters can use for nursing care, meals and other services upon request. The facility allows residents to maintain their private lives while taking advantage of necessary services. The Ministry of Land, Infrastructure, Transport and Tourism certified the facility as a model for the stable provision of housing for the elderly. It was completed in February 2011.

Town development

JHF supports the development of good housing environment by financing urban rehabilitation, reconstruction of condominiums, cooperative reconstruction in areas densely congested with houses, construction of buildings that reserve an open space on their sites, etc.

Requirements for town development loans (short-term business funds)

Regional requirements

1. The site must be within an area used for a certain purpose (e.g., housing, commercial, quasi-industrial).
2. The site must be within an area that requires improvement (e.g., a fire-prevention or quasi-fire-prevention area, or an area with high housing demand).



Building requirements

1. The residential units must represent 1/4 or more of the building.
2. The building must have a fire-proof or quasi-fire-proof structure, or a quasi-fire-proof structure in accordance with a town development ordinance.
3. One-third or more of the legal lot-to-floor-area ratio must be utilized.
4. The per-housing floor area must be between 30 and 280 m² in principle.
5. Certain technical requirements must be met.



Project requirements

- The project must be one of the following:
1. Joint redevelopment project
 2. Project to secure useful open spaces
 3. Condominium reconstruction project
 4. Comprehensive design cooperation project
 5. Project conforming to area plans, etc.

* The underlined items are limited measures until March 31, 2012.

【Cases of town development loans (previously known as loans for rehabilitating residences in cities)】

Reconstruction of a condominium (Daikyo-cho condominium) (Shinjuku-ku, Tokyo)



Reconstruction of a condominium that was sold by the Tokyo Metropolitan Housing Supply Corporation where many senior citizens occupied. After a resolution for reconstruction was adopted in 2006, JHF (then GHLC) supported project planning and the selection of project partners, and then a reconstruction union was established to lead the project. The union utilized town development loans (short-term funds), and also used Flat 35 to help right holders increase their floor area. Completed in March 2010.

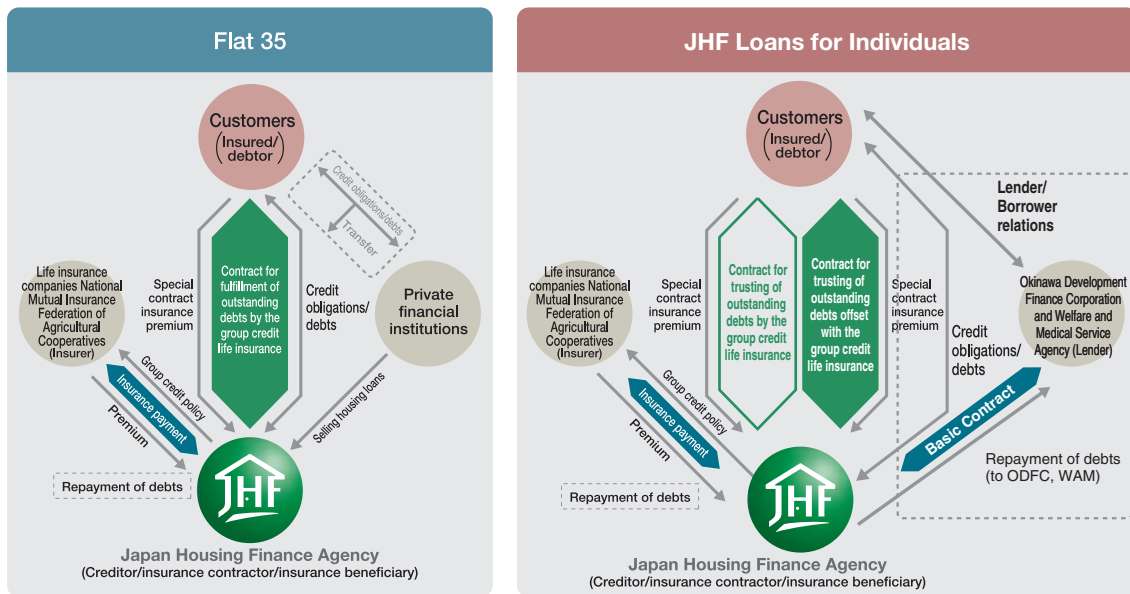
Operation of Group Credit Life Insurance (Mutual Relief)

