

# Policy Development



# Develop a Policy the Process

- ▶ Step by step process to develop a policy:
  - 1) Plan / Outline
  - 2) Policy
  - 3) Scope
  - 4) Writing

# Plan & Outline

- ▶ Why are we creating this policy?
  - To address operational need?
  - To correct an issue/risk identified?
  - To improve the processes?
  - To clarify requirements / obligations?
  - What is required to be included in your policy?

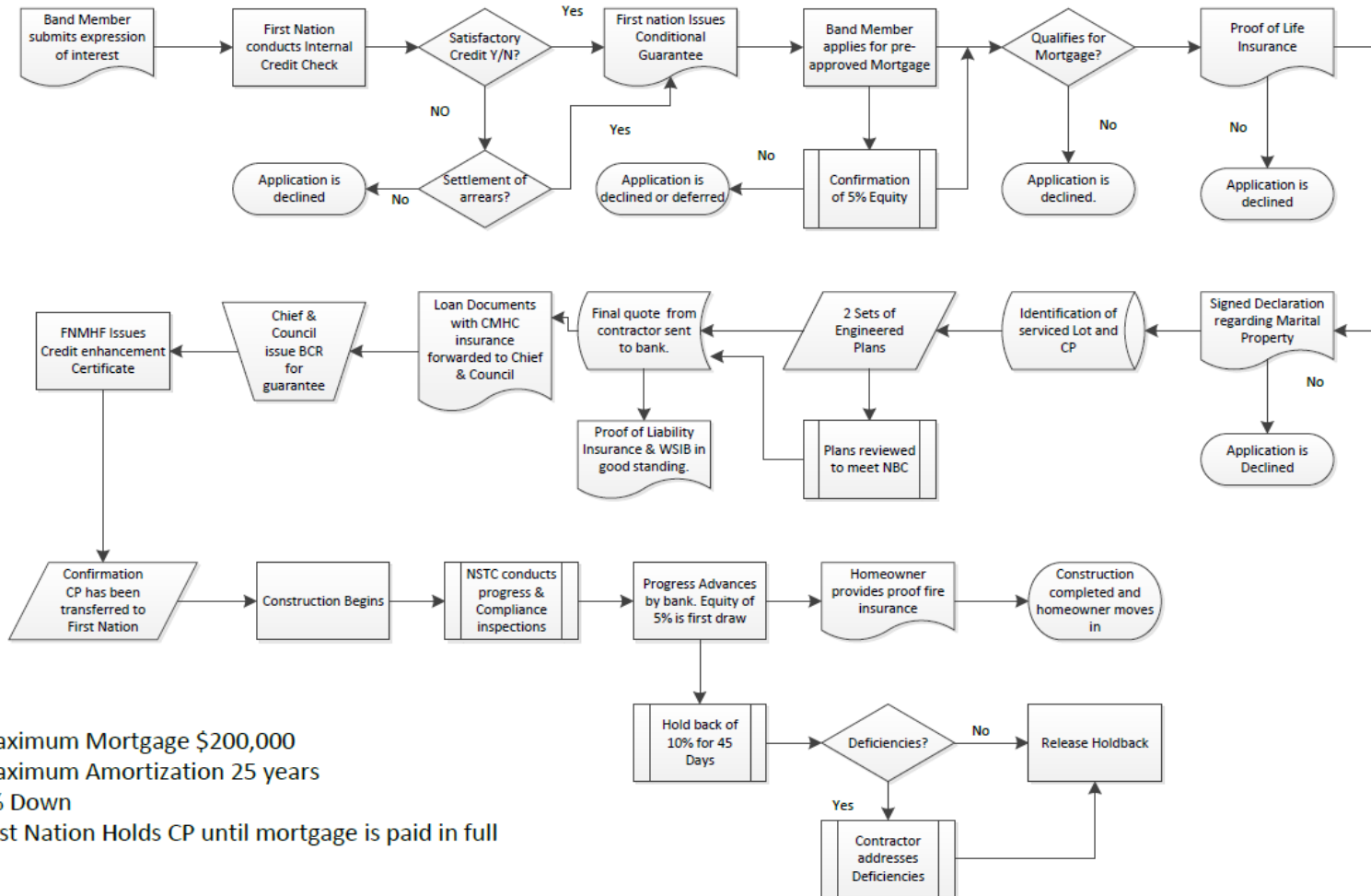
# Plan & Outline

- ▶ Who needs to be involved in drafting this policy?
  - Housing Committee?
  - Chief & Council
  - Lands / Finance / Public Works / Governance?
  - General Public?
  - Is there need for collaboration with other departments?

