

BINGWI NEYAASHI ANISHINAABEK

MARKET BASED HOMEOWNERSHIP POLICY

Orientation & Applicant Checklist

Bingwi Neyaashi Anishinaabeks (BNA)'s market based housing program has been developed in conjunction with the First Nation Market Housing Fund and approved lenders. The objective of the program is to provide community members access to affordable and competitive mortgages and loans in order to build, purchase, renovate or refinance homes on First Nation reserves.

<u>PROGRAM DETAILS</u>			
	New	Purchase	Renovate
Maximum Loan	\$250,000	\$250,000	\$100,000
Maximum Amortization	25 years	25 years	20 Years
Down payment	5%	5%	N/A
Life Insurance	Mandatory	Mandatory	Mandatory
Fire Insurance	Mandatory	Mandatory	Mandatory
Surveyed Lots only	Yes	N/A	N/A
First Nation Holds CP	Yes	Yes	Yes
Debts owed to First Nation	Reviewed	Reviewed	Reviewed
Renovations	N/A	Yes, within max loan	Yes
Home Inspection	Mandatory	Mandatory	Mandatory
CMHC Mortgage Insurance	Mandatory	Mandatory	N/A
Construction Method	Contractor	Contractor (renos)	Contractor

Note: The fire insurance must be sufficient to cover at a minimum the loan amount.

This orientation package and checklist has been developed to assist you with planning your build. In 2019 only the new construction will be applicable. The purchase and renovate scenarios do not apply to new construction.

The next step will be to provide you with the eligibility requirements that applicants must meet.

Please note that the minimum water setback is 20 metre from the high-water mark for all buildings and structures, including all sewage disposal systems, but excluding the following:

- Decks, gazebos and other similar structures such as hot tubs, which are unattached to a main building and which have a combined horizontal surface area of less than 14 m²; and,

- Docks, pump houses, and stairs.

New Construction

Policy for Market Based Housing

The market-based housing program is designed to provide access to mortgages for *qualified* BNA members who wish to construct a home at Sand Point.

For the purpose of this policy, new Construction is defined as the construction of a new home on an existing lot.

<u>Program Details</u>	
Maximum Loan	\$250,000
Maximum Amortization	25 years
Down Payment	5% down
Life Insurance	<i>Mandatory</i>
Fire Insurance	<i>Mandatory</i>
Lots	Surveyed Lots only (hydro)
Certification of Possession (CPs)	BNA retains the CP until mortgage is paid in full.
Debts owed to BNA	There must be no debts to BNA more than 30 days old.
Construction method	General Contractor only
Home Inspection	Mandatory
Holdback on Construction	10% for 30 Days
CMHC Mortgage Insurance	Mandatory

STAGE 1 – Pre-Qualification

- 1) The applicant must complete and submit a Market Based Housing Application to Carrel + Partners. This form is located at the end of this document.
- 2) The applicant must complete and submit a Market Based Housing Program Credit Check Request form (“BNA Credit Check Form”) to BNA.
- 3) Once the BNA Credit Check Form is received. BNA conducts an 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 BNA deems to be in default for more than 30 days.
- 4) If BNA deems that the applicant is in good standing, a Conditional Letter of Guarantee, similar to the example provided at page 7, will be issued.

- a. If the applicant has an outstanding account with BNA, a settlement of these debts is required prior to the issuance of a Conditional Letter of Guarantee.
 - b. If the band member fails to settle their arrears, the application is declined and no further action is taken on the file.
- 5) Only after the applicant has received a Conditional Letter of Guarantee from BNA can the member apply for a pre-approved mortgage. In general some factors applicants should have to receive a loan from a financial institution include but are not limited to:
- a. Total Debt Servicing (TDS) ratio not to exceed 40%.
 - b. Income earned will be evaluated.
 - 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%.
- 6) If you have concerns with any of the above, you should work with the bank to find out how you can qualify. (For example, you may have to pay down some debt or improve your credit score. Credit counselling may be an option.)
- If band member is unable to meet the minimum credit standards of the bank, the application is declined and no further action is taken.**
- 7) Applicant/Band member is required to obtain and maintain life insurance in an amount sufficient to cover at the very least, the loan balance. Insurance can be obtained from financial institution where they are financing the mortgage or from an independent broker. Proof of this is to be supplied with their application on or before March 15, 2019.
- 8) If an applicant has a non-member spouse, they must be made aware of their rights *under the BNA MRP Code adopted August 2015*.
- 9) Where a household includes a non-Band-member applicant (member's spouse) 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. A copy of this declaration is required to be provided with their application on or before March 15, 2019.
- 10) If you meet all of the requirements in Stage 1, you advance to stage 2. Details about this stage are provided below.

STAGE 2 – Approval & Construction

- 1) The CP is transferred to Band member only after the mortgage has been paid in full.

