Affordable Home Ownership for Aboriginal People in Saskatoon: Financial and Funding Options

FINAL REPORT

To: Bridges and Foundations
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EXECUTIVE SUMMARY

There is an ever-widening gap between what many can pay for housing and what is being offered in the marketplace. In many cases, households can qualify for a mortgage but they cannot find a home in their price range. The ability to afford decent and suitable housing is particularly problematic for single persons, lone parent families, Aboriginals and seniors.

The objective of this research was to develop financing and funding options that will help close the gap between the capacity of Aboriginal people to purchase housing and the price of housing, and to develop these options so they can be implemented within a short period of time.

A partnership between the Muskeg Lake Cree Nation, the Saskatoon Tribal Council, the Saskatoon & Region Home Builders' Association, and the Sun Ridge Group was created to host a roundtable session to discuss financing and funding options that will help Aboriginal people become homeowners. Nineteen individuals from various organizations attended the one-day session.

The day began with a two-person sketch illustrating some of the barriers that could be faced by a young Aboriginal person applying for a mortgage. Participants were then asked to present five major challenges within the current mortgage system, as follows:

1. There is a lack of knowledge about how the system works and comfort with the system.
2. The system does not take into account lifestyle issues for Aboriginals.
3. There is rigidity in the system and it is targeted towards the middle class.
4. There is an issue of establishing credit and dealing with the Credit Bureau.
5. A person's credit history affects his/her ability to get a mortgage for many years and should not be so heavily weighted.

Participants were divided into three groups, making sure that each group was composed of individuals from various backgrounds. Each group was assigned an Aboriginal individual or family in need of affordable housing and asked to determine the type of housing required, the capacity of the individual or family to purchase a home, and how much it would cost to purchase or build the required home.

The first group (Single Student and Elder Couple) suggested a group home concept for students with an elder mentor/caretaker. Mortgage payments were determined to be $225 per month and utilities and maintenance were set at $50. A limited equity co-op model with a band or Metis non-profit sponsor providing the equity was recommended. The model would allow the building of equity but not the capture of appreciation. An equity stake would be taken out when a student leaves but it is not equal to 100% of the mortgage payments made. The equity required would be $50,000 to $80,000, with the bank financing the remainder.

The second group (Single Parent Family) indicated that a two- or three-bedroom home (single family or townhouse) would be required. With a CAHP grant, it was determined that the family could purchase a home for $104,600. In this case, the applicant's TDS was too high because of a car loan. Even if this were dealt with there was a question as to whether or not buying a home was a good option for this family.

The third group (Two-Parent Family) recommended a three- to four-bedroom home (single family or semi-detached). It was determined that the family's high debt load needed to be addressed by providing mentorship and education.

In conclusion, the roundtable session was very successful in making the participants aware of the challenges that are faced by first-time homebuyers as well as some of the special challenges faced by Aboriginals, particularly those that grew up on reserves.

Participants were also made aware of some of the activities that are currently being implemented to initiate affordable housing and those that could be implemented. This awareness helped stimulate creativity in the groups.

At the end of the day it was clear to all participants that all of the organizations that were represented at the roundtable session need to work together to make housing more affordable for Aboriginal people.

The following actions were recommended:

1. An aggressive mentoring and education program for lenders, builders and developers, governments, clients, user group
2. Lobby the City of Saskatoon to provide land at appropriate prices and locations
3. Create a housing fund and find funding
4. Recommend changes to underwriting criteria and lobby for the changes, for example income recognition
5. Develop capacity to move ahead – work together

The following steps relate to moving ahead with the recommendations:

1. Prepare a submission and present it to potential sponsors of a mentoring and education program. For example lenders and builders could pay a tuition fee for clients to enroll in the program.
2. Assemble the groups that participated in the roundtable session, review the City of Saskatoon's current policies on land development, and prepare a submission to be presented in separate meetings with the senior bureaucracy and city councillors.
3. Determine if a single housing fund or a series of funds needs to be created. Other decisions have to be made regarding the size of the fund, how it will be administered and controlled, and where will it be lodged (e.g., the lender).
4. Convene meetings with the organizations in this group and others to discuss what should be done to increase flexibilities in the current underwriting criteria. Confirm the problems and propose other flexibilities that will help Aboriginals obtain mortgages. Once this is done, make a presentation to the mortgage insurers and lobby for adaptation.
5. As a group, assign activities to those with interest or a vested interest to lead the work.