# Plan & Outline

- ▶ Brain storm ideas for the policy in a group setting
- ▶ Develop flowcharts to map the process / Policy
- ▶ Flowcharts can be on flip charts so this ensures there is a logical flow
- ▶ Flowcharts help you flush out and find better ways of doing things

## Home Ownership – New Construction – Sample Process



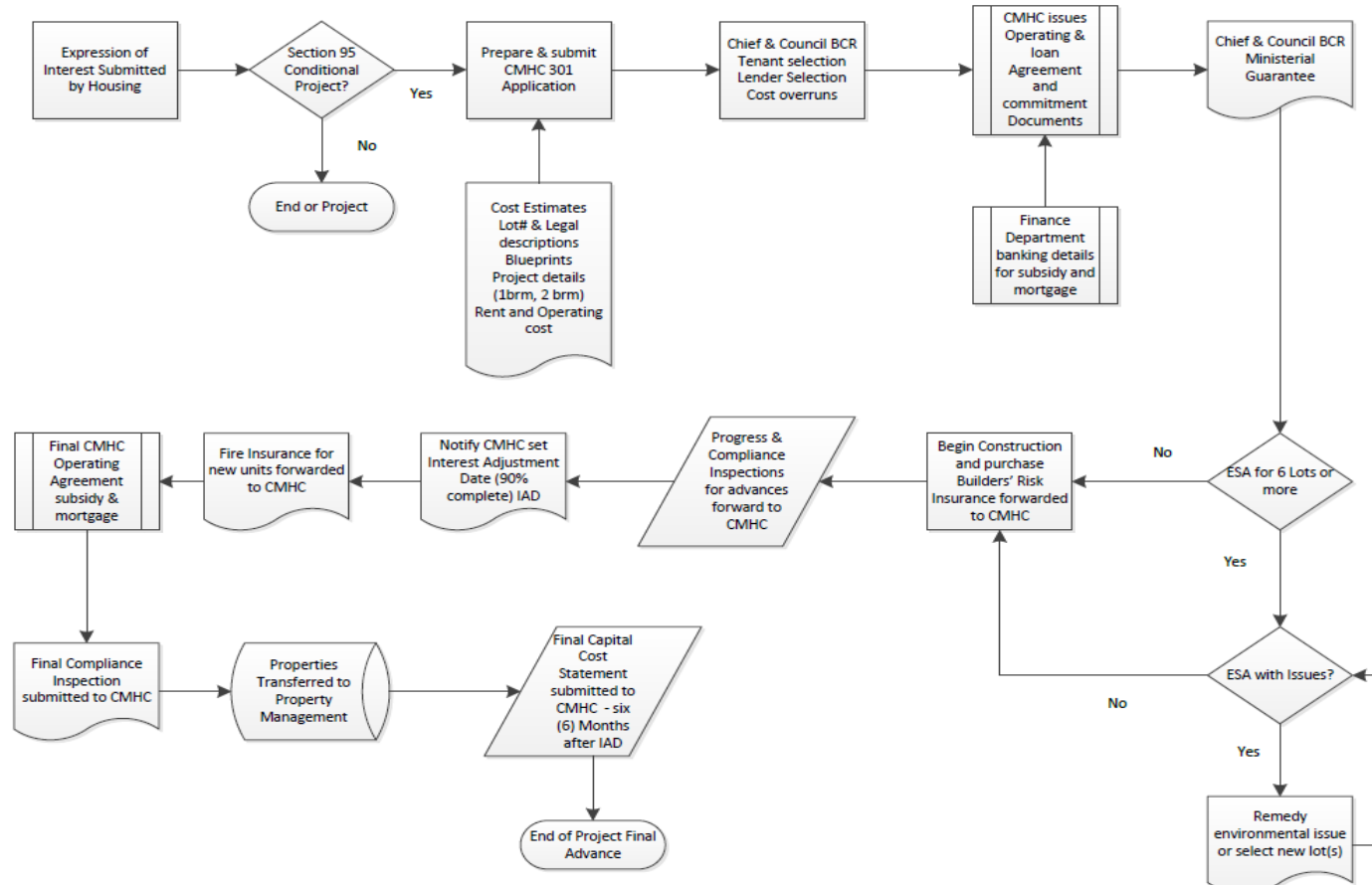
Maximum Mortgage \$200,000

Maximum Amortization 25 years

5% Down

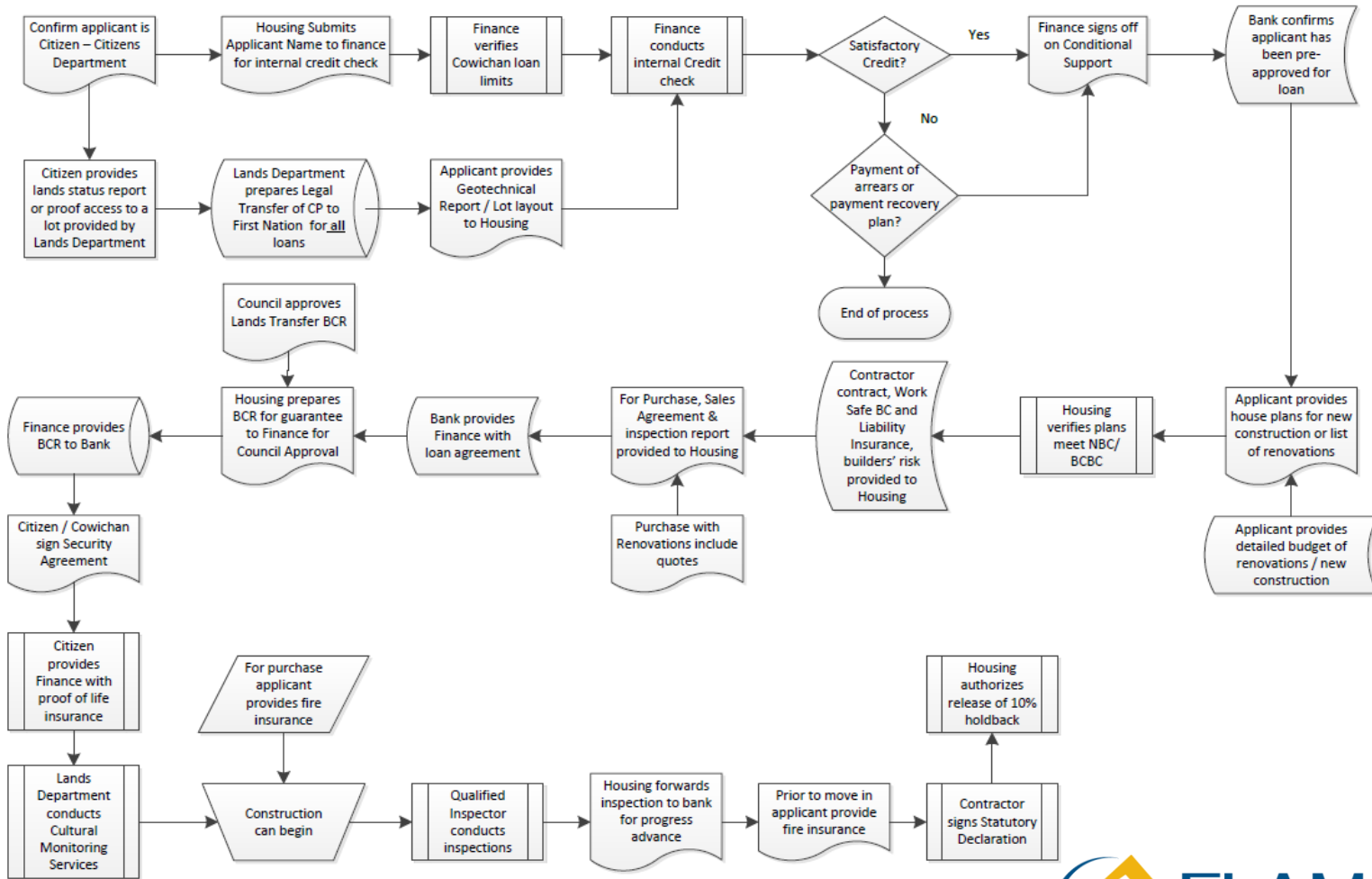
First Nation Holds CP until mortgage is paid in full

