

*Expanding Your Housing Options*

Financing for First Nations Communities



# *Housing Investments in First Nation Communities*

*10<sup>th</sup> ANNUAL FIRST NATIONS NORTHERN HOUSING  
CONFERENCE – Thunder Bay, Ontario*

*“A Decade of Building Together 2002- 2012”*

*Our Vision:* Every First Nation family has the opportunity to have a home on their own land in a strong community

## *About the Fund...*

- Launched May 5, 2008
- Designed to support market housing arrangements between First Nations and lenders
- \$300 million federal investment
- Intended to leverage \$3 billion in on reserve housing investment across Canada
- Goal is to create 25,000 new homes over 10 years
- First clients announced in Feb '09

## *...about the Fund*

- New tool to create more on reserve housing
  - Homeownership
  - Rental units
  - Renovations
- Respects communal ownership of reserve lands
- Only First Nations can apply
- Developed with input from AFN, First Nation communities and organizations across Canada

## *What is Market-based Housing?*

- Housing where the acquisition, operation and maintenance is paid for by the owners and occupants
- Includes ownership and rentals

## *How does the Fund support investments?*

- 10% backstop for housing loans
- Leverage to negotiate with lenders
  - lower interest rates
  - reduced program access fees
  - risk sharing
  - administrative arrangements
- Capacity Development

## *First Nations Set Parameters*

- Market Housing program parameters include:
  - Types of borrowers
  - Permitted uses
  - Loan characteristics
  - Land tenure method

## *Examples of Borrowers*

- First Nation members
- Wholly-owned First Nation Entities (FNE)
  - housing authorities
  - development corporations
- Partnerships where FNE or individual(s) hold majority share

## *Examples of Possible Uses*

- Home Ownership
- Rental, Rent to Own
- Renovations
- Seniors' Homes
- Community Workers
- Refinancing for Renovation Purposes



## *Eligible Loan Characteristics*

- All amortizing loans. Lines of Credit or interest-only loans are not eligible
- Maximum amortization period – 25 years
- No minimum loan term
- Fixed and variable rate mortgages

## *Eligible Land Tenure Methods*

- Land tenure management method up to First Nation e.g. - Lease, Certificate of Possession, FNLMA, FN Land Registry System
- All non-designated lands where there are loan security restrictions beyond the First Nation's control
- Term of tenure must be longer than amortization of loan

## *Construction Standards*

- Homes built subject to standard set by the First Nation Authority Having Jurisdiction (with NBC being the minimum standard)
- Inspected by qualified professionals.
- Non-residential space limited to 20% of floor space and up to 20% of lending value



# ***ACCESS CRITERIA***

## *What are the Access Criteria?*

- Access Criteria are based on a principle, not rules and separated into three main pillars:
  1. Financial Management
  2. Good Governance
  3. Community Commitment and Evidence of Demand for Market-Based Housing
- First Nation chooses how they best satisfy each principle

## *1<sup>st</sup> Pillar:*

### **Financial Management**

The First Nation to demonstrate:

- competency in financial management,
- a history of paying its obligations and
- an adequate financial position.

## *2<sup>nd</sup> Pillar:*

### **Good Governance**

The First Nation to demonstrate:

- It has good governance and administration within the community.
- In particular, it has sustainable processes and systems
- That will support the community's commitment to housing management over the long-term.

## *3<sup>rd</sup> Pillar:*

### **Community Commitment and Evidence of Demand for Market Based Housing**

- There is evidence that the community is willing to make the commitment to support market-based housing; and
- That members have the desire and ability to afford home ownership and market rentals in the community.





***FIRST NATION HOUSING LOAN  
GUARANTEE CREDIT (HLGC)  
&  
CREDIT ENHANCEMENT (CE)***

# *What is the Housing Loan Guarantee Credit (HLGC)?*

- HLGC is the amount of borrowing the First Nation can safely support. It is based on information provided as part of the application, including:
  - Expected loan demand over the next 5 years
  - First Nation's financial capacity
  - Amount the First Nation is willing to guarantee
- The stronger the community, the greater the potential for a higher HLGC

# *How is the HLGC calculated?*

- The stronger the community, the greater the potential for a higher HLGC.
- FN needs to demonstrate they have cash or other available sources of liquidity to:
  - Support a given level of P&I payments resulting from borrower defaults for a given period of time; and
  - Absorb a corresponding severity of losses resulting from default