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1.0 INTRODUCTION

Over the last ten years housing costs have increased at a much faster rate than the incomes of most households. The result has been an ever-widening gap between what many can pay for housing and what is being offered in the marketplace. In many cases, households can qualify for a mortgage but they cannot find a home in their price range. The ability to afford decent and suitable housing is particularly problematic for single persons, lone parent families, Aboriginals and seniors.

Beyond the personal benefits of home ownership, such as pride of ownership and financial stability, there are also benefits to society, including:

- Community and social stability
- A sense of community responsibility
- Less crime
- Improved health
- Reduction in the need for income supplements when homeowners become senior citizens

Figure 1 shows the existence of a gap between the capacity of an individual or family to purchase a home and the actual price of homes in the market. The capacity is influenced by personal income, employment, credit history, debts, utility rates and tax assessment. House prices are influenced by land costs, zoning, development costs, construction costs (material and labour), and design and technical innovations (e.g., improvements in energy efficiency, which have increased the cost of construction).

There are different options that can be implemented to close the gap between the capacity of individuals/families to purchase a home and the price of homes. Financing options include: modifying underwriting criteria, establishing alternative lending strategies, finding equity partners, and establishing benefactor funds. Funding options include: homeowner grants (offset by tax equivalents such as GST, PST, income tax) and government grants in general.

These options, as well as others, need to be discussed by creative, knowledgeable and influential people including individuals from the financial community such as lenders and insurers; builders and developers; the City of Saskatoon and the province; and Aboriginal organizations.

2.0 OBJECTIVE

The objective of this research was to develop funding and financing options that will help close the gap between the capacity of Aboriginal people to purchase housing and the price of housing, and to develop these options so they can be implemented within a short period of time.

Each household has the capacity to buy, up to a certain price.

Things that influence CAPACITY

- Income
- Employment
- Credit history
- Debts
- Utility rates
- Tax assessment

When home prices are beyond a household's capacity a gap is created.

Things that may be able to FILL THE GAP

- Price reductions
- Financing options

  →Modifying underwriting criteria

  →Equity partners

  →Alternative lending

  →Benefactor funds
- Funding options

  →Grants

  →Government

Each home has a price.

Things that influence PRICE

- Land Costs
- Zoning
- Development costs
- Construction costs
- Design & technical innovations

Figure 1. The gap between the capacity of a family to purchase a home and the price of homes.

3.0 METHODOLOGY

A partnership between the Muskeg Lake Cree Nation, the Saskatoon Tribal Council, the Saskatoon & Region Home Builders' Association and the Sun Ridge Group was created to host a roundtable session to discuss financing and funding options that will help Aboriginal people become homeowners.

Thirty-seven individuals representing various organizations (Appendix A) were invited to attend the session on December 7th, 2004. Each person was phoned prior to sending a letter of invitation in order to explain the objectives of the session and to tell them to expect a formal invitation by mail or fax (Appendix B). Twenty-one people indicated they would attend. A phone call to confirm attendance was made on December 6th.

The session was held at the Willows Golf & Country Club from 9:00 a.m. to 3:00 p.m. The agenda (Appendix C) did not follow a rigid time schedule so as to allow for more free-form discussion. Nineteen individuals attended.

The session began with an introduction by Keith Hanson followed by welcoming comments from the following:

Paul Ledoux – Muskeg Lake Cree Nation
Roger Parent – Metis Nation of Saskatchewan
Greg Carter – Federation of Saskatchewan Indian Nations
Alan Thomarat – Saskatoon & Region Home Builders' Association
Barry Down – Saskatoon Tribal Council
Keith Hanson – Sun Ridge Group

A sketch, "The Agony of Peter Joe", was presented to show the possible barriers that could be faced by a young Aboriginal person applying for a mortgage. Paul Ledoux of the Muskeg Lake Cree Nation played the applicant, Peter Joe; Earl Kotlar of Canada Mortgage and Housing Corporation played the lender, Mr. Black; and Kristina Johnson of the Sun Ridge Group acted as moderator to provide additional information. The script is shown in Appendix D. Areas that were included as possible barriers were income, employment, credit history, and debt. Following the sketch, participants were asked to present five major challenges within the current mortgage system.