# CMHC SECTION 95 STEP BY STEP GUIDE



ESA – Environmental Site Assessment

## Internal Process for Homeownership Loans



# New Construction – First Nation

## *Draft Policy for Market Based Housing*

The market based housing program is designed to provide affordable mortgages for *qualified* First Nation members who wish to purchase, renovate, construct or refinance a home.

For the purpose of this policy, new Construction is defined as the construction of a new home on an existing serviced lot or an increase in the liveable area of an existing home.

### Program Details

Maximum Loan	\$200,000
Maximum Amortization	25 years
Down payment	5% down (cash only no sweat equity)
Life Insurance	Mandatory
Fire Insurance	Mandatory
Lots	Serviced Lots only (water, hydro & gas)
Certification of Possession (CPs)	First Nation to hold CPs until mortgage is fully amortized.
Total Debt Services Ratio	Not to exceed 40%
Debts owed to First Nation	To be addressed if Band member is in arrears (all programs).
Construction method	General Contractor only.
Hold back on Construction	10%
CMHC Mortgage Insurance	Mandatory

### STAGE 1 – Pre-Qualification

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- 1) A Market Based Housing Application is sent by the Band member to First Nation Housing. An orientation package is sent to Band member detailing the eligibility requirements.
- 2) First Nation conducts internal credit check to ensure there are no accounts in arrears or other debts that are outstanding. **Outstanding accounts for the purpose of this process are accounts that are in default more than 30 days.** If the band member is in good standing a Conditional Letter of Support (Appendix 1) will be issued to the financial institute stating that the First Nation is prepared to guarantee the band member's mortgage provided they meet the lending requirements.
  - a. If the Band member has an outstanding account, a settlement of these debts or a repayment plan must be negotiated prior to the issuance of a Conditional Letter of Support.

- b. If accounts are too high or the Band member refuses, the application is declined and no further action is taken on the file.
  - c. If repayment plan is initiated the First Nation may at its discretion defer the application for a period of six months to ensure that the Band member abides by the repayment plan.
- 3) Only after the Band member has received conditional support from the First Nation can the member apply for a pre-approved mortgage. The Band member will be required to submit pay stubs, photo id, and information regarding overall debt load to the bank.
- a. Total Debt Servicing (TDS) ratio not to exceed 40%.
  - b. Gross up factor on income earned on-reserve will be applied.
  - c. Band member must have satisfactory credit.
  - d. Band member must have good job tenure.
  - e. Band member must demonstrate they have sufficient equity of 5%.

**If band member is unable to meet the minimum credit standards of the bank, the application is declined and no further action is taken.**

- 4) Band member required to obtain and maintain life insurance in an amount sufficient to cover loan balance. Insurance can be obtained from financial institution where they are financing the mortgage or from an independent broker.
- 5) Where a household includes a non-Band-member applicant whose income is being used to qualify for a loan, that non-Band member should seek independent legal advice regarding their right to claim in the event of household break-up. The non-Band-member applicant must sign a declaration that they fully understand the ramifications as it applies to home ownership on reserve and their rights.