	<u>Strong</u>	<u>Satisfactory</u>
Borrower Default Rate	4%	8%
# months of P&I	12	18
Loss ratio (HO)	30%	30%
Loss ratio (rental)	50%	50%

- 25 year amortization and 5-year posted rate assumed for calculations

## *The Result:*

- The accompanying table illustrates the value of housing loans which could be guaranteed by a community as a function of their rating.
- In this example, a FN has \$100,000 in financial capacity (cash or other sources of liquidity)

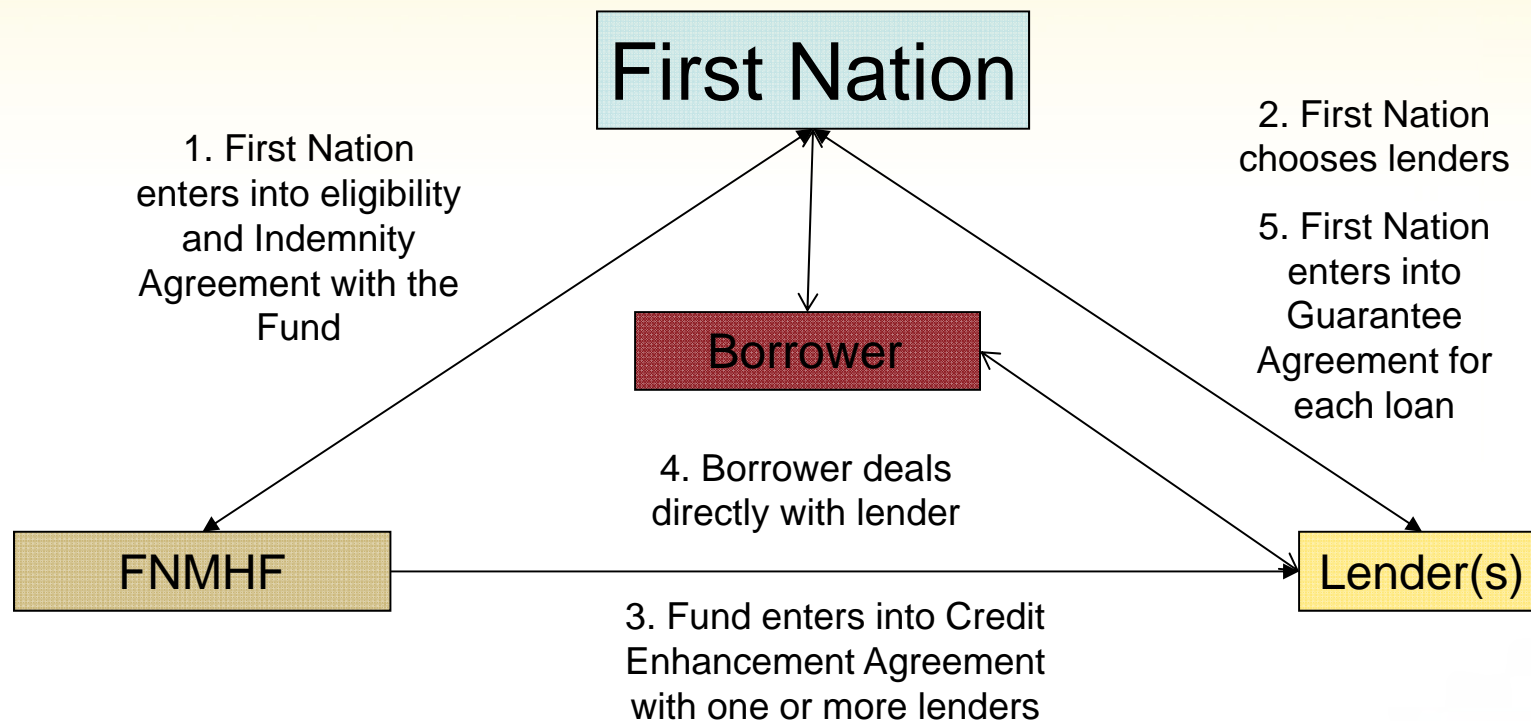
Posted Rate* (Examples)	Overall Community Rating	
	Strong	Satisfactory
6%	\$6.6M	\$3.0M
8%	\$6.3M	\$2.8M