A presentation was made on "What's Being Done Now" (to address affordable housing issues) and "Ideas and Concepts". The presentation included descriptions of the following:

- Affordable New Home Development Foundation and its First Homes program
- Centenary Affordable Housing Program (CAHP)
- Transition Entity Cooperative
- Land Trust
- Housing Trust
- Saskatoon Housing Initiatives Partnership (SHIP)
- Initiatives in Other Countries

This information was presented in PowerPoint and was provided as a handout package to the participants (Appendix E).

The following graph was presented (Figure 2). It illustrates the gap between the capacity of individuals or families to purchase a home at incomes of less than $40,000, and the price of homes in Saskatoon. Calculations were based on a mortgage factor of 7.00 and taxes of $150 per month. The real house price was set at $110,000, the approximate price of a new townhouse condominium in the city. The graph also shows the increase in capacity as a result of a CAHP grant. As indicated, there is still a considerable gap, which could be closed with a housing trust fund.

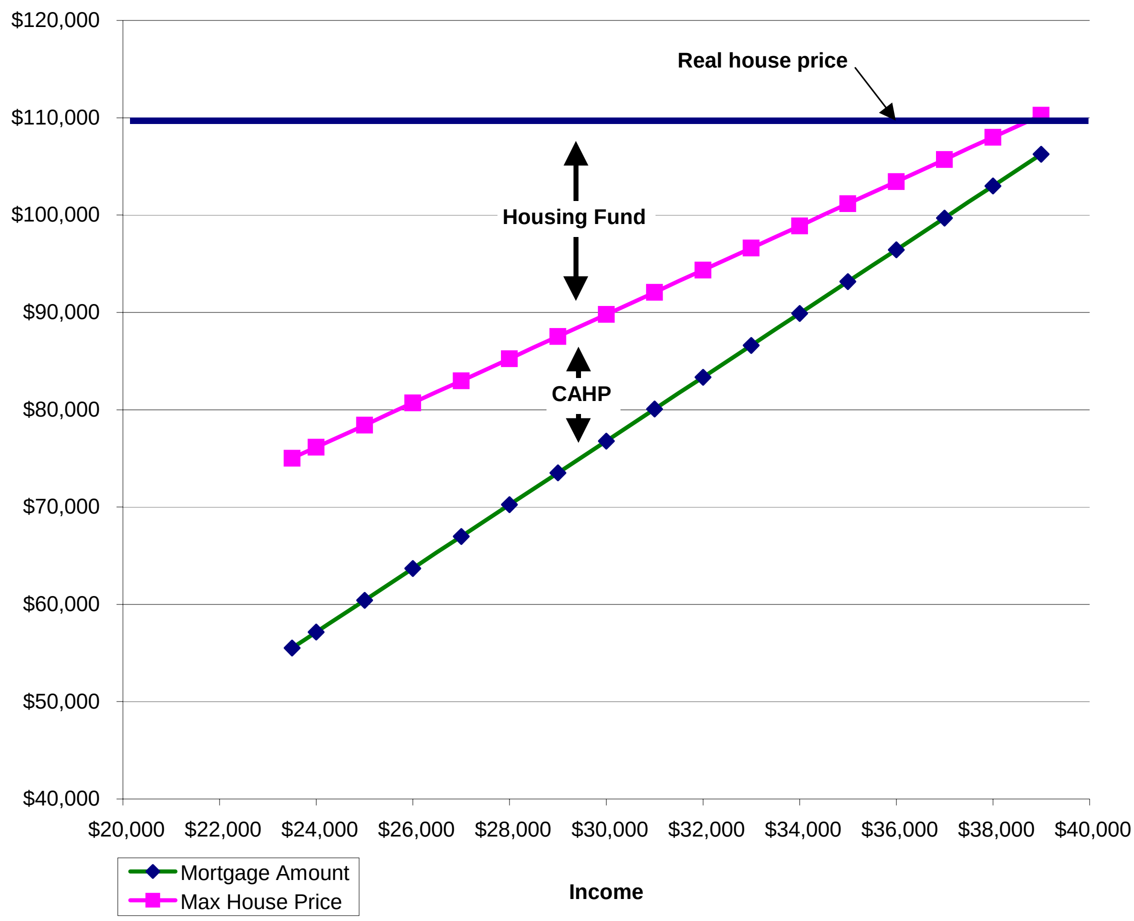

Figure 2. The capacity to purchase a home at incomes under $40,000 and the gap between capacity and the real house price.

The participants were divided into three groups, making sure that each group was composed of individuals from various backgrounds.

Group 1
Alan Anderson – Bridges and Foundations
Brenda Wallace – SHIP
Lorne Sully – City of Saskatoon
Jim Bridgeman – Saskatoon Real Estate Board/Royal LePage
Paul Ledoux – Muskeg Lake Cree Nation
Kelly Bitternose – Peace Hills Trust

Group 2
Barry Down – Saskatoon Tribal Council
Roger Parent – Metis Nation of Saskatchewan
Greg MacLeod – Provincial Metis Housing Corporation
Anita Rosdahl – First Nations Bank
Colleen Mah – North Ridge Development Corporation

Group 3
Greg Carter – Federation of Saskatchewan Indian Nations
Lori Lucyk – Home Loans Canada
Ron Olson – Boychuk Construction Corporation
Alan Thomarat – Saskatoon & Region Home Builders' Association
Tim Gross – Saskatchewan Housing Corporation
Martin Chicilo – Saskatoon Credit Union

Each group was assigned an Aboriginal individual or family in need of affordable housing. The profiles, which are presented in Appendix F, included family size and financial information (income, type of employment, and debts). Group 1 was assigned the Single Student and Elder Couple; Group 2 was assigned the Two-Parent Family; and Group 3 was assigned the Single-Parent Family.

