

EEMI International Sustainable Housing Finance Symposium

Session Two Global Perspectives

October 4, 2022

Japanese Perspective:  
Promotion of green houses through Flat35<sup>S</sup> by  
Japan Housing Finance Agency (JHF)



KOBAYASHI Masahiro

Executive Director, Member of the Board,  
Japan Housing Finance Agency (JHF)

# JHF (Japan Housing Finance Agency)



Established:	in April 2007 (Former Government Housing Loan Corporation (GHLC) was established in 1950)
Total Assets <sup>1</sup> : Capitalization <sup>1</sup> :	27,254 billion JPY (app. 224 billion USD) 694 billion JPY (app. 5.7 billion USD) <b>All paid in by the Government of Japan</b>
Net Income <sup>2</sup> :	229 billion JPY (app. 1.9 billion USD)
1 USD = 121.64 JPY	
Supervising Authorities:	<ul style="list-style-type: none"><li>- Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</li><li>- Ministry of Finance (MOF)</li></ul>
Number of directors and employees <sup>3</sup> :	906
Head Office: Regional Office:	Tokyo, Japan 8 offices in major cities
Main line of business:	<ul style="list-style-type: none"><li>- Securitization Support Business (Secondary market operation)</li><li>- Loan Origination Business</li><li>- Housing Loan Insurance Business</li><li>- Management of legacy assets of GHLC</li></ul>