\* Latest monthly posted 5-year rate as reported by the Bank of Canada

# *Credit Enhancement (CE) is the Backstop*

- The Credit Enhancement Facility provides a financial backstop to FN's housing loan guarantees made to a lender.
- 10% coverage on loans advanced for both "Strong" and "Satisfactory" communities
- Gives leverage to First Nations, attracts lenders
- CE accumulates as the volume of loans increases – e.g. if \$5M is HLG, maximum CE would be \$500K

# *What happens once a First Nation is approved for Credit Enhancement?*



## *How does a borrower apply for a housing loan?*

- FN member applies to the lender or lenders chosen and approved to work with the community
- Underwriting criteria based on normal property and borrower qualification requirements
- FN guarantees the housing loan

# *What happens if a borrower is in arrears?*

- Lender, First Nation work with borrower
  - counselling
  - repayment options
  - First Nation may assume loan
- In case of default, First Nation honours its guarantee in the manner negotiated with the lender
- FN takes corrective action on unit ownership and occupancy



## *What happens if a First Nation is unable to meet their obligation?*

- The lender will be able to seek reimbursement for a portion of its losses from the Fund.
- If the housing loan is insured, the loan may be assigned to the insurer.
- If the Fund pays a claim to a lender/insurer in relation to the default of a FN, the Fund will not approve any further credit enhancement in that community until the First Nation reimburses the Fund.

# *Participating Lenders in Ontario*

- ***Bank of Montreal***
  - Contact: Stephen Fay
  - Email: [stephen.fay@bmo.com](mailto:stephen.fay@bmo.com)
- ***Peace Hills Trust***
  - Contact: Tony Shirt
  - Email: [tony.shirt@peacehills.com](mailto:tony.shirt@peacehills.com)
- ***Desjardins Credit Union***
  - Contact: Genevieve Lesage
  - Email: [genevieve.v.lesage@desjardins.com](mailto:genevieve.v.lesage@desjardins.com)



# ***CAPACITY DEVELOPMENT***

# *FNMHF Capacity Development Program*

- Provides support for First Nation communities that want to use the Fund and meet most criteria but have areas which require strengthening
- The Fund's Capacity Development Program focuses on the three pillars of the Access Criteria.

# *What types of services will be delivered?*

- Developing a Regulatory Framework that includes:
  - Updating and implementing housing and finance policies
  - Developing land use by-laws, codes, registries, and security of tenure
- Accredited training for staff including financial, technical, housing, economic development & land management
- Home ownership and rental training sessions

## *How are capacity development needs assessed?*

- First Nation performs a self-assessment as part of the application process
- Fund and First Nation will agree upon needs and a development plan
- Delivery will be completed by Aboriginal contractors whenever possible

## *What happens when a First Nation is approved for Capacity Development?*

- Letter of Agreement signed, good for up to 3 years
- Identifies areas of financial support from the Fund in financial management, governance and community commitment
- As First Nation has time to work on specific initiatives, the deliverables and timelines are identified and costed

## ***FN - CD Examples***

- Managerial Training for FN Staff
- Customized Sage ACCPAC Training
- AFOA Courses and Workshop Tuition Fees
- Arrears Management process and system
- Toast Masters – Public speaking
- Updating financial Administration Policies, creating by-laws or laws
- Updating and creating new Housing Policies and Authority
- Land Use Planning - Comprehensive, Capital planning studies
- Enhancing land management systems and managers
- Water and Sewer, Gas and Oil technical training
- Lot Surveys for Market Based Housing