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 JHF loans, etc. who have joined in this system should die or incur a serious disability, etc., the outstanding loan balance is offset by the insurance (mutual aid money) that is paid by life insurance companies, etc.

* Retail loans through JHF, etc. refers to housing loans from JHF, the Welfare and Medical Service Agency (the former Social and Welfare Medical Service Corporation) and Okinawa Development Finance Corporation.

Scheme



Details of the insurance

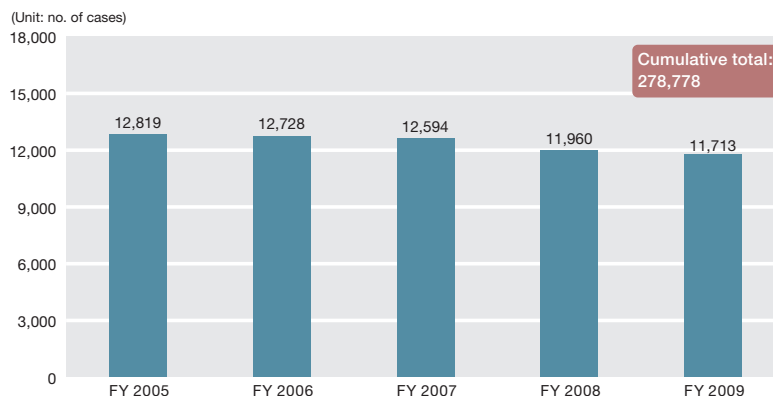
If people who join this system should die or incur a serious disability, the outstanding loan balance is fully repaid by this insurance.

Also, if the loan is co-borrowed with the spouse, both can join for this scheme (called "Duet") (only JHF group credit life insurance).

Additionally, JHF group credit life insurance, with security insurance for three major diseases (cancer, acute myocardial infarction and stroke) in addition to the cases of death and serious disability as an option.