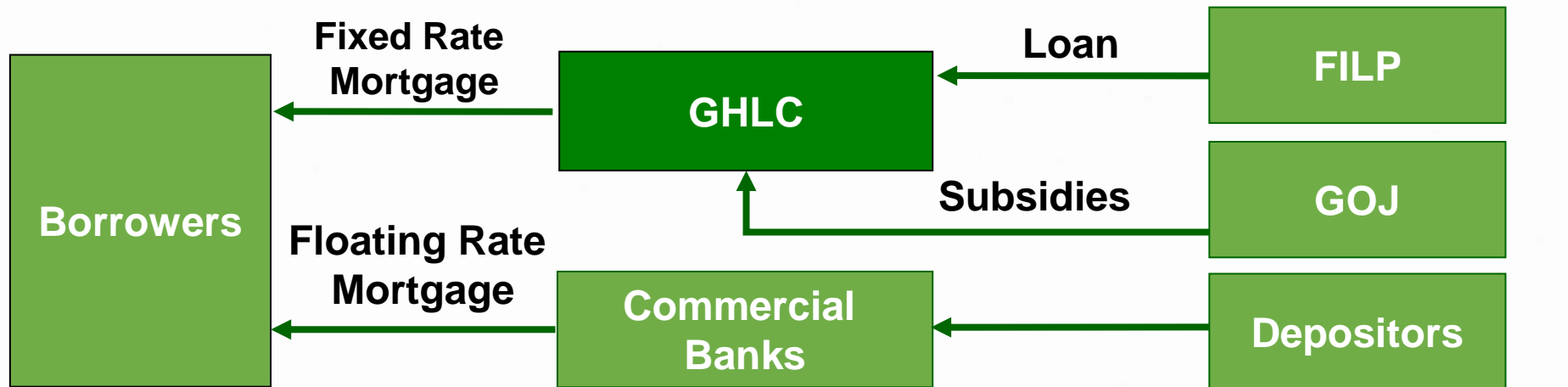
1 As of 31 March, 2022

2 For the year ended 31 March, 2022

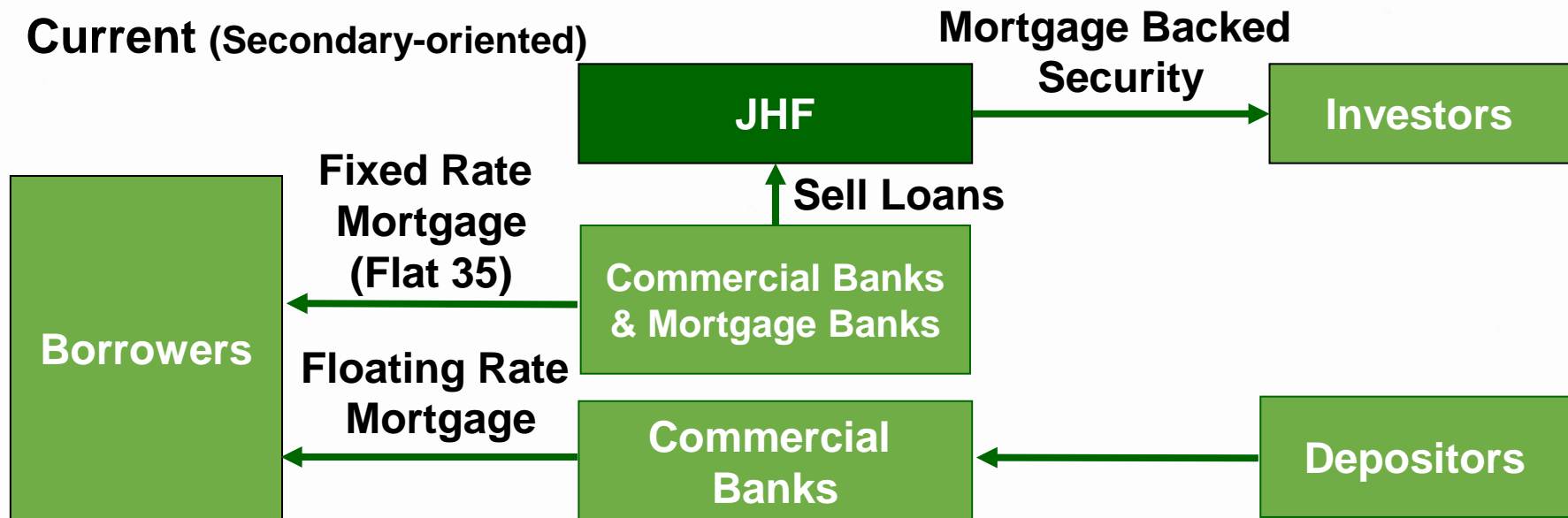
3 As of 1 April, 2022