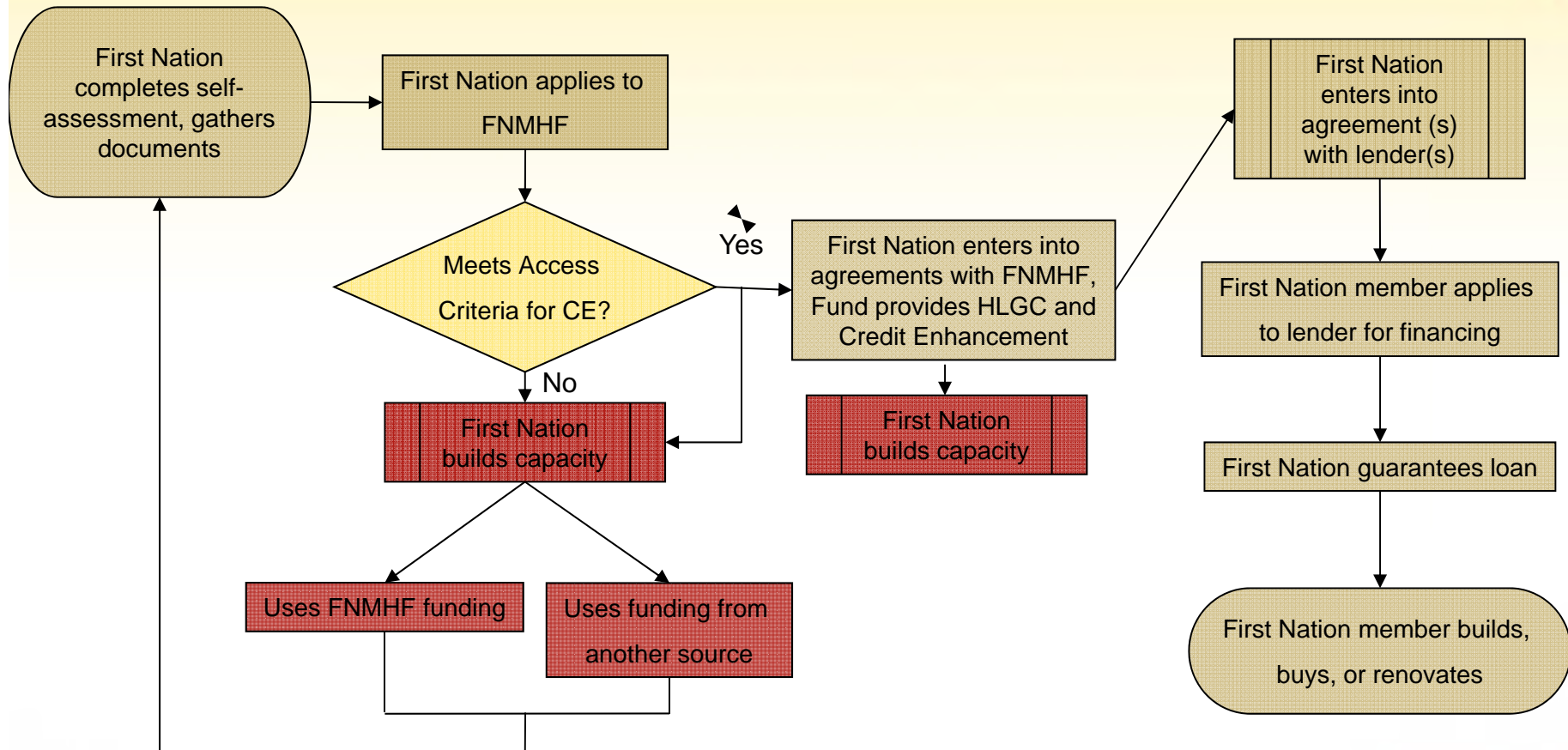
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# OVERVIEW

