

FIRST NATIONS MARKET HOUSING FUND



TOPICS

- What is the "Fund"?
- Why is the Fund needed?
- How will the Fund work?
- Key activities to date
- Feedback
- Key activities to go
- What do we expect the outcomes to be?

WHAT IS THE FUND? (1)

- A \$300 million federal investment to backstop private sector loans on reserve
- A portion of investment income may be used to strengthen First Nations capacity
- Non-profit entity separate from government
- Legally constituted as a trust under an indenture of trust
- Run by Board of 9 trustees – First Nations, GoC, Financial community
- Managed by CMHC, ‘in initial years’

WHAT IS THE FUND? (2)

- It is not down payment assistance
- It is not grants
- It will not be divided up
- It will not provide loans
- It will be invested as a lump sum

WHY IS THE FUND NEEDED? (1)

- Off reserve, 80% of households use market approaches to obtain housing
- On reserve, a major barrier to private financing is lack of security
- Alternatives to the status quo must offer new choices to First Nations
- Already existing successful models need to be expanded

WHY IS THE FUND NEEDED? (2)

- To provide First Nations people on-reserve with access to home ownership
- To enhance access to private sector financing
- To increase First Nation financial expertise and capacity

HOW WILL THE FUND WORK? (1)

- Fund assesses First Nations based on access criteria
- Access criteria used to mitigate risk and support market-based approach
- Fund provides credit enhancement to qualified First Nation

HOW WILL THE FUND WORK? (2)

- First Nation enters into financing arrangements with lenders
- First Nation assumes a share of loss caused by borrower default
- Borrower seeks financing from lender under agreement
- Lender underwrites borrower using standard criteria

HOW WILL THE FUND WORK? (3)

- Borrower responsible for loan repayments
- If borrower defaults, First Nation reimburses lender the First Nation share of the loss. The Fund is not invoked
- If First Nation does not meet its obligations, lender accesses Fund up to amount of credit enhancement approved for the First Nation

KEY ACTIVITIES – TO DATE:

- Met with over 500 people, more than 60 meetings including First Nation Leaders, experts and members at the national, regional and community levels, lenders, insurers and regulators
- Reviewed written submissions in response to Engagement Paper
- Publicized process to seek applications from potential Trustees

WHAT DID WE ASK?

- What might the access criteria be?
- How would they be demonstrated, over what period of time?
- What are the possible areas of capacity building?
- How would priorities be set, what tools would be used to meet needs?
- What should the application process look like?
- What are the obligations of the parties – First Nation, Lender (Insurer), Fund?

FEEDBACK

ACCESS CRITERIA

- Diversity of communities suggests approach to be principles-based vs. rules-based
- Financial management
 - Strong, stable finances and own-source cash flows
 - Effective management processes and reporting
- Good governance
 - Policies exist and are enforced
 - Quality housing is encouraged and maintained
- Community support and evidence of demand for market housing
 - Acceptance within community to pay for housing
 - Member interest in building, purchasing homes in community
 - Affordability considerations

FEEDBACK

CAPACITY BUILDING GAPS & OPPORTUNITIES

- Support tied to achieving access criteria
- First Nation will be involved in development plan
- Flexible services delivered through Aboriginal trainers and institutions
- Priority to First Nations closest to meeting access criteria

FEEDBACK

CAPACITY BUILDING GAPS & OPPORTUNITIES

- Most often mentioned needs/gaps
 - Land management
 - Housing policies – development and enforcement; by-laws; codes
 - Homeowner education
 - Development of housing staff

FEEDBACK

FUND RELATIONSHIPS

- Lenders should meet minimum criteria to participate
- Template documents should be developed for use by First Nations and Lenders
- First Nations and lenders should negotiate arrangements that suit them, within the Fund's parameters
- Robust reporting will be needed to and from the Fund, the First Nation and the lender

KEY ACTIVITIES TO GO

January – March 2008

- Trustees appointed
- Indenture of Trust registered
- Program elements finalized by Trustees and Ministers
- Initial staffing of Fund
- Production of marketing materials and applications

April 2008

- Fund opens for business

WHAT DO WE EXPECT THE OUTCOMES TO BE?

- The Fund will build on the experience of innovative First Nations
- The Fund will increase the access to proven financial tools for other First Nations
- The Fund will allow many more First Nations immediate access to financing for market-based housing
- Based on ten-year projections, the market could provide up to 25,000 units

THANK YOU