## **STAGE 2 – Approval & Construction**

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- 1) Identification of a serviced lot and CP formally transferred to the First Nation, if First Nation does not already hold CP. A title search will be conducted to ensure that the lot is unencumbered, as well as to ensure the lot is surveyed and registered under Canadian Land Survey Registry (CSLR). CP is transferred to Band member only after the mortgage has been fully amortized.
- 2) Housing Officer or other designated authority will confirm to the Lender that the Band member has met all the pre-established conditions for approval of a loan guarantee and housing lot allocation.
- 3) Band member to submit two sets of plans, one for the First Nation and one to be forwarded to the financial institution. Any modifications recommended by the technical review must be implemented.
- a. As a minimum, engineered plans will only be accepted and must be approved by appropriate agency (Health Canada for Septics). In addition, site plan to be provided.
  - b. Plans from local hardware stores may also acceptable, provided they are engineered stamped.

- c. Plans to be reviewed by Technical Services Technical Services to ensure they meet, as a minimum, NBC.
- 4) For Modular/trailers/prefabricated construction, units must meet the following minimum standards before guarantee is issued:
  - a. Contractor not paid until home is in place and inspected.
- 5) Band members get quotes from contractors and as a minimum the contractors must demonstrate that they have liability insurance, \$1.5 million, and provide proof of WSIB coverage to First Nation. In addition, contractor must be capable of bridge financing construction, as **advances prior to construction are prohibited.**
- 6) Contractor responsible for installing services, water and septic, to the lot line and must be included in the cost of construction.
- 7) Fees for hydro and gas hook-ups are the responsibility of the Band member.
- 8) Final quote along with verification of equity must be forwarded to financial institution for final approval. Must be below maximum loan amount.
- 9) Band member is responsible for CMHC mortgage insurance premiums, which can be rolled into the mortgage. Premiums based on the following: (November 2015)

<b>Loan to Value</b>	<b>Premium on Total Loan</b>
Up to and including 65%	0.60%
Up to and including 75%	0.75%
Up to and including 80%	1.25%
Up to and including 85%	1.80%
Up to and including 90%	2.40%
Up to and including 95%	3.60%

Financial institution confirms CMHC mortgage insurance is in place.

- 10) Loan document forwarded to Chief and Council for final approval. Chief and Council issue BCR for loan guarantee. (Appendix 2)
- 11) Credit Enhancement Certificate is issued by the First Nation Market Housing Fund confirming its backing of the loan.
- 12) Contractor to provide proof of construction insurance to First Nation and Financial Institution.
- 13) Copy of builder's contract forwarded to First Nation and any related correspondence must be forwarded to First Nation.
- 14) **Construction begins.**
- 15) Technical Services Technical Services responsible for progress and compliance inspections. The maximum number of progress advances is six (6). Pictures to be included in the advance documentation. **Fee to be determined and Band member responsible for payment.**
- 16) Health Canada to inspect septic systems and issue certificate, copy to be provided to First Nation.
- 17) Equity (5%) must be drawn down first prior to the first loan advance being processed.

# Policy

- ▶ Policy – Establishes the overarching framework for organizational requirements, standards of expectations and decision-making.
  - Address the who, what and when
    - Who is responsible for administering this policy and overseeing its procedures?
    - Always use Department/Office names and/or titles.
      - What is the policy?
      - When does this policy apply?
  - Reference FN Bylaws never quote them.

## 3.0 Authority and Application

This Policy is made under the authority of Chief & Council and applies to:

- all existing and future rent to own housing units, rental units and band owned homes located on First reserve;
- All individuals who have made or will make an application for rent to own housing or rental housing within First reserve lands; and
- All individuals currently occupying a band rental unit or rent to own house.

## 4.0 Governance

### 4.1 Housing Department

The Housing Manager oversees all matters related to the administration of Band-Administered Homes.

Housing Department Roles and Responsibilities

# Policy

- Policy language should be broadly and generally drafted. Policies should not require frequent updates.
- Purpose – Why do we have this policy?
  - What is the goal of this policy?

## 1.1 Purpose

First Nation (FN) has developed this Policy for the betterment of their community. A structured housing policy provides the Housing Department, Housing Committee, Chief & Council and members with a framework to administer the housing program in a manner that is unbiased, fair, transparent and meets the needs of members.