- 2) BNA 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. To be completed in January 2019.
- 3) Applicant to submit two sets of building plans, one for Carrol + Partners and one to be forwarded to the financial institution.
 - a. As a minimum, engineered plans will only be accepted and must be approved by appropriate agencies (e.g. Health Canada for Septics). In addition, site plan to be provided.
 - b. Plans from local hardware stores may also acceptable, provided they are engineered plans.
 - c. Plans must meet, as a minimum, the Ontario Building Code.
- 4) For Modular/prefabricated construction, units must meet the following minimum standards before guarantee is issued: Ontario Building Code.
 - a. Contractor not paid in full until home is in place and inspected by a qualified inspector. A holdback period of 10% for 45 days at the end of construction is required.
- 5) Applicant to get quotes from contractors and as a minimum the contractors must demonstrate that they have liability insurance, \$2 million, and provide proof of WSIB and liability coverage with their application. In addition, contractor must be capable of bridge financing construction, as **contractor not paid in full until home is in place and inspected**. A holdback of 10% for 45 days is required.
- 6) Applicant responsible for finding and paying for a qualified contractor for installing all services (i.e. water, septic and hydro) as per the BNA lot servicing plan.
- 7) Final quote along with verification of down payment must be forwarded to financial institution for final approval. Must be below maximum loan amount.
- 8) Band member is responsible for CMHC mortgage insurance premiums, which can be rolled into the mortgage. This example table of premiums is based August 2018 numbers. Members should verify this for themselves.

Loan to Value	Premium on Total Loan
Up to and including 65%	0.60%
Up to and including 75%	1.70%
Up to and including 80%	2.40%
Up to and including 85%	2.80%
Up to and including 90%	3.10%
Up to and including 95%	4.00%

Financial institution confirms CMHC mortgage insurance is in place.

- 9) Loan document forwarded as part of March 15, 2019 application package.
- 10) Contractor to provide proof of construction insurance to Carrel + Partners and Financial Institution.
- 11) Copy of builder's contract forwarded to Carrel + Partners and any related correspondence must be forwarded to BNA.
- 12) All of the above submittals must be included in the March 15, 2019 application.
- 13) Eligible applicants then participate in the lottery selection process.
- 14) Chief and Council issue Band Council Resolution for loan guarantee. This is the green light for construction.
- 15) **Construction begins.** Construction must be 90% complete by the end of 2019.
- 16) Qualified Inspector hired by member and is responsible for progress and compliance inspections. The maximum number of progress advances is six (6). Pictures to be included in the advance documentation.
- 17) Copies of all inspections to be provided to BNA.
- 18) The down payment (5%) must be available prior to the first advance.
- 19) Holdback of 10% for 45 days will be required and enforced by the applicant.
- 20) Proof of fire insurance to be provided by Band member to BNA and financial institution prior to BNA issuing a Certificate of Occupation to the homeowner. The amount of fire insurance must be sufficient to cover at a minimum the loan amount.

For financing details please enquire at your financial institution. For any questions related to this document please contact Brian Petrie at BNA.

Bingwi Neyaashi Anishinaabek

Market Based Housing Program Application

Name: _____ Band Number _____

Co-Applicant: _____ Band Number _____

Phone:(h) _____ (w) _____ (c) _____

Do not apply for a bank loan until you have submitted an application to BNA and you have received a conditional guarantee letter from BNA.

What are you applying for?

New Construction: _____ Max loan \$250,000 – 5% down

Service Lot Identified: _____ (water, septic, hydro, road access)

Do you hold Certificate of Possession: _____ (not applicable for 2019)

Do you have House Plans? _____

CONDITIONAL LETTER OF GUARANTEE

Financial Institution

(Date)

Dear Sir/Madam

Re: **Conditional Support – Market Based Housing Program**
Applicant Name

Please accept this letter as our conditional support for **Applicant Name** loan application with your financial institution for **new construction**. The applicant has met our internal pre-qualification requirements, and is now eligible to apply for a pre-approved mortgage.

This Conditional Letter of Guarantee is **not** to be construed as a final guarantee, but only serves to inform you that, based on our review of [Applicant's Name]'s application, Bingwi Neyaashi Anishinaabek expects to be in a position to guarantee [Applicant's Name]'s new home construction loan/mortgage, provided [he/she] meets your lending requirements, obtains and maintains appropriate fire insurance and life insurance coverage sufficient to repay the loan balance in full.

If you have any questions on the above, please do not hesitate to contact the undersigned at your convenience.

Sincerely,

Chief Joe Ladouceur

Councillor Katie Borysewicz

Councillor Lillian Calder

Quorum 2

Market Based Housing Program

Credit Check Request

Name: _____ Band Number _____

Co-Applicant: _____ Band Number _____

By completing this form the Band member is giving consent for Diane Dunford and Band members in arrears more than 30 days for any accounts must paid in full prior to the issuance of the conditional letter of guarantee.

Finance Use Only
Accounts Receivables Type:

Account Number	Days in Arrears	Amount of Arrears
	Total	\$

Verified by: _____ Date: _____ Finance Manager

Full Payment Received? Yes _____ No _____