



Ministerial Guarantees

Overview of on reserve housing Ministerial Guarantees

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What is a Ministerial Guarantee?

- A Ministerial Guarantee is collateral for a loan
- It is security for the lender that, in the case of default, the lender will not lose any money

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Why is a Ministerial Guarantee Required?

- Reserve land is crown owned and cannot be mortgaged, therefore cannot be used as collateral
- The Ministerial Guarantee acts as the collateral for housing loan purposes





Program Areas that require Ministerial Guarantees

- CMHC NHA section 95 Non-Profit Housing Program
- NHA section 10 – on reserve individual homeownership
- Non-NHA loans

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Ministerial Guarantee: Eligibility Requirements

- Fall under one of the previously mentioned program areas
- Favourable financial position
- Satisfactory record of completing previous housing projects
- A capital plan for housing & infrastructure is in place
- A successful record of meeting loan obligations
- Receipt of audited financial statements as per DIAND's National Reporting Guide

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Ministerial Guarantee: Partnering Relationships

- Processing a Ministerial Guarantee Application involves the partnering of the following organizations:
 - First Nation
 - Financial Institution – Lender
 - Canada Mortgage and Housing Corporation – CMHC
 - Indian and Northern Affairs Canada - INAC





Ministerial Guarantee: Required Documentation

First Nation	CMHC	Lender
BCR	301 Application	Commitment letter
Project Description	Default Insurance	Appv'd Loan Agmt
Site/Plot Plans		
PSDS Approvals		

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Ministerial Guarantee: INAC Review Process

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- **Financial status review of the First Nation**
 - **Environmental Assessment review**
 - **Land status review**
 - **Review of additional revenue contributions**

Applications take approximately 4-6 weeks for processing once all documentation is received.

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Ministerial Guarantee: Arrears

- **Lenders routinely communicate with INAC about the status of their loans**
- **Should a loan fall into arrears, INAC and the lender notifies the borrower of the arrear status. For NHA section 10 individual homeownership loans, the individual borrower is notified as well.**
- **It is the borrower's responsibility to contact the lender to arrange payment**

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Ministerial Guarantee: Defaults

- **After 3 months of a loan being in arrears, the lender may call upon the Ministerial Guarantee**
- **Once called, a 90 day window of opportunity exists for the borrower before pay out proceedings begins**
- **NHA section 10 individual defaulted loans become the responsibility of the individual's First Nation**

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Ministerial Guarantee: Pay Outs

- **After the 90 window expires, INAC may proceed with a pay out of the defaulted loan**
- **INAC pays the lender and the loan becomes a debt owed to the crown**
- **INAC may utilize multiple revenue sources of a First Nation or enter into a repayment plan for debt resolution**

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