

Response Measures Related to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

● Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

Japan Housing Finance Agency engages in response measures in accordance with the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010).

Review of clerical processes and business operations

Clerical processes / business operations	Steps to be taken	Time of implementation	Specific content	Response measures
Securitization business	Repayment to the national treasury of capital provided for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans), the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Repayment of reserve funds for interest rate change to the national treasury	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
Housing loan insurance business	To be discontinued	Implementation beginning in FY 2012	As part of the Policy Package to address Economic Crisis in April 2009, insurance premium rates have been lowered until FY 2011 (as part of the Emergency Economic Countermeasures of December 2009, rates were lowered further until December 2010). After the end of the economic countermeasures, the existing operations will be discontinued and government funds no longer needed will be paid to the national treasury. Exceptions to the above are, however, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to "Flat 35" loans), and such operations will be implemented until they can be substituted by the private sector.	With regard to the housing loan insurance business, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to Flat 35 loans) have been implemented since FY 2012, and will be continued until they can be substituted by the private sector. As for unnecessary government funds, procedures for repayment to the national treasury are now being undertaken.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with Support Services for Seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with other ministries and government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan insurance will be implemented.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011), the housing loan insurance business has been implemented to cover upfront admission fees for serviced housing for the elderly when private financial institutions' provide such funding under reverse mortgage program.
Loan origination business	Discontinuation of mortgage loan operations for rental housing	Implementation beginning in FY 2011	Existing mortgage loan operations for rental housing will be discontinued in FY 2011. However, with regard to loan operation related to the supply of highly energy efficient housing, acquisition of which is particularly promoted at securitization business, operations will be implemented until they can be substituted by the private sector.	With regard to loan origination related to the supply of highly energy-saving rental housing, acquisition of which has been particularly promoted at the securitization business as well, operations have been implemented since FY 2011, and will be continued until they can be substituted by the private sector.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with support services for seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with ministries and other government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan will be implemented.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011) on October 20, 2011, loan origination has been implemented for serviced rental housing for the elderly since November 7, 2011.
	Discontinuation of town development loan	Implementation beginning in FY 2012	After the end of the measure for the relaxation of lending conditions until the end of FY 2011 implemented under the Policy Package to Address Economic Crisis of April 2009, existing operations will be discontinued, and unnecessary government capital will be paid to the national treasury. However, with regard to condominium rebuilding operations where the reorganization of property rights causes problems and operations last for a long term, operations only implemented by small and medium-sized enterprise will be continued until they can be substituted by the private sector.	With regard to town development loan origination, operations have been implemented since FY 2012 exclusively for condominium rebuilding projects (which involve complexity of property rights adjustment among owners and whose procedure would likely to last for a long term) conducted by small and medium-sized enterprise, and will be continued until they can be substituted by the private sector. As for unnecessary government funds, procedures for repayment to the national treasury are now being undertaken.
Management of outstanding loans	—	—	—	—
Operation of group credit life insurance	—	—	—	—
Housing information providing business	To be discontinued	Implementation beginning in FY 2011	Operations will be discontinued, and the field will be left to the private sector (relevant operations do not include the provision of information related to the implementation of the respective operations of securitization business, etc.).	Operations were terminated at the end of March, 2011 except for the housing information website service, which was also terminated on July 26, 2011.

Review of assets and operations, etc.

Steps to be taken	Time of implementation	Specific content	Response measures	
Return of unnecessary assets to the national treasury	Capital for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans) the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Reserve funds for interest rate change	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
	¥200.0 billion in government capital funds related to Securitization business	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥200.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
	¥30.0 billion in capital funds from the government related to town development loan operations	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥30.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
Review of offices, etc.	A review plan will be prepared at an early time	Implementation beginning in FY 2010	Over the course of FY 2010, an examination will be conducted on the appropriateness of the holding and/or renting of all assets including the headquarters, branch offices, lodging facilities, and rented offices. Based on this examination, a review plan will be formulated at an early time and deliberations will be implemented on consolidating offices and lodging facilities, etc.	JHF reviewed the necessity of each offices in FY 2010 from perspectives of consistency with the mandates and establishment purpose of the agency, the appropriateness of asset value, the need for the current location, level of utilization of the assets and economical rationality. From now on, a specific execution plan will be formulated within this year to review and reduce dormitory facilities based on the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012). In addition, a review plan for holding offices and other facilities is scheduled to be formulated within this year. The mid-term target also refers to a review of the branch structure including consolidation and realignment to make an efficient and effective structure according to the amount of business. Based on this, a review will be conducted.
Review of employee dormitories	Disposal of employee dormitories and the Kouko General Sport Ground.	Implementation beginning in FY 2010	Employee dormitories facilities and Kouko General Sport Ground will be sold.	Kitayoko Dormitory was already sold out on February 20, 2012 based on the Incorporated Administrative Agency Rationalization Plan (approved by the Cabinet on December 24, 2007). As a result, the disposal of all dormitories based on the plan was completed. An effective disposal has been planned for Kouko General Sport Ground, which is now being prepared to be sold with adjacent national land, and the sellout procedures are scheduled to start in FY 2012. In line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012), an examination will be conducted for a review.
Review of personnel expenditures	Lowering of the Laspeyres index	Implementation beginning in FY 2010	Steps will be taken with certainty to reduce the Laspeyres index through such as reviews of employees' base salaries and the allowances for officials above director level, among other steps, with further checks on overall personnel expenses.	Give that the agency's business is centered on securitization and other financial operations, it is necessary to retain talented personnel with special financial technique and expertise, and the personnel must be appropriately compensated for their abilities. As a result, their remuneration levels exceed those of national government employees. To ensure appropriate remuneration levels, the following measures were taken in FY 2011: (1) the retirement age system for management positions (for employees who were over 55 years old at the end of FY 2011) and (2) the reduction of the maximum allowance for management positions. Also personnel and salary systems including a revised pay structure were introduced to be implemented in or after FY2012. A comprehensive review will be continuously conducted with regard to remunerations including basic salaries and allowances so that the pay levels will be balanced with those of national government employees, and necessary measures will be taken. To decline the pay-scale to equivalent to that of the national government employees after adjusting regional differences and educational level by FY 2016, the following measures will be phased in and after FY 2012: (1) the continuation of the retirement age system for management positions; (2) the reduction of the current maximum pay-scale from FY 2012; and (3) the abolishment of the current job category (operational work) and the creation of a new job category (business career work) from FY 2014 (approximately 10% reduction in the salary level compared to the current level)

● Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies

The Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies were approved by the Cabinet on January 20, 2012. Based on these basic policies, a study committee was established to discuss what JHF should be as an incorporated administrative agency, and a report was compiled on June 27, 2012.

Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies (excerpt relating to JHF)

To more effectively implement the operations of this agency, an advisory panel consisting of outside experts shall be established within the Cabinet Office to examine on what the agency should be as well as the introduction of governance prescribed in the Corporate Law, and basic issues shall be discussed in this fiscal year to reach a conclusion by the summer of 2012. Since the financial market is in a state of uncertainty, due consideration shall be given to avoid confusion in the MBS market and subsequent serious issues such as rising interest rates of long-term fixed-rate housing loans.