# Transition from GHLC to JHF

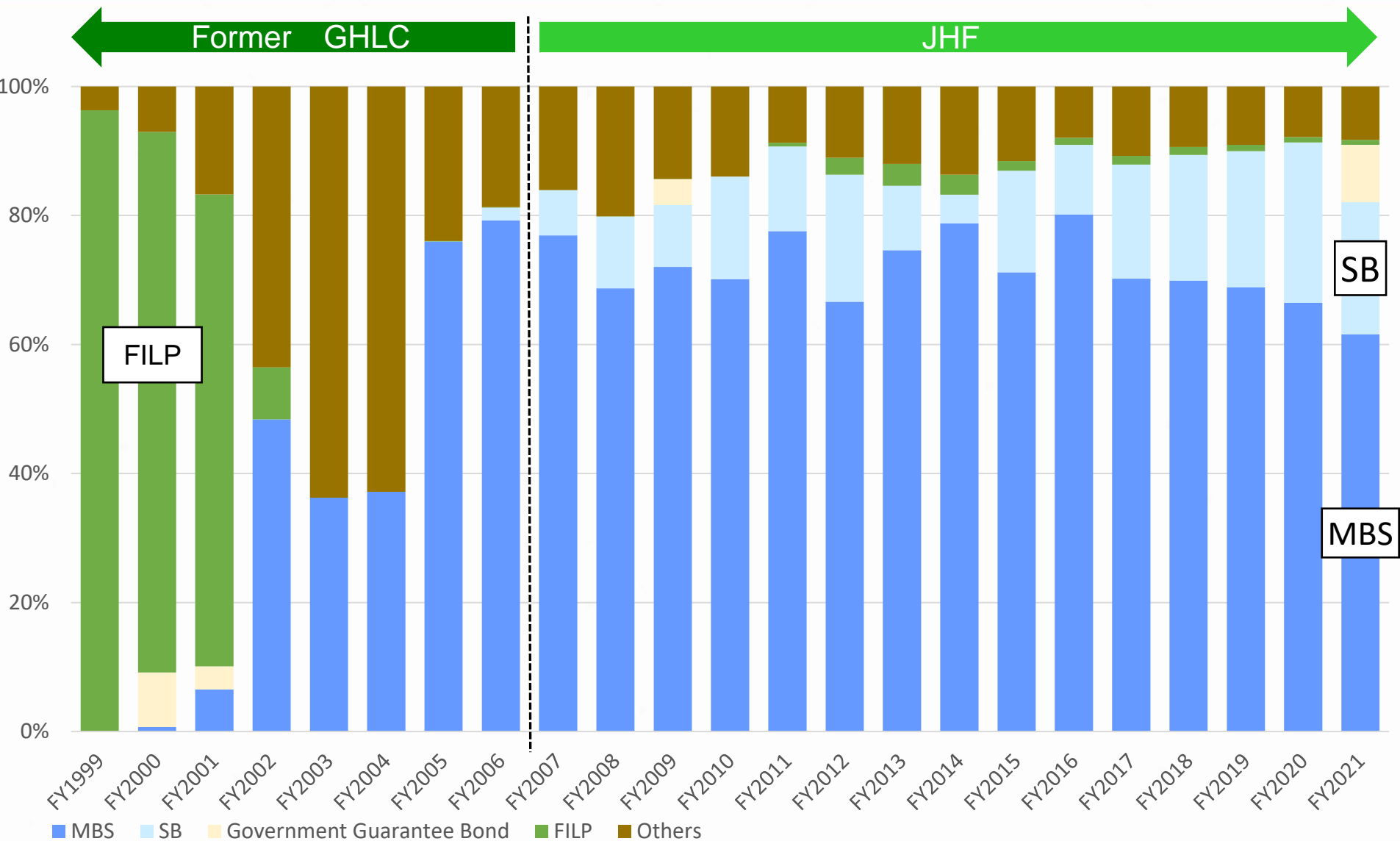
## Previous (Primary-oriented)



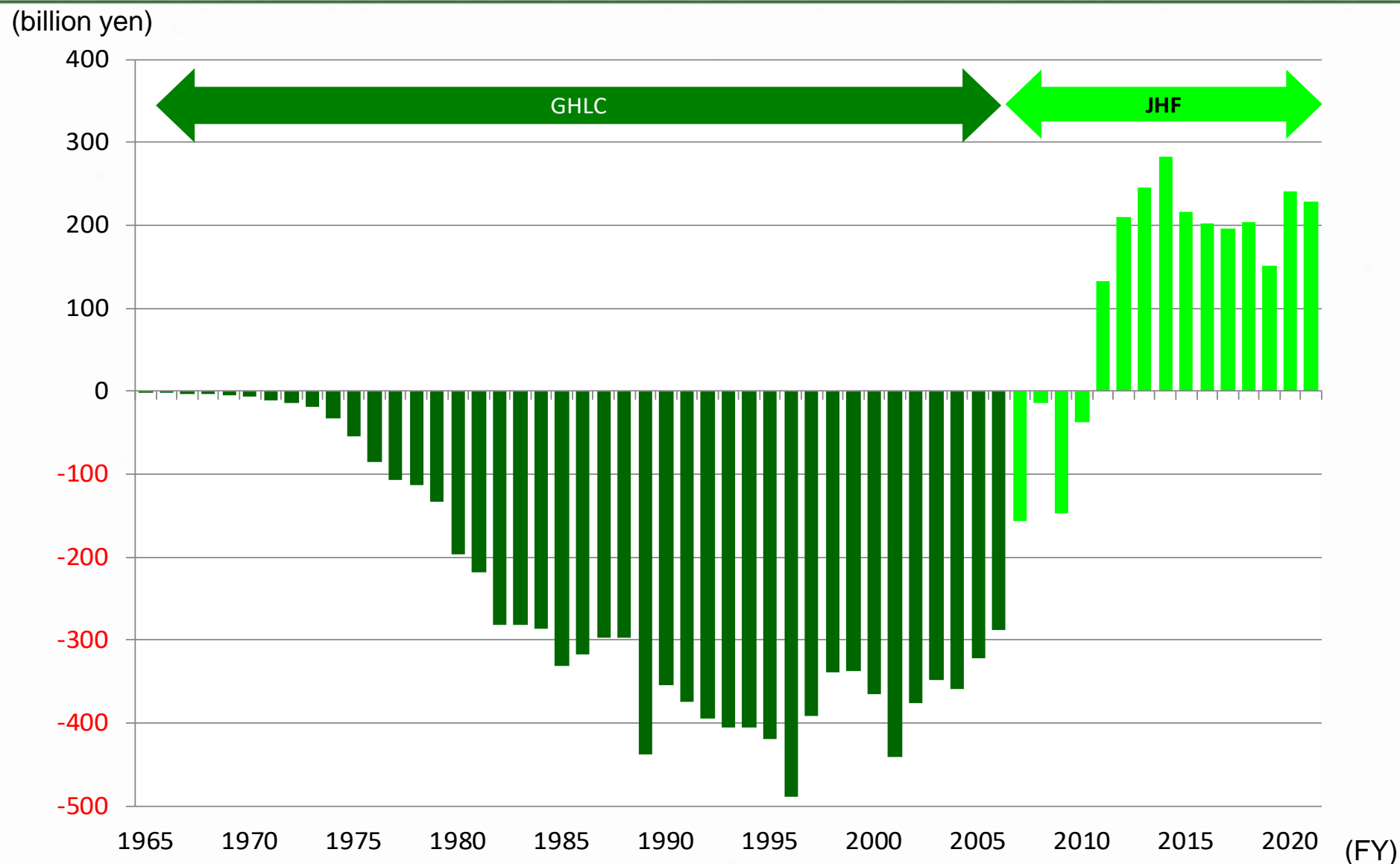
## Current (Secondary-oriented)