Each group was asked to determine the type of housing required, the capacity of the individual or family to purchase a home, and how much it would cost to purchase or build the required home. In determining capacity, the groups were provided with a formula sheet (Appendix G) for calculating how much the household could pay for housing, and the Total Debt Service ratio.

The groups were told not to let barriers stop them from finding a solution, i.e., they were encouraged to find creative ways to help these individuals and families become homeowners. Each group presented their solutions. Finally, the participants were asked to suggest five actions that can be taken that will make a difference.

A thank-you letter was sent out to all participants (Appendix H).

4.0 RESULTS

4.1 Sketch

"The Agony of Peter Joe" provided participants with a look at some of the challenges faced by an Aboriginal individual applying for a mortgage. The major challenges faced by Peter Joe were as follows:

- Income Sources
  Peter Joe was self-employed for two years, one year short of the lender requirement of three years. He also did some contract work and received a Band training allowance, both of which were not recognized by the lender.

- Credit History
  Peter had no credit history. Most of his bills were paid in cash.

- Debt
  Some of Peter's work was on reserve and because he didn't pay taxes, his net income equalled his gross income. Mr. Black mistakenly told Peter that the system does not take this into account. In reality income is grossed up by 25% if under $30,000, and by 35% if over $30,000. When the GDS (Gross Debt Service) and TDS (Total Debt Service) ratios were calculated it was apparent that Peter's allowable mortgage payment was too low to be able to purchase a home.

Following the sketch, discussion by the roundtable participants resulted in a list of the five greatest challenges:

1. There is a lack of knowledge about how the system works and comfort with the system. A mentor would be valuable in this case; however, if the individual grew up on a reserve there is essentially no exposure to home ownership.

2. The system does not change. It does not take into account lifestyle issues for Aboriginals, such as growing up on a reserve where work is often paid for in cash and establishing a credit history is difficult. Also, other income sources may not be recognized.

3. There is rigidity in the system (lenders adhere to the status quo), and it is targeted towards the middle class.

4. There is an issue of establishing credit and dealing with the Credit Bureau. It was noted that there should be recognition for payment of bills, not just for unpaid bills.

