



# First Nation Homeownership Strategy & Non-MLG Product 2008



# What is the FNHS

- Working in partnership with communities and housing institutions to lay the ground work to support First Nation market housing related goals
- Provide broad range of capacity building homeownership tools for First Nation management and community members



# Objective

- Increase or improve homeownership readiness via capacity development of leadership, management staff and community
- End result – to increase the number of individually owned homes

## How will it work

- Determine training needs of Housing department, community .
- Commit to participation
- Create an action plan for community
  - Wide range of training and development offered including the following
  - Property management, arrears , rent collection , Housing Policy development, Home maintenance, Homeownership education , Personal Budgeting and Understanding Credit, some courses offered under Housing Quality Matters.



# Homeownership financing tools

- Housing Loans secured by MLG
- Housing loans through Lender programs
- CMHC's Non MLG product
- Market Housing Fund



## CMHC's Non MLG Product

- Mortgage loan Insurance product
- Standard mortgage loan insurance premiums apply
- Non-subsidized product

# Benefits of using Mortgage Loan Insurance

## **Benefit to Band**

- Reduced Contingent liability by 30%
- No MLG Required
- No rent collections
- No maintenance to follow up on
- Less administration
- Reduces dependency on 1 lender
- Reduces dependency on Federal Govt
- Frees up capital for other uses

# Benefits of using Mortgage Loan Insurance

## **Benefit to Band Member**

- Build , buy or renovate home
- Can finance a home as you would off reserve
- Stability
- Control - Set housing loan terms
- Little to no down payment required
- Can choose their own lender

## TRUST AGREEMENT replaces need for Ministerial Loan Guarantee

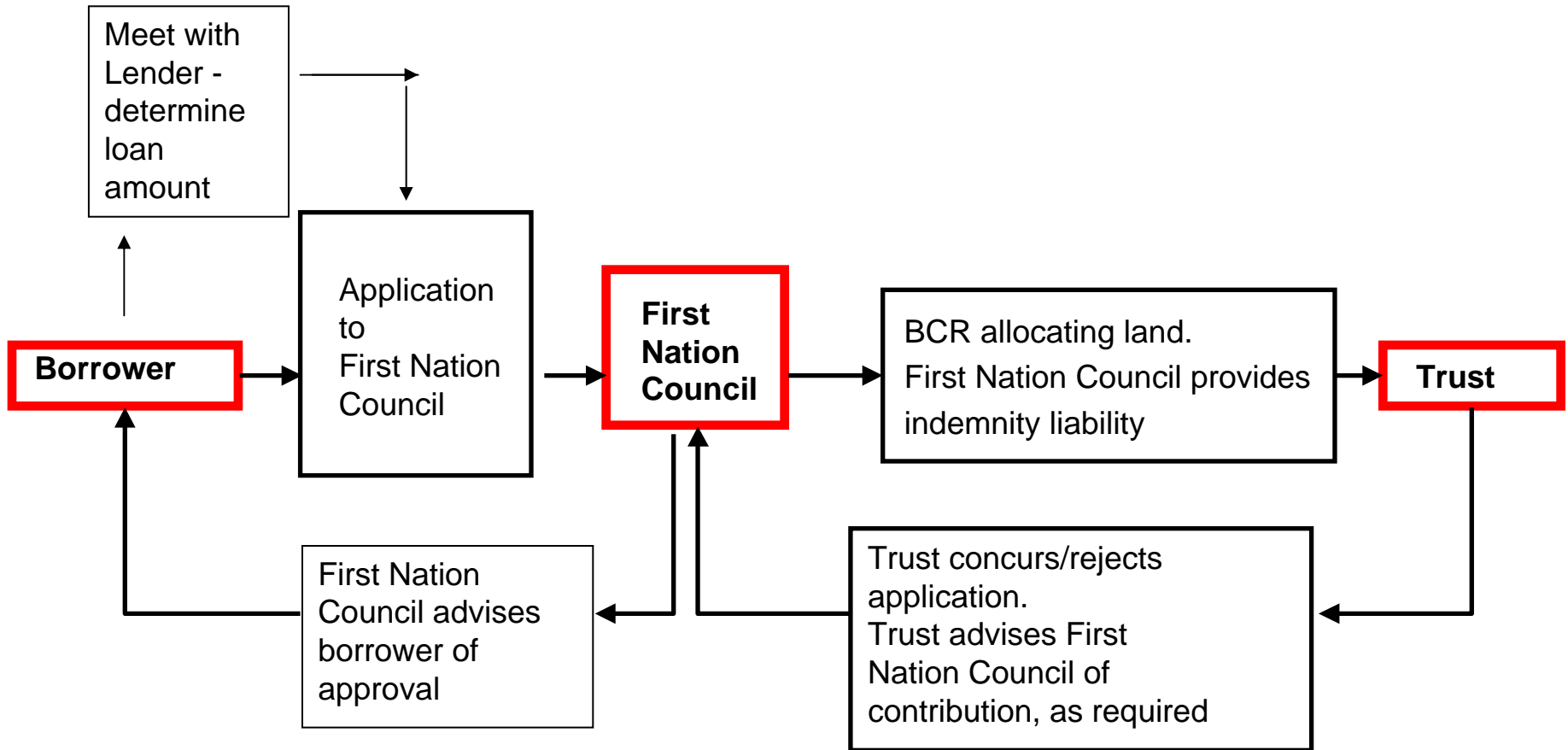
### How does it work?

- A key element of the product is a trust fund and trust agreement.
- Agreement is between CMHC, Trustees and Band Council
- Mortgage security replaced with Trust
- First Nation Council provides an indemnity ( guarantee ) to the trust.

## Trust Agreement replaces need for Ministerial Guarantee

- First Nation Council *may* choose to take security by - holding occupancy rights of land until loan is paid in full
- Once Trust in place, the Trust guarantees ( indemnifies ) CMHC for 70% ( If there is a default )
- Once Trust in Place – up to 2.5 million in housing loans may be funded

# Loan Application Process – who does what



**Product**

**First Nation Council  
Indemnity Level**

MLG

100%

Private Lender Program

100%

Revolving Loan Fund

100%

**CMHC Loan Insurance**


**70% \*\***

\*\* Anticipated to be recovered  
from sale of property.

## TRUST AGREEMENT

### **What happens if the loan is not repaid by the borrower?**

- CMHC absorbs first 30% of claim balance at default with no opportunity to recover these funds.
- Trust guarantees (indemnifies) CMHC for 70% of the claim balance.
- First Nation Council guarantees (indemnifies) trust for 70% of the claim balance.
- 70% share may be recovered by First Nation Council . ( sell the home for fair market value and deposit funds to Trust )

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- **Before default occurs.....**
    - may restructure loan
    - may sell home to other Band member
    - may be brought up to date by Band if they choose
  
  - **If Default occurs.....**
    - Band *may* sell home and put 70% share into Trust.
    - Band may use Home as rental



## For More Information

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