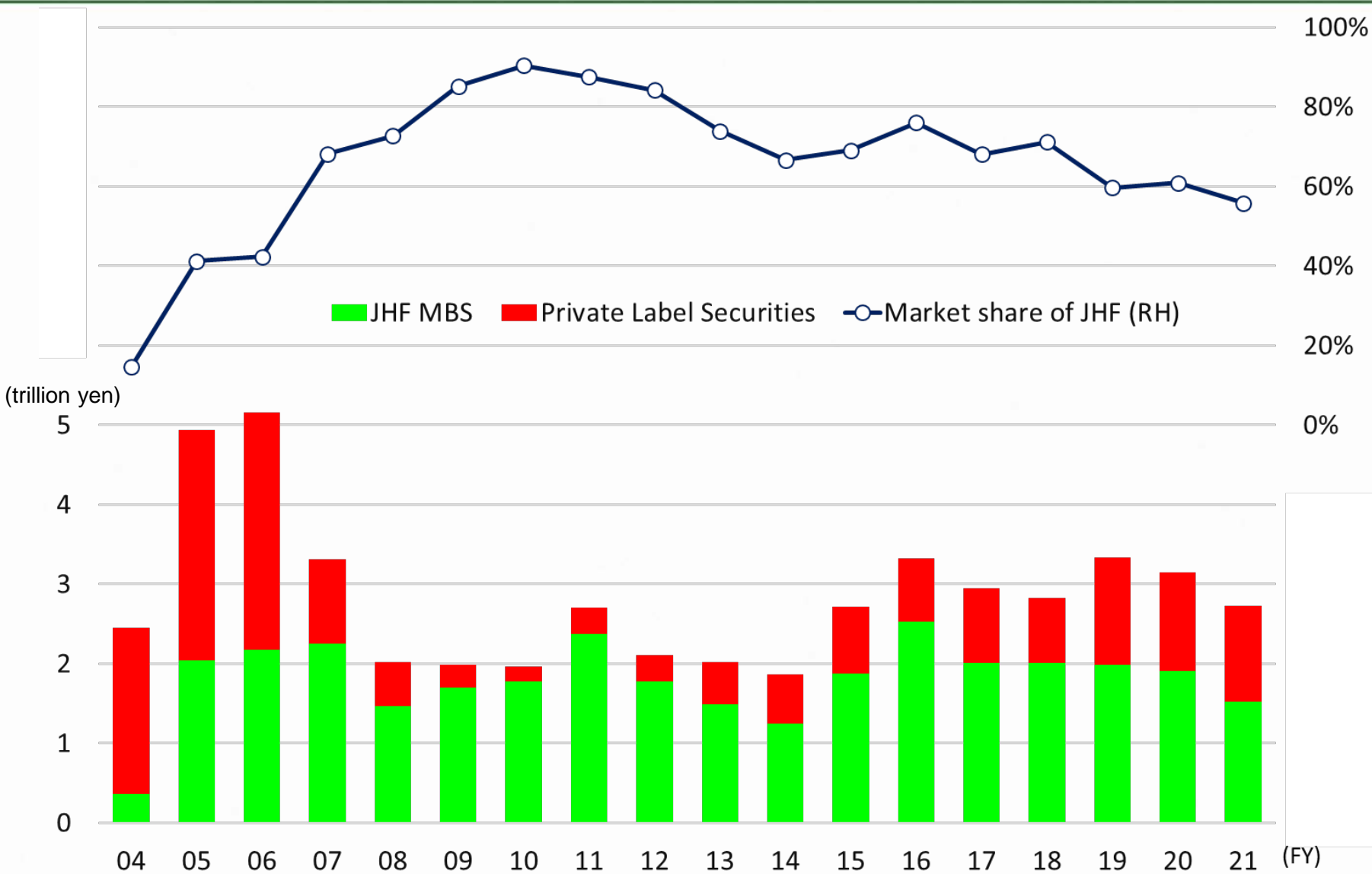
# Source of Funds (FY1999 – FY 2021)



# Net income (loss) of GHLC and JHF



# MBS issuance amount in Japan

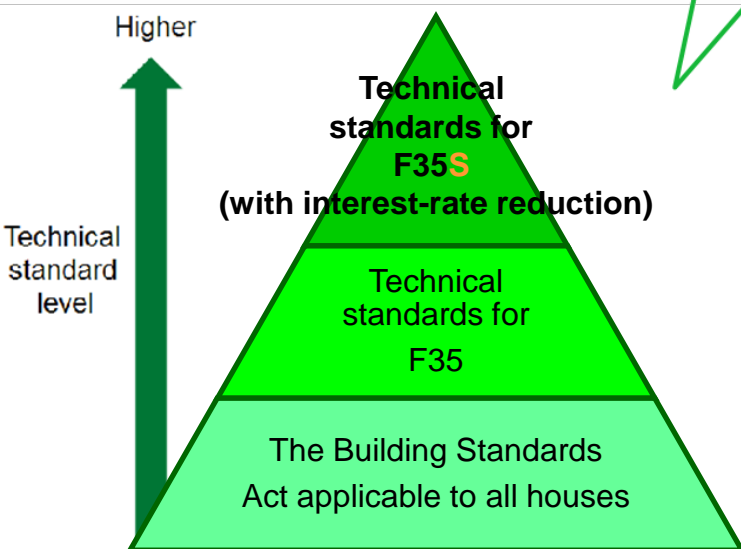


# Technical standard of Flat 35S

JHF establishes the technical standards for Flat 35.

The standards are largely divided into essential standards and standards for Flat 35S.

Specifically, JHF applies preferential interest rates for a certain period for housing that is highly energy efficient, seismic resistant, barrier-free, durable and flexibility performance to attract consumers to the high quality housing.

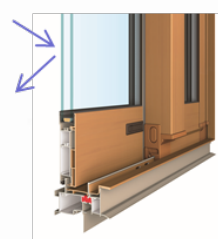


## Types of housing applicable for Flat 35S

### High energy-efficient house



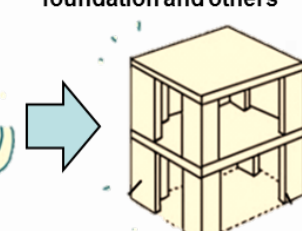
- Thermal insulation fully Installed
- Double glazed windows (Protect cold air)
- Solar Panels etc



### Superior earthquake-resilient house



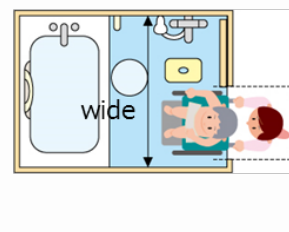
- Secure wall balance and placement
- Enhanced earthquake-resistance walls
- Enhanced housing foundation and others



### Superior barrier-free performance featured house



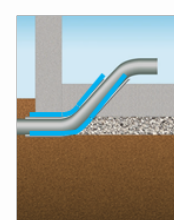
- Without difference in level on the floor
- Handrail installment
- Enough width of passage ways