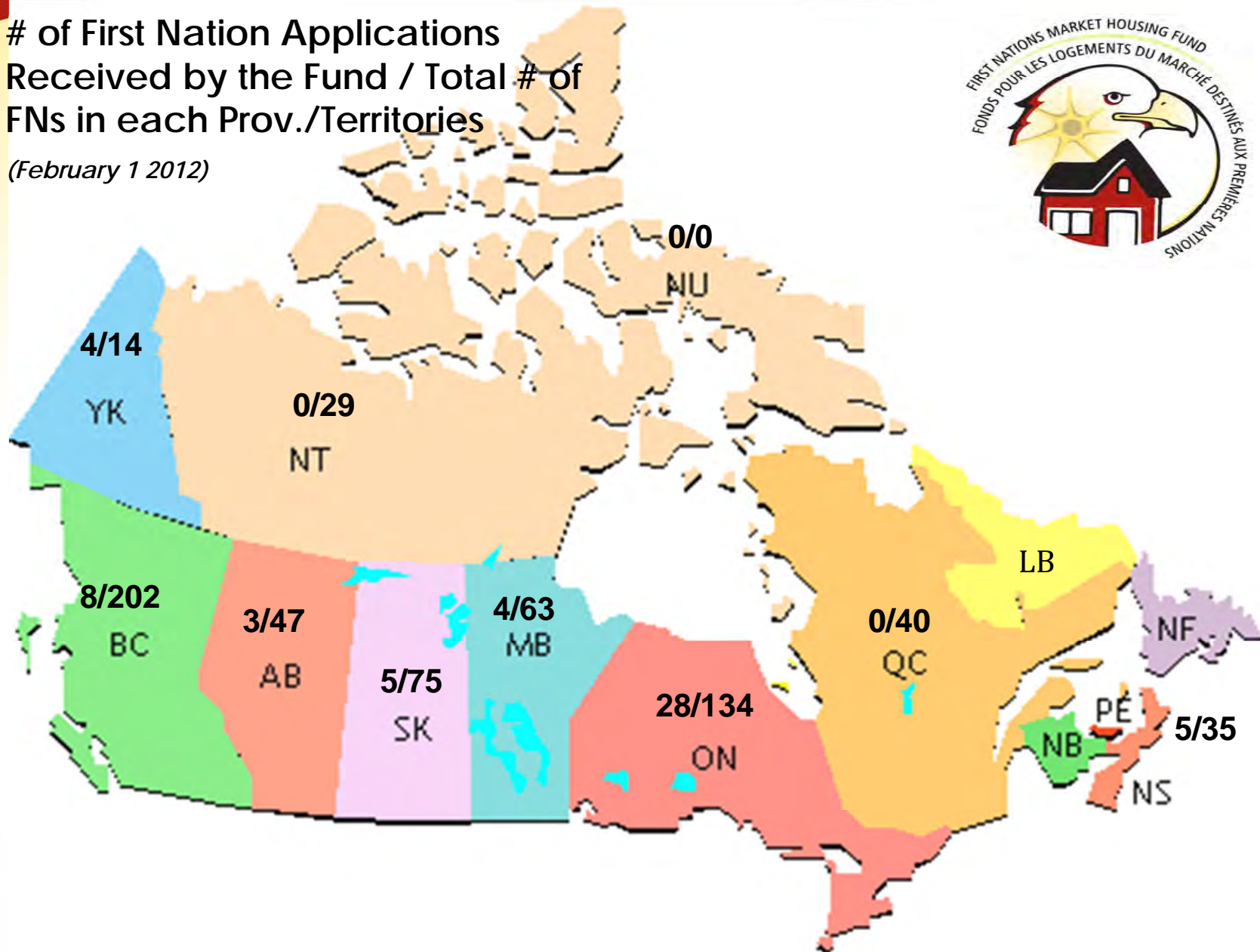


## *Success to Date*

- 57 applications received from First Nations
- 23 applications approved for Credit Enhancement and Capacity Building
- 17 First Nations approved for Capacity Development only
- 7 lenders approved – 2 National - 5 Regional

# # of First Nation Applications Received by the Fund / Total # of FNs in each Prov./Territories

(February 1 2012)



# *FN announced for Credit Enhancement as at February 1, 2012*

- Miawpukek NF
- Membertou NS
- Lac La Ronge SK
- Batchewana ON
- Onion Lake SK
- Atikameksheng  
Anishnawbek ON
- Whitefish River ON
- Champagne & Aishihik YK
- Sagamok ON
- Seabird Island BC
- Tk'emlups BC
- Moose Cree ON
- Serpent River ON
- Hiawatha ON
- M'Chigeeng ON
- St. Mary's BC
- Mississauga ON

## *Profile of First Nations approved to date for Credit Enhancement*

- \$335 million of housing investment over 5 years - 23 First Nations
- Homeownership contemplated in all – plus some with renovations, rentals, elders and foster homes
- Rural, remote, urban
- Small to large size populations – a few hundred to several thousand members

## *Benefits to First Nation*

- Expands housing options for First Nations
- Complements existing programs and helps strengthen systems
- Attracts more private financing and encourages competition among lenders
- No Ministerial Loan Guarantees
- Promotes creation of a housing market

## *Summary of FNMHF Approach*

- No fees or service charges for what we do
- Strength for policies, process and people
- Tools are available to improve investment readiness across the First Nation
- Land Tenure a key feature of a sustainable approach
- Investments – loan backing and capacity development funding
- Supports the First Nation's goals

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***Our Vision:*** Every First Nation family has the opportunity to have a home on their own land in a strong community