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# Arrears Strategy

# Strategy

The First Nation can develop a three-stage approach:

1) Consult, inform and educate the message of the cost of housing and promote sustainable housing.  – Community engagement, and information sessions;
2) Implement and enforce sustainable housing approach (housing policy); and
3) Continue to monitor stage 2 and make adjustments.

Some possible reason for arrears:

- Financial department is short staff – cannot enforce housing policy;
- Political interference;
- Manual system for tracking arrears – not timely;
- Confusion about tenure of the home (who owns it);
- Dissatisfied with the condition of the home;
- Other financial priorities or social issues impact their ability to accept their housing responsibilities;
- Inconsistent policy enforcement;
- No financial planning, as housing does not receive a general ledger or do budgets; and
- No idea what funds are coming in or whether the program is in deficit;

# Historical Arrears

- Historical Arrears -
- Resolve these historical arrears and to finalize tenure of these units
- This includes transfer of units to tenants once an acceptable policy dealing with these arrears is adopted.
- FN incurring insurance cost on these units that have been paid off

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# Historical Arrears

- The goal of this presentation is to identify solutions in dealing with historical arrears that meet the following objectives:
  1. Fair to all tenants – both past and present;
  2. Accountable and transparent in the process;
  3. Present viable options that are accepted by the community and workable for the member;  and
  4. Ensure this builds a foundation for a sustainable housing program.

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# Possible Solutions

The following are some possible options that could be adopted to resolve these arrears and finalize the tenure of these units.

1) Require full payment of arrears.
2) Increase term of tenancy agreement to collect arrears over this extended term.
3) Tenant obtain loan to pay arrears.
4) Straight transfer of units to tenants regardless of arrears.

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# Possible Solutions

5) Straight transfer of units to tenants regardless of arrears and provide $10,000 in renovations to tenants in good standing.

6) Compromise – negotiate sweat equity in homes and deduct from arrears plus provide $10,000 in renovations to tenants in good standing.

7) Tenant pay 50% and FN forgives 50%.

8) Obtain judgement in small claims court.

9) Report arrears to collection agency.

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# Possible Solutions

10) Negotiate fixed amount based on level of arrears

11) Offer Discounts for lump sum payments

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# Option 1 – Require full payment of arrears

PRO

- Arrears are paid in full – recover revenue
- Maintenance budget goes up – revenue to cover repairs
- Create a sense of responsibility for tenant – pride of ownership
- All tenants are treated the same

CON

- Angry and disgruntled members
- Community backlash- Chief & Council / Staff
- Unlikely to collect arrears
- FN as landlords would be responsible for on-going maintenance
- Some arrears so large they will never be paid
- Tenants on Social Assistance cannot afford to pay arrears

# Option 2 – Increase term of Tenancy Agreement to collect arrears

**PRO**

- Arrears are collected
- Tenants will be bound to the new terms and conditions of the Housing Policy – including evictions
- Tenant remains in home and leads to homeownership
- All tenants are treated the same

**CON**

- Possible eviction under new policy
- Community backlash
- Tenants cannot afford rent
- FN responsible for on-going upkeep, maintenance and insurance until homes are paid in full
- Tenants on Social Assistance not eligible for homeownership under the new policy

# Option 3 – Tenant obtain loan to pay arrears

PRO

- Arrears are collected
- Tenants have good credit rating
- Tenant remains in home and leads to homeownership
- All tenants are treated the same

CON

- Some tenants will not qualify for loans
- May require FN loan guarantee
- Tenants will go in debt to pay off loans
- Cannot force tenants to get a loan
- Tenants on Social Assistance not eligible for any loans

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# Option 4 – FN – Transfer Units – (Just walk away)

PRO

- No further responsibility for maintenance and insurance – Savings
- Release FN from further obligations
- Tenants accept homes as is
- Stipulate that no further assistance from FN

CON

- Rewarding bad behaviour
- Community backlash - especially tenants who have paid faithfully
- Impact on current tenants in good standing – current and future rental projects
- Tenants **not** treated the same