Repayment track record of the group credit life insurance

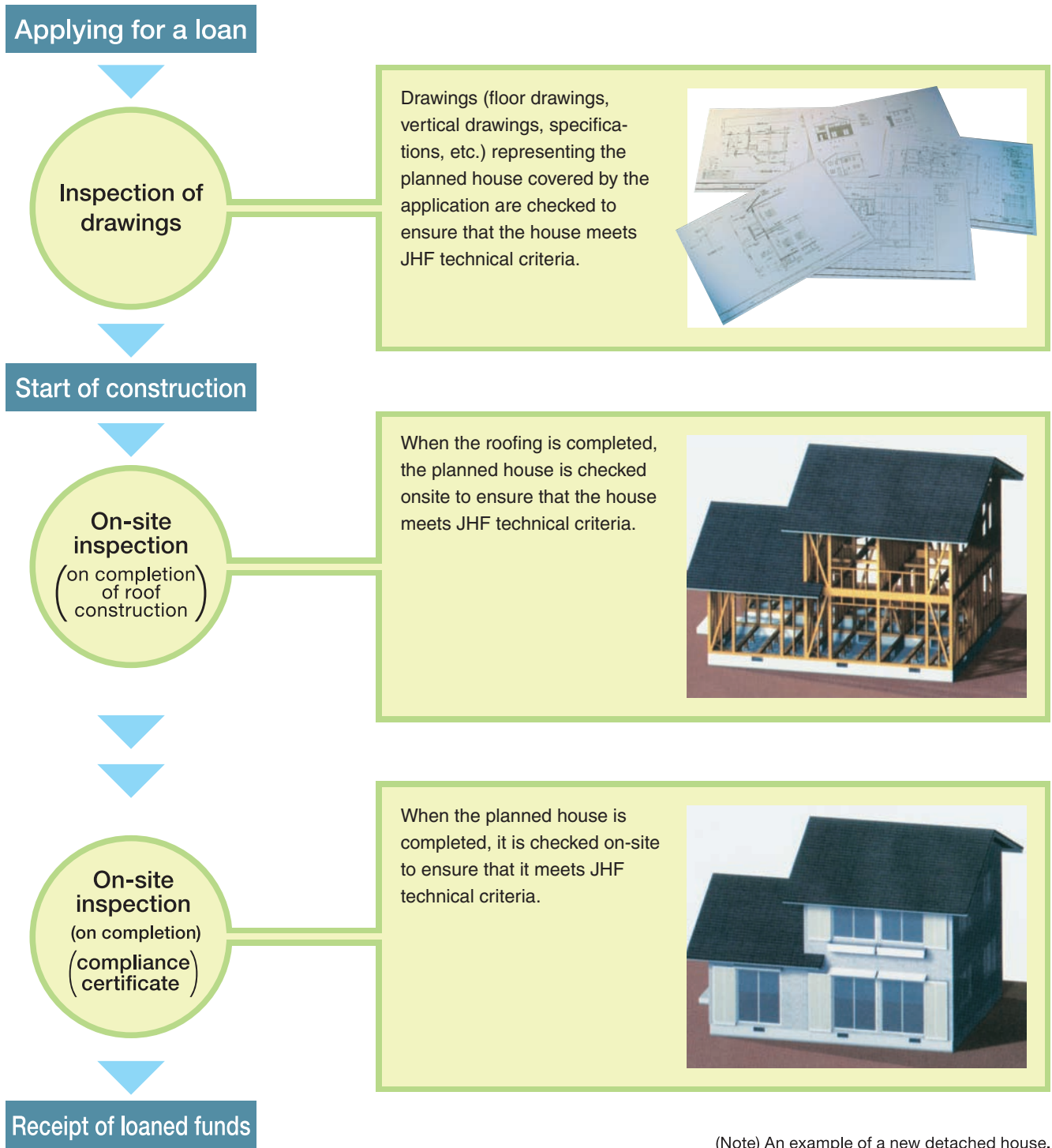
Since the establishment of the system in 1980, 280,000 cases were paid under this scheme.



Technical Assessment

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

JHF has established technical standards for thermal insulation, durability, etc., and conducts technical inspections 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 Construction Standard Law for new houses. Technical inspections (both at the stage of drawings and on site of construction) for Flat 35 are performed by private inspection institutions, etc. that have agreements with JHF.



(Note) An example of a new detached house.

Promotion of Flat 35-registered condominiums

JHF is promoting the Flat 35-registered condominium scheme. Under this scheme, housing distributors can advertise and sell their condominiums as condominiums permitted to use Flat 35 by having a technical inspection of the entire condominium complex for Flat 35 carried out in advance.

Simplifies the procedures for conformity certification for customers and developers.

Long-term fixed-rate housing loans
in cooperation with the private sector


【フラット35】

Registered condominium

Encouraging Quality Housing

Flat 35 secures housing quality and supports the improvement of housing standards through the original technology standards specified by JHF. Specifically, for housing that is highly energy efficient, seismic resistant, barrier-free, durable and with variable performance, through the support scheme to facilitate for acquiring high-quality housing Flat 35S, JHF attempts to attract consumers to the high quality housing by giving preferred interest rates.