# Policy

- Procedure – Describes the action items, processes, or workflows to inform the reader how to comply with the policy.
  - Address the how, when or who
    - How – Describe the detailed activities or processes in place to comply with the policy
    - When – It is important to include specific time frames, deadlines, important dates, etc.
    - Who – Include relevant departments/individuals (by title) who is responsible for any step of the process or can be contacted for additional guidance

# Scope

- ▶ Determine who this policy applies to?
  - Use the following standardized language unless there is a group of individuals not included in the definition:
    - “This policy applies to all FN members as defined below”
    - Everyone employed by or associated with FN (employees, students)
  - Consider who will read this policy for guidance. Our policies are used for FN owned housing
  - Is the policy geared more toward FN or staff?

## 1.0 Purpose

The Renovation Program of the FN is intended to provide eligible members with access to interest free loans in order to address health and safety issues in their home as well as emergency repairs. The loan is available to homeowners whose house lacks basic safety facilities up to a maximum that is based on their ability to pay and availability of funds in the following mandatory categories:

- Heating;
- Electrical;
- Plumbing;
- Structural and
- Overcrowding.

The amount of funding will be based on estimated costs of mandatory repairs.

A renovation request is considered an emergency when:

- The Health and Safety of occupants is threatened;
- The structural integrity of the unit is threatened; and
- Ignoring could result in expensive collateral damage.

## 1.1 Objectives

1. To assist FN members in maintaining a minimum level of health and safety of their homes and address emergencies;
2. To encourage responsible maintenance and upkeep of their homes; and
3. To ensure housing program is financially sustainable by administrating the program in a fair, equitable and transparent manner.

## 1.2 Scope

The Renovation Policy applies to all FN members living in FN, but excludes any homes under the CMHC Section 95 and band-owned rentals.

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## 2.0 Application and Selection Process

### 2.1 Application Process

The following requirements must be met by applicants who wish to be considered for the renovation program. If any of these requirements are not met, the Housing Department shall not forward the application on to the Housing Committee for consideration.

#### Application Deadline

Applications to be considered must be submitted every quarter (3 months) starting April 1<sup>st</sup> of every year. (July 1<sup>st</sup>, October 1<sup>st</sup>, January 1<sup>st</sup>). Loans will be approved throughout to year, subject to availability of funds. The purpose of this staggered approach to allocation of funds is to ensure funding is available throughout the year.

#### Application Form

A Renovation Application Form must be completed in full and submitted to the Housing Department. To remain active and on file, Renovation Applications must be updated annually. Applicants are responsible for updating the application on file with the Housing Department. The Housing Department shall provide

# General Writing Guidance

- ▶ Clear – Avoid ambiguity. Aim to convey the message in such way where there is little room for misinterpretation.
  - Mandatory (must, shall) vs. optional (may, should, could) language
    - “should” implies that an action may not be necessary or required
    - “shall” imposes an obligation
    - “must” is obligatory or requires action

# General Writing Guidance

- ▶ Concise – Refrain from frequent use of jargon, qualifiers and long sentences.
  - Consistent – When writing a policy, cross reference other similar policies and policies within the same group to make sure there are no inconsistencies.
  - Spell out acronyms the first time they are used with the acronym in parentheses
    - Ex. Assembly of First Nations (AFN)

# General Writing Guidance

- ▶ Keep it simple. Policies should be written in plain language
- ▶ Keep it general. Policies cannot contemplate all possible situations
- ▶ Ensure policy can be enforced
- ▶ Ensure actionable items can be done. For example, report to credit bureau for bad debts or court action – really??

# Presenting Policy to Council

- ▶ Do NOT read policy to Chief & Council. You will lose them. They are not required to be subject experts. You are!
- ▶ Keep presentation to 1 hour
- ▶ Housing Policy – Big picture items – tenant selection, maintenance responsibilities, evictions
- ▶ Use flowchart where possible. I have used flowcharts to get policies approved for home ownership. Council can visualize process

# Community Meetings

- ▶ Provide door prizes / meal, if possible
- ▶ Ask open ended questions. For example, do you think the eviction policy is too strict?
- ▶ Keep presentation to 1 hour to 1.5 hours
- ▶ Be prepared and anticipate questions
- ▶ Explain purpose of policy clearly in your opening remarks to ensure there is not doubt of its purpose.

# Questions