### High durability and flexibility featured house

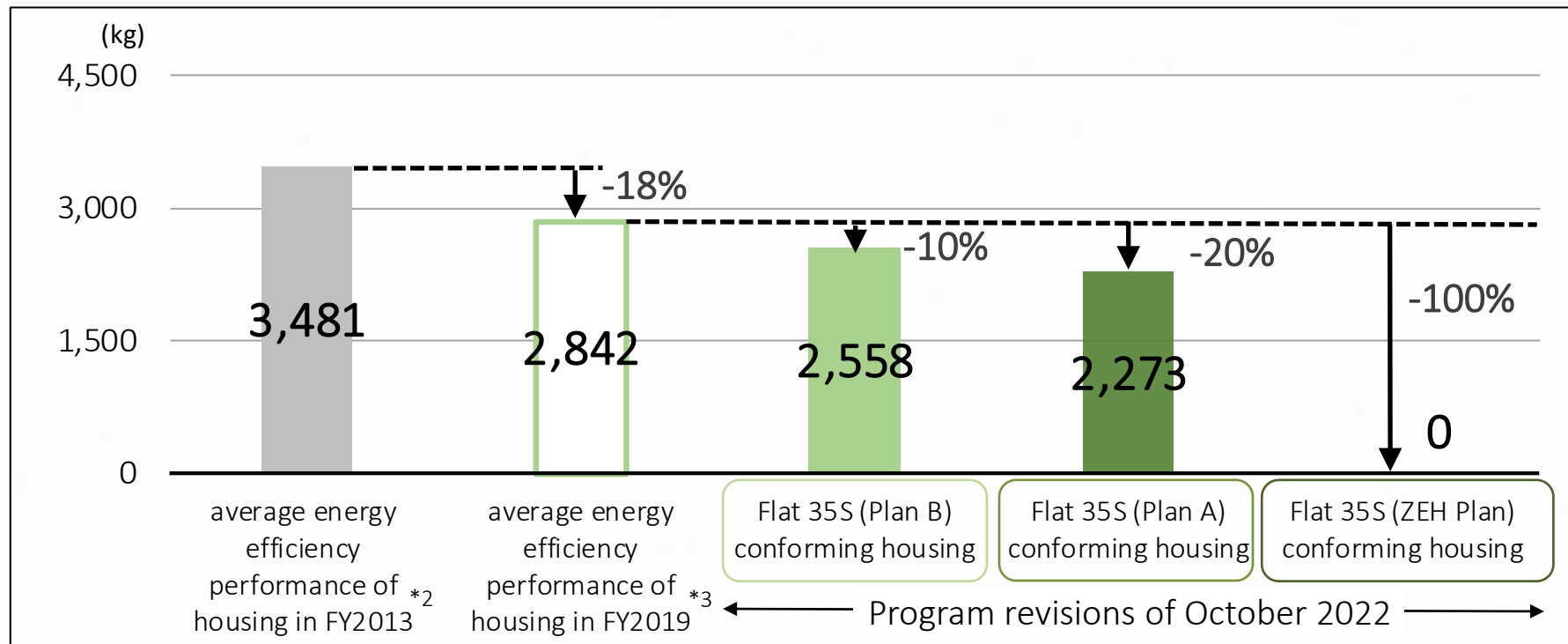


- Preventive measures of moisture
- Dual structured pipes



# Carbon dioxide (CO<sub>2</sub>) emissions from housing

[ Housing with current average energy efficiency performance and CO<sub>2</sub> emissions of housing in conformity with each plan of Flat 35S (newly constructed single detached homes) ] \*1



\*1 The table above presents CO<sub>2</sub> emissions from the primary energy consumption of single detached homes (regional classification 6 [23 wards of Tokyo, etc.], 120m<sup>2</sup> in area, with heating systems in habitable rooms) estimated based on the Building Energy Efficiency Act. CO<sub>2</sub> emissions from household appliances etc., are not included.

\*2 Calculated based on the ratios of housing starts by energy efficiency performance in FY2013 indicated by the Study Group on Energy Efficiency Measures, etc. in Housing and Buildings toward a Decarbonized Society (5th Session) (Document 4) of the Ministry of Land, Infrastructure, Transport and Tourism.

\*3 Assumed that houses with average energy efficiency performance are classified as "Thermal Insulation Performance Grade 4 and Primary Energy Consumption Amount Grade 4" because the conformity rate with the energy efficiency standards for newly constructed single detached homes in FY2019 was set at 80% or more in the reference materials of the first session of the Study Group on Energy Efficiency Measures, etc. in Housing and Buildings toward a Decarbonized Society of the Ministry of Land, Infrastructure, Transport and Tourism.

# Encouraging to improve housing quality - before Oct 2022

- Flat 35S is a system in which reduced interest rates are applied for a certain period for homebuyers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency, earthquake-resistance and others.
- There are two interest-rate reduction plans for Flat 35S; Flat 35S (plan A) and Flat 35S (plan B).

Eligible for application from April 1, 2022 to September 30, 2022

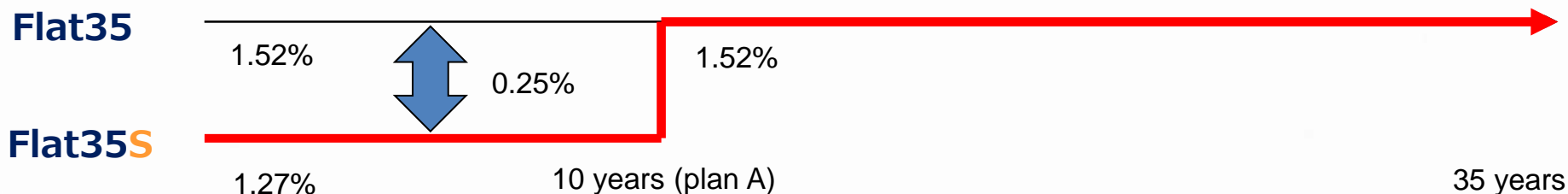
Interest-rate reduction plan	Duration of interest-rate reduction	Range of interest-rate reduction
<b>Flat 35S</b> ( plan A )	First 10 years	Reduction of 0.25%/year from <b>Flat 35</b>
<b>Flat 35S</b> ( plan B )	First 5 years	

\*1 There is a budgetary ceiling for Flat 35S. 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.

\*2 Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except "Flat 35" refinancing).

\*3 In addition to energy efficient housing and earthquake-resilient housing, Flat 35S is also applicable to barrier-free featured housing, high durability and flexibility featured housing such as long-term high quality housing.

Interest rate (as of September 2022)