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# Option 5 – FN – Transfer Units – (Just walk away) + $10,000 in Renovations for Tenants in Good Standing

PRO

- No further responsibility for maintenance and insurance
- Release FN from further obligations
- Applicants accept homes as is
- Stipulate that no further assistance from FN
- Tenants who are in good standing are compensated for their efforts

CON

- Rewarding bad behaviour
- Community backlash  - especially tenants who have paid faithfully
- Impact on current tenants in good standing – current and future rental projects
- How to fund the $10,000

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# Option 6 Negotiate a payout on case by case basis with each tenant + $10,000 in Renovations for Tenants in Good Standing

PRO

- No further responsibility for maintenance and insurance
- Release FN from further obligations
- Tenants accept homes as is
- Stipulate that no further assistance from FN
- Tenants who are in good standing are compensated for their efforts
- Use payout to finance tenants in good standing
- Apply Housing Policy for tenants who refuse and are subject to eviction for nonpayment of rent.

CON

- Rewarding bad behaviour
- Community backlash - especially tenants who have paid faithfully
- Impact on current tenants in good standing – current and future rental projects
- Funding the $10,000 in renovations
- Tenants will continue to refuse to pay historical arrears – units remain rentals with full responsibility of landlord
- Coming up with value of “sweat equity”

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# Option 7 – Tenant pay 50% and FN forgives 50%

PRO

- Some arrears collected
- Final resolution reached on historical arrears
- Homes can be transferred and no further obligations from FN

CON

- Rewarding bad behaviour – lets people off the hook
- Community backlash - especially tenants who have paid faithfully
- Impact on current tenants in good standing – current and future rental projects
- Tenants with high arrears may refuse to pay any arrears
- Tenants **not** treated the same

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# Option 8 – Obtain judgement in small claims court

PRO

- Arrears are paid in full
- Demonstrates FN is serious about arrears and willing to take action
- Courts enforced – force members to pay
- All tenants treated the same – they all pay
- Forces tenants to deal with arrears – once a claim goes to court other tenants may choose to settle with FN

CON

- Cost to initiate court action
- Community backlash due to the drastic step
- Some arrears so large may not be eligible for small claims
- Creates division in the community
- Evictions if tenants refuse court order
- Puts a drain on resources as staff would need to attend court for each claim.
- Statute of limitations on old debt?

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# Option 9 – Report Arrears to collections

PRO

- Sets precedent– demonstrates FN is serious
- Independent process – no ties to the community
- Collect some arrears
- All tenants treated the same – all pay
- Forces tenants to deal with arrears – once in collections tenants may choose to settle with FN

CON

- Resources required – housing will need to report balance monthly to credit collections
- Credit rating effected – up to 6 years if in collections and lose 90 points on credit score
- Ruins credit and maybe lives
- Community backlash
- Administration fee paid for service
- Tenants can refuse to pay

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# Option 10

- OR Alternative Option assign minimum payment for 5 years from each tenant and transfer unit.
- Amount based on scale
- $400 for tenants in arrears over $50,000 for 5 years
- $300 for tenants in arrears over $25,000 for 5 years
- $200 for tenants in arrears under $24,999 for 5 years

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# Option 11

- Offer discounts for members who can afford to pay the arrears in a lump sum payment at a discount.  This discount is to reflect the time value of money.  Collecting arrears over an extended period of time helps, but the value of the money decreases over time due to inflation.  By receiving lump sum payment, the arrears are discounted to reflect todays value.

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# Steps to Prevent future arrears

- Develop educational material – Cost of Arrears / Why pay rent – Educate members
- Increase Band Members capacity to pay rent through budgeting workshops / counselling
- Enforce Housing Policy – Early intervention

- Review application process to ensure applicants can afford rent
- Incentive programs

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# Build a Rental Regime

Budgeting workshops

Offer financial counselling one-on-one

Payroll deductions, visa, Etransfer, PAC

True Cost of Housing Presentations – landlord (band) / home owner

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