Housing with excellent earthquake-resistance



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

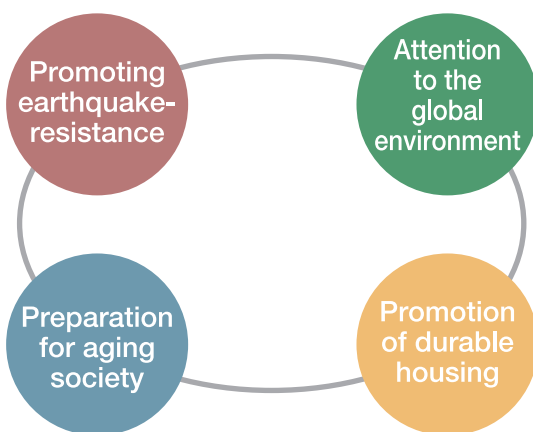
It is very important to prepare for large earthquakes, enhance housing seismic resistance and ensure safety.

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.

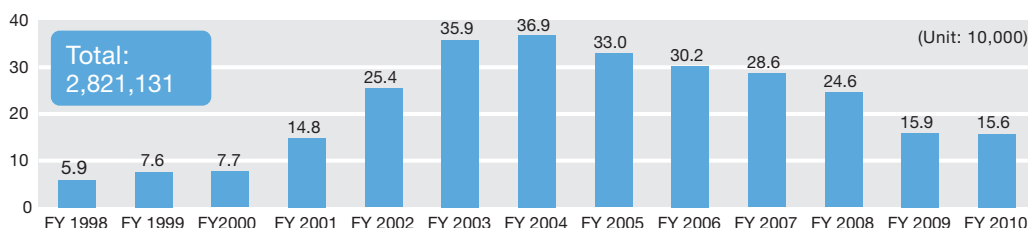
Management of Outstanding Loans

JHF provides security during the repayment period.

JHF gives more frequent advice on repayment than ever to customers experiencing difficulty in repaying their loans in the adverse economic climate. Also we have prepared options for modifying repayment terms and conditions depending on family income, etc. to alleviate repayment burdens. We support customers so they may live with a sense of security until their repayments have been completed. JHF provides security during the repayment period.

Consultation system for housing loan repayment

JHF holds a repayment counsel meeting by its employees frequently to consolidate its consultation system for housing loans. Also, at the respective entrusted financial institutions, JHF tellers provide advice on housing loan repayment.



* April 1998 to the end of March 2011

Modification of repayment terms and conditions

Depending on the result of the abovementioned consultation, JHF may take exceptional action to modify repayment terms and conditions in accordance with the Cabinet decision in October 1998. This helps a customer in significant difficulty repaying their loan by alleviating his/her repayment burden depending on his/her family income conditions, etc., to let him/her continue repayments.

Other options for modification of repayment terms and conditions include adjustments to the proportion of monthly and bonus repayments and cancellation of bonus repayments.

⟨Requirements of application for special preferential measures of repayment condition changes⟩

1. If a customer has difficulty with repayment due to bankruptcy or changes in circumstances concerning the customer's employment; and
2. If the customer falls under any of the following items:
 - DTI (front ratio) is 25% or less;
 - The monthly income is equal to the number of family members multiplied by 64,000 yen or less;
 - DTI (back ratio) exceeds a certain percentage, and the income reduction rate reaches 20 percent or higher
3. If a customer is able to continue the repayment under a modified repayment term.

↓

Extension of the repayment period up to 15 years will alleviate monthly amortization of the customer.

Of which, for people unemployed or suffered reduction of income more than 20%

↓

Each repayment burden for the customer will be greatly alleviated by setting a grace period of up to three years and reducing the interest rate during that period*.

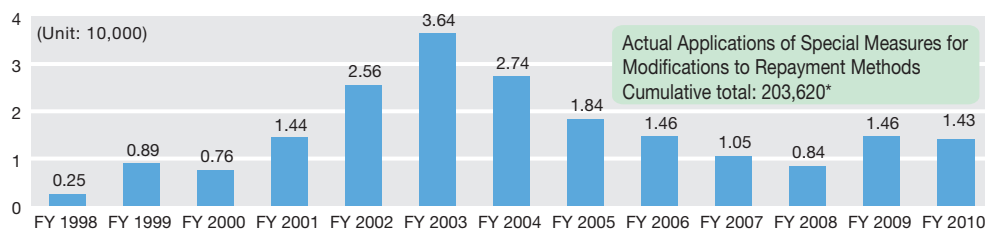
* The interest-rate reduction for borrowers applying for loan modification in and after FY 2010 and who meet requirements is as follows:

【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



(December 1998~)

* Total for Former GHLC loans and "Flat 35".