# Encouraging to improve housing quality - after Oct 2022

Eligible for application from October 1, 2022 to March 31, 2023

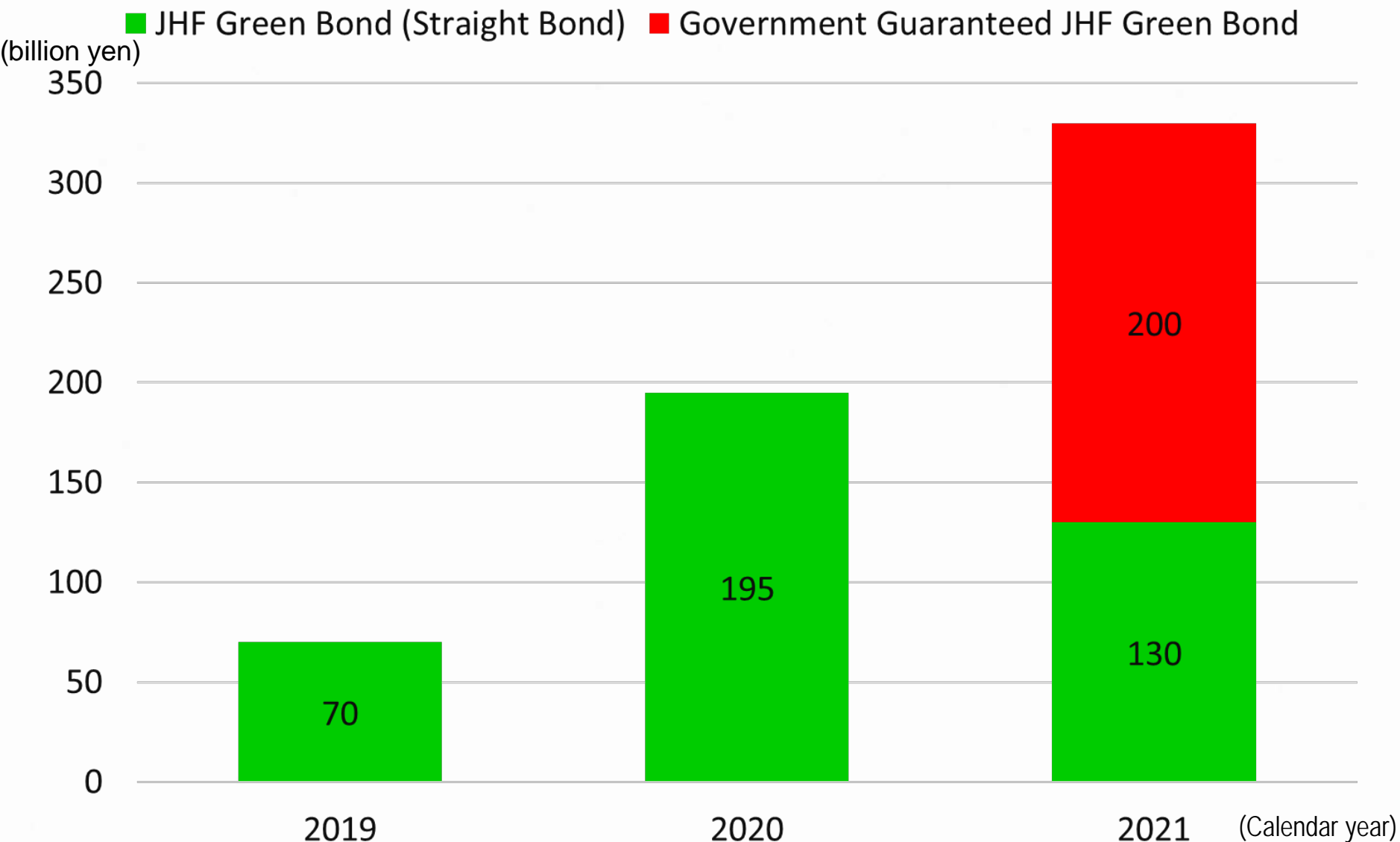
Interest-rate reduction plan	Duration of interest-rate reduction	Range of interest-rate reduction from <b>Flat35</b>
<b>Flat 35S</b> (ZEH plan)	First 10 years	1st - 5th year : 0.50%
		6th - 10th year : 0.25%
<b>Flat 35S</b> (plan A)	First 10 years	0.25%
<b>Flat 35S</b> (plan B)	First 5 years	0.25%

- \*1 There is a budgetary ceiling for Flat 35S. 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.
- \*2 Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except “Flat 35” refinancing).
- \*3 In addition to energy efficient housing and earthquake-resilient housing, Flat 35S is also applicable to barrier-free featured housing, high durability and flexibility featured housing such as long-term high quality housing.

# Sources of Funds (Annual Fundraising for FY2021)

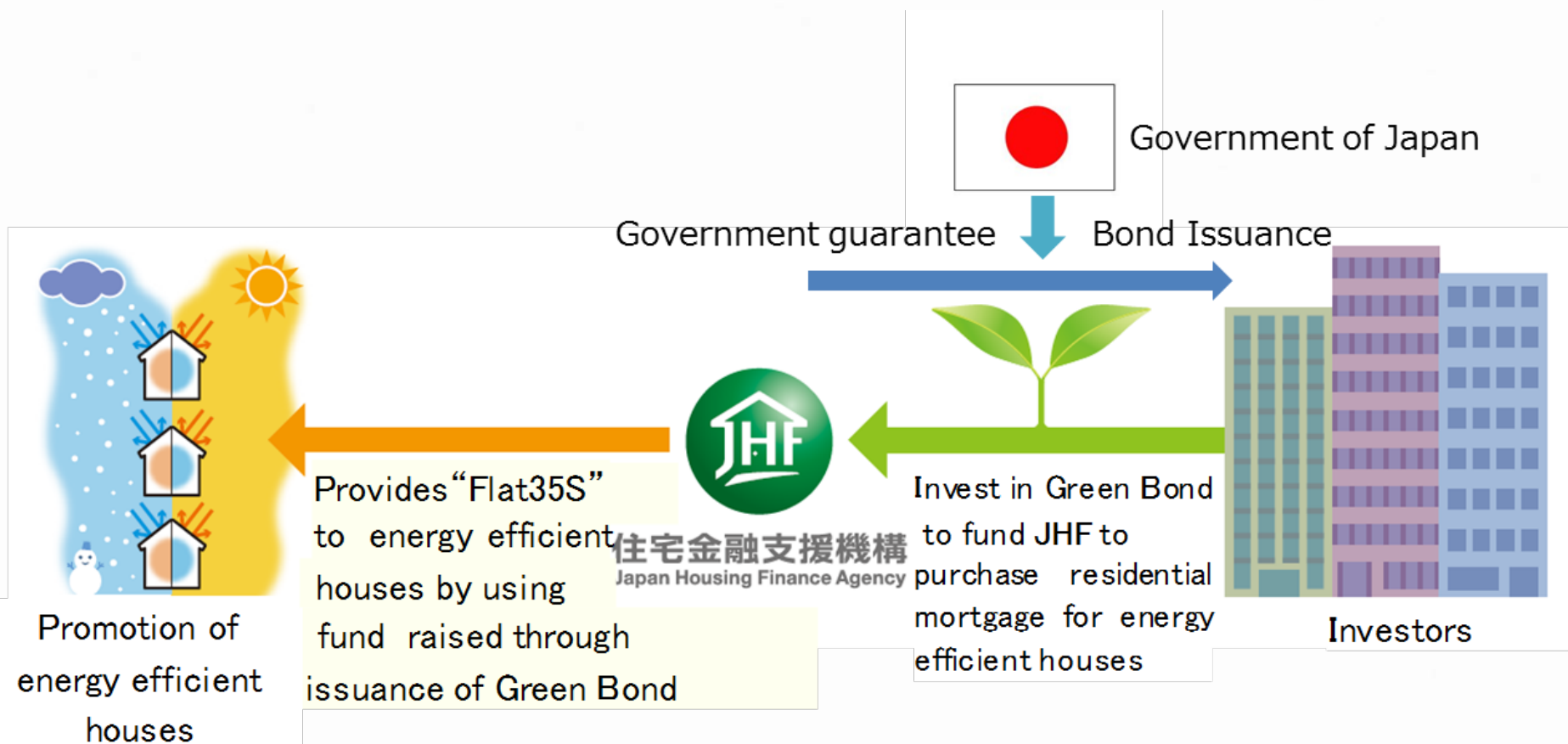
Instruments	(Green status)	Amount (Billion yen)		Credit Rating	Credit enhancement	Allocation
Mortgage Backed Securities (MBS)		1,521.0		AAA(sf)	Overcollateralization	F35+F35 <sup>S</sup>
Straight Bonds (SB)		505.0				
	Non-Green	390.0		AA+	Uncollateralized	F35+F35 <sup>S</sup>
	Green	115.0	335.0	AA+	Uncollateralized	F35 <sup>S</sup>
Government Guaranteed Bonds (GGB)	Green	220.0		-	Uncollateralized	F35 <sup>S</sup>
Others		223.3				
Total		2,469.3				

# Amount of green bond issued by JHF

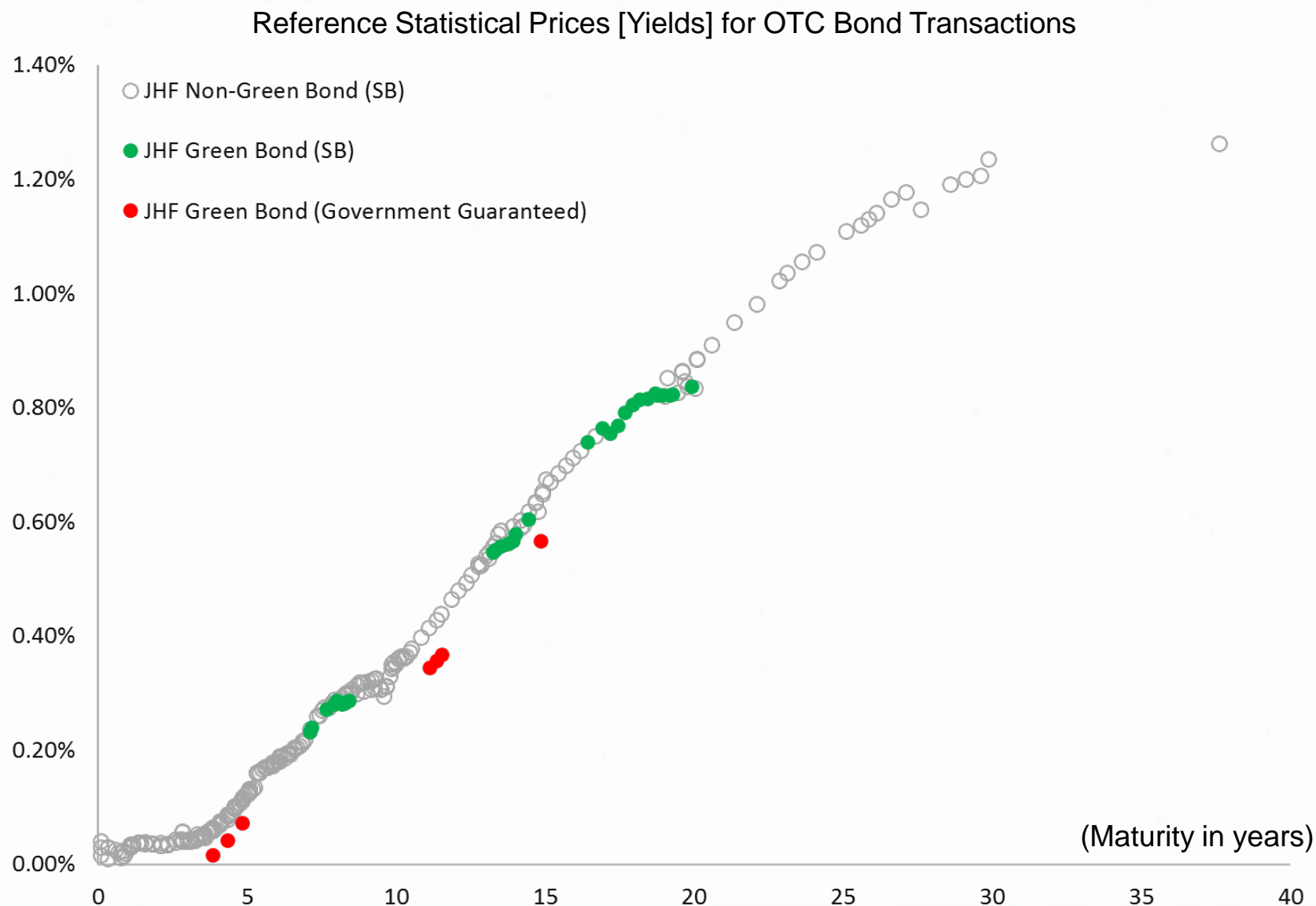


# JHF's government guaranteed Green Bond

Proceed of the bond is allocated to JHF's "Flat 35S" housing loans

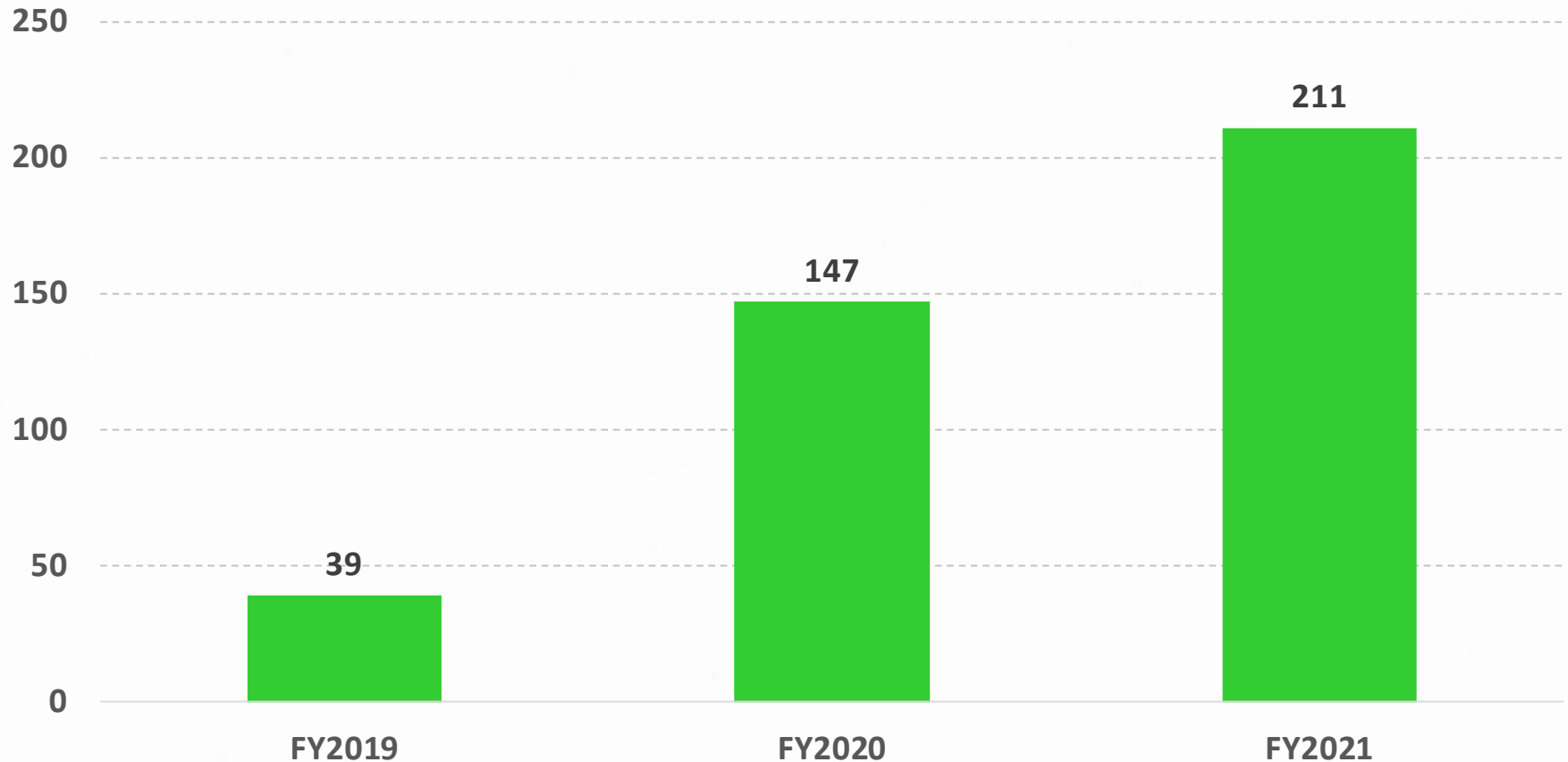


# Yield Curve of JHF Straight Bond (as of August 22, 2022)

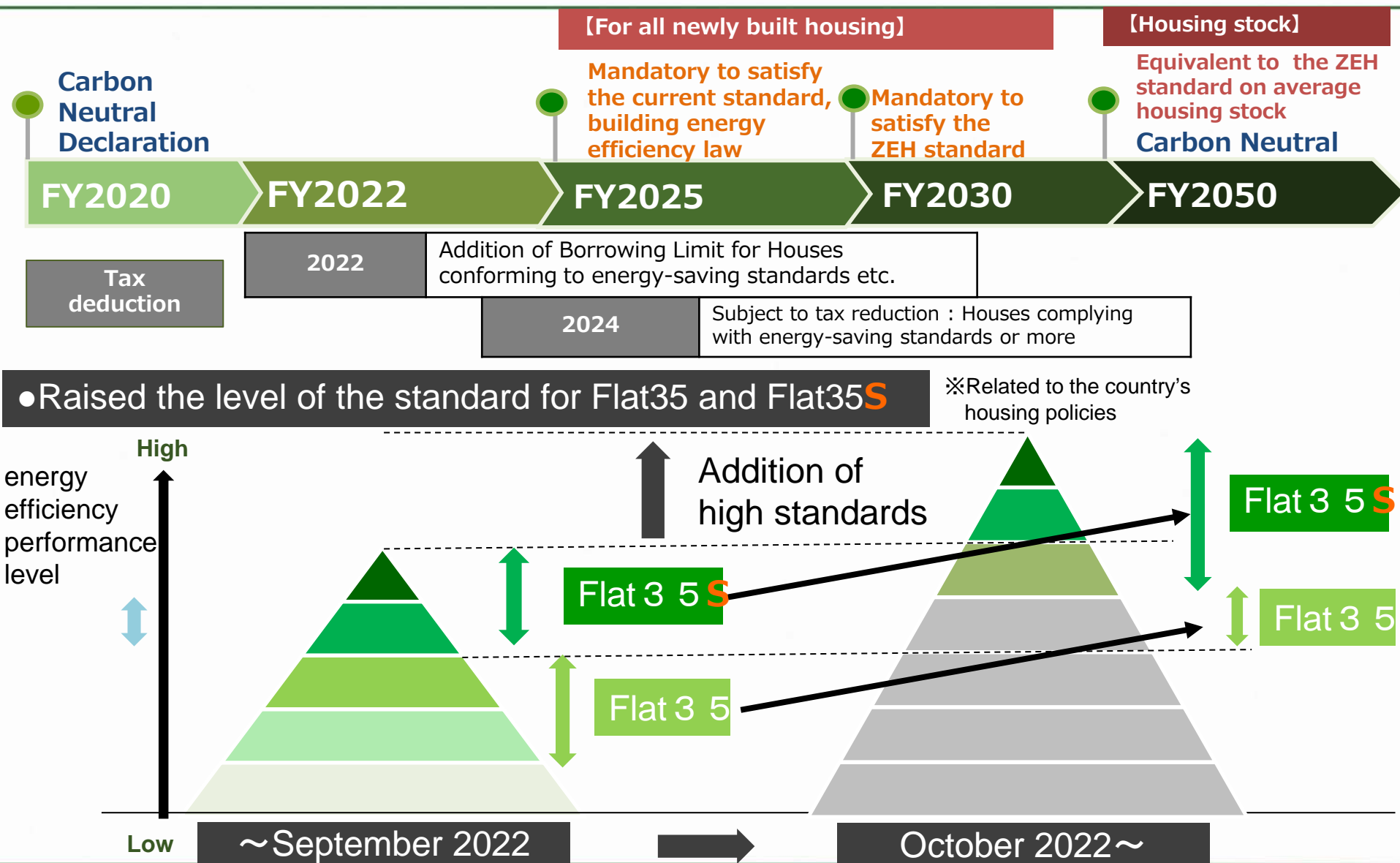


# The number of investors declared investment in green bond issued by JHF

- The number of investors declared investment in JHF Green Bond and Government Guaranteed JHF Green Bond has been steadily increasing.