Research and Survey on Housing Finance

Research and study on housing finance to promote securitization

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 a decrease in the population of young people and a reduced number of families, which results from an aging population with a dwindling birthrate; an uncertain future outlook due to pension and nursing problems; and a shift in household/consumer lifestyles and the environment surrounding housing. Based on these background, the Survey and Research Department believes it is important to deepen awareness of product features and interest rate risks by mortgage product type to assist consumers and market players select an appropriate loan by considering not initial interest rate levels but also future changes in interest rates as well as speed of amortization on outstanding balance.

It is increasingly important to provide accurate and fair information to consumers and market players. The department carries out the following surveys and research activities in this context.

The ability to provide accurate and fair information to consumers and market players is increasingly important for promoting debt securitization, and JHF carries out the following surveys and research activities in this context.

Surveys of the values and behavior of 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 the JHF website, with more than 800,000 accesses (FY 2010 results), and is widely viewed for the latest information on market trends.

Surveys on overseas housing finance markets

JHF collects data related to overseas housing finance markets and presents them on its website. It also collects the latest information on overseas housing finance markets through literature research and field investigation, and reports their effects on Japan through finance and economy magazines and its own Housing Finance Quarterly. In addition, the JHF interacts with international organizations and public/private institutions overseas to provide information on Japan, thereby deepening mutual understanding and making international contributions.

Exchange with academic fields through forums, etc.

JHF holds symposiums and forums nationwide concerning housing and finance, inviting high-profile figures as speakers. Such events are jointly planned with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Housing Loan Promotion Association. In these events, information is exchanged among representatives from wide-ranging fields, and participants can hear results of findings. In parallel, JHF assists projects to support young researchers by subsidizing their research and offering rewards to outstanding research.

Fiscal 2011 surveys (draft)

Title	Target	Propose
Survey on new origination volume and outstanding loan balances by types of lenders	Relevant parties and organizations	Amounts of loans extended by individual parties and organizations, outstanding loan balances, and statistics tallied on a quarterly and annual base
Survey of trends of private-sector housing loans being extended	Private-sector financial institutions	Questionnaires concerning housing loan policies of private-sector financial institutions, defining features of individual housing loans, inspections of applicants by financial institutions, and trends of securitizing housing loans
Survey of recipients of housing loans	Recipients of housing loans (incl. Flat 35 users)	Internet survey of the breakdown of extended housing loans (incl. Flat 35) by interest rates, awareness among recipients about interest risk, responses to an increase in repayments caused by a rise in interest rates, and profiles of recipients
Survey of potential housing loan recipients	Potential housing loan users	Web survey on property acquisition plans, desired interest type of housing loans, etc.
Survey of Flat 35 recipients	Flat 35 users	Survey of recipient profiles, repayment plans and mortgaged properties
Survey of housing finance abroad	Overseas housing finance markets	Collecting data and information on housing finance markets abroad, including the United States and Europe, in addition to organizing fact-finding surveys
Housing and finance forum	Symposiums and forums concerning housing and finances with high-profile figures invited from wide-ranging fields as speakers. Intended for the exchange of information and opinions between participants and planned with the Ministry of Land, Infrastructure, Transport and Tourism and the Housing Loan Progress Association. Rewarding reports with viable ideas, assistance with subsidized research and encouraging the publication of reports.	

Results of research that JHF conducted are available at our website (<http://www.jhf.go.jp/research/index.html>) including past research results.