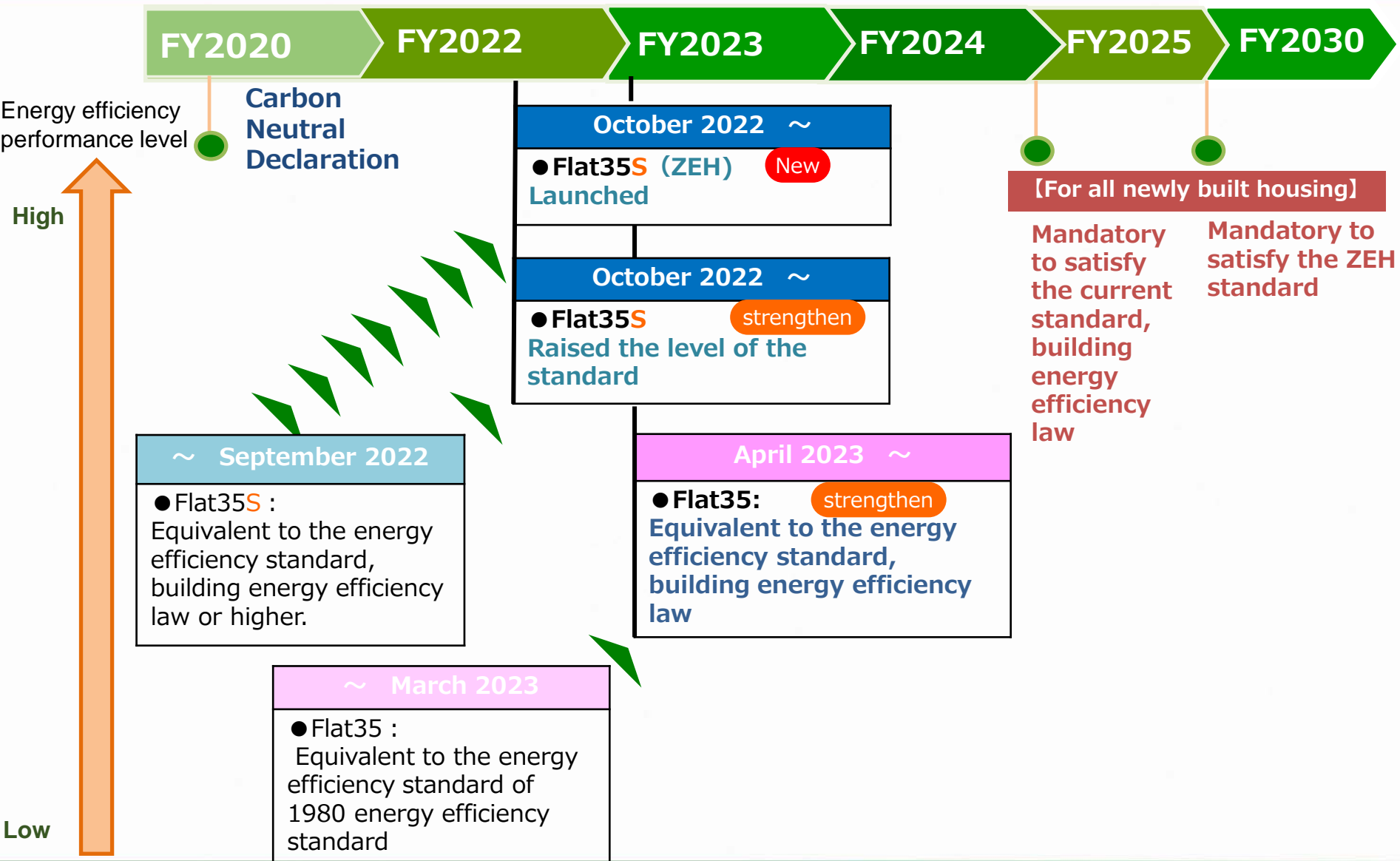


# Efforts to Realize a Decarbonized Society in Japan

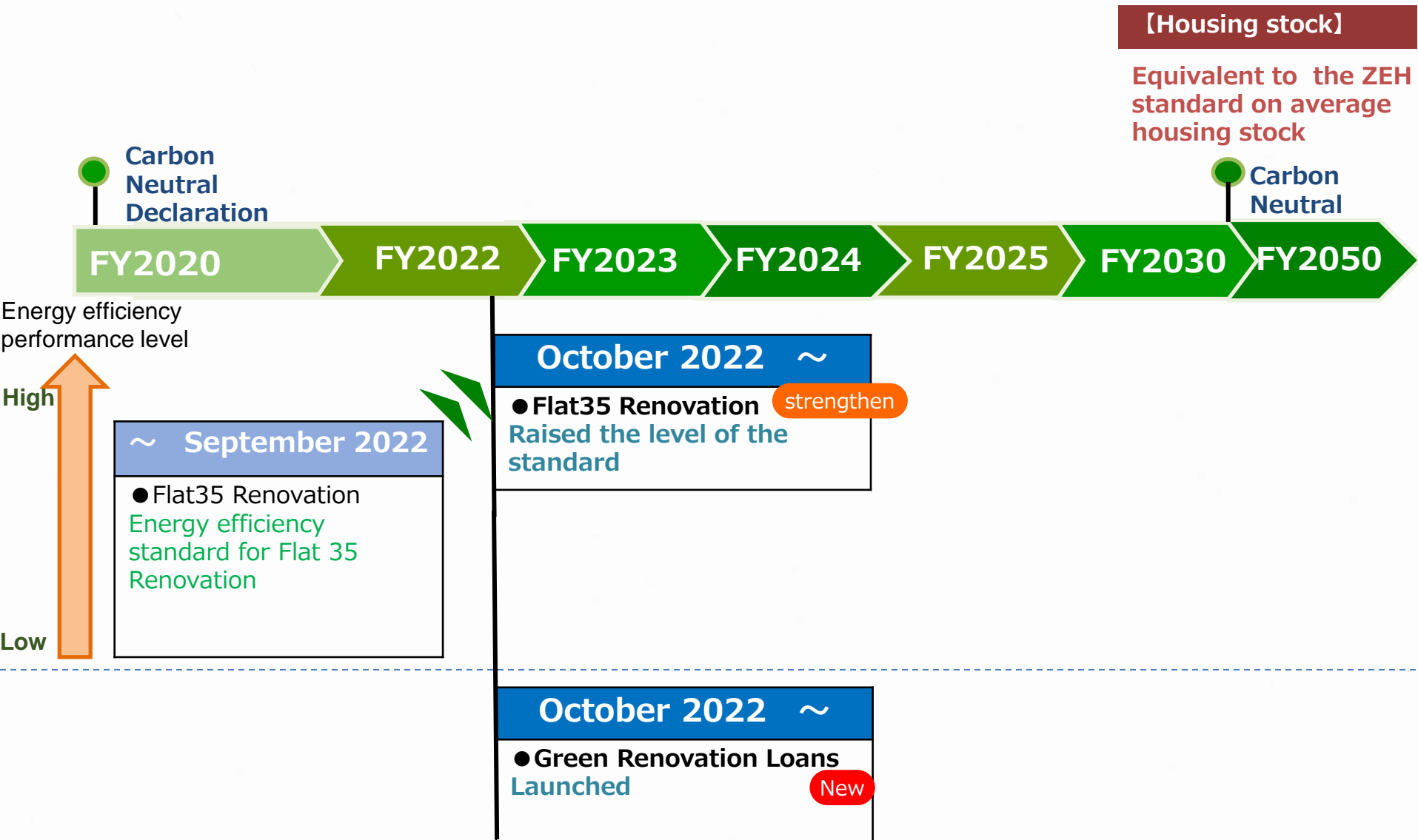


# Efforts to Realize a Decarbonized Society in Japan

## : New Houses



# Efforts to Realize a Decarbonized Society in Japan : Existing Houses



# Overview of JHF's Green Renovation Loans

<b>Eligible house</b>	Owner-occupied houses or houses for which relatives reside, etc.
<b>Eligible renovation</b>	Thermal insulation renovation or installation of energy efficient equipment
<b>Loan amount</b>	5 million yen or less, and within actual renovation cost
<b>Loan term</b>	Within 10 years
<b>Type of interests</b>	Fixed-rate to maturity
<b>Collateral, Guarantee fee, Application fee</b>	Not required
<b>Group credit life insurance</b>	Available
<b>On-site inspection</b>	Confirm satisfaction with JHF's technical standards through on-site inspections by inspection institutions *Inspection fee is required.

As of October 1, 2022



住まいのしあわせを、ともにつくる。  
**住宅金融支援機構**