5. A person's credit history affects their ability to get a mortgage for many years and should not be so heavily weighted.

4.2 Family Profiles

This exercise provided various challenges for the three groups, but each managed to come up with some creative ideas. The following is a summary.

4.2.1 Single Student and Elder Couple

Type of Housing Required
- Group home concept for students with elder/mentor caretaker
- Large rooming house or apartment style

Capacity to Purchase
- Can afford $225 for mortgage payments, $50/month for utilities and maintenance
- Note: a study shows the average Aboriginal single student pays $500/month for rental housing
- Assume CAHP grant does not apply

Solution
- Limited equity co-op model with a Band or Metis non-profit sponsor providing the equity, with the sponsor being a patient investor
- Sponsor would have to guarantee the mortgage
- Model would allow the building of equity but not the capture of appreciation
- Equity stake would be taken out when a student leaves the unit but it is not equal to 100% of the mortgage payments made
- Equity required would be $50,000 to $80,000, with the bank financing the remainder (which is recouped from the student's payments)
- Could engage CMHC underwriting flexibilities (85% financing)
- The sponsor buys a serviced greenfield acre of land for $200,000
- 8-unit dwelling, 400 square foot units
- Opportunity for single family housing as well – multi-unit dwelling plus single family housing on one acre (density of more than 10 units/acre)

Barriers
- Obtaining a sponsor, mortgage financing, land availability

4.2.2 Single Parent with Two Children

Type of Housing Required
- Two- to three-bedroom home (single family, townhouse), 1,000 square feet

Capacity to Purchase
- With a CAHP grant of $19,500, the family can purchase a home for $104,600

Solution
- The car loan puts the TDS too high – need to pay off
- Three options: (1) Have the bank issue a 5% cashback to pay off the car loan; (2) Participate in the Transition Entity (car loan will be paid off within 1.5 years); (3) Wait for 1.5 years until car loan is paid off

- The Band may have some funding money to assist – equity grant or patient long term loan (forgivable or straight loan)
- Question as to whether or not this is a good option in light of the high PITH ($757)
- Consider that rent for a 2-bedroom house would be $700 to $800
- However, rent would be approximately $542 plus utilities if the family were in Cress Housing or SaskNative Rentals
- Purchasing is doable for some people but it would be preferable to have some cushion (if any emergencies come up)
- Possible solutions: amortize over more years; housing trust fund

<u>Barriers</u>
- Income level is low

4.2.3 Two-Parent Family with Four Children

<u>Type of Housing Required</u>
- Three- to four-bedroom home (single family home or semi-detached)

<u>Capacity to Purchase</u>
- High income (on-reserve income is grossed up by 35%)
- Can purchase home over $200,000 based on income
- However, family has no assets and a large debt load
- Don't qualify for CAHP grant

<u>Solution</u>
- Need mentorship and debt counselling
- Need to develop and maintain a budget
- Could consolidate the loan but would be difficult as they only have a vehicle to secure
- Need to have the desire to be a homeowner – owning a home is often seen as an expense not as an investment
- The problem is that when marginalized people start earning a good income they often start overspending
- Recommend a mentorship program to change their perspective on what a home is and the advantages that go with home ownership
- Needs to be an ongoing program with follow-up
- Aboriginals who have always lived in social housing need to be educated – they don't see housing as an asset – needs to be an attitude change
- Funding is required to implement such a program – Urban Aboriginal Strategy (UAS) or CAHP may have a role
- Maybe a value to the lender to "sponsor" clients – good customer relations brings return business

<u>Barriers</u>
- Debts are too high

5.0 CONCLUSION

The roundtable session was very successful in making the participants aware of the challenges that are faced by first-time homebuyers as well as some of the special challenges faced by Aboriginals, particularly those that grew up on reserves.

Participants were also made aware of some of the activities that are currently being implemented to initiate affordable housing and those that could be implemented. This awareness helped stimulate creativity in the groups.

At the end of the day it was clear to all participants that all of the organizations that were represented at the roundtable session need to work together to make housing more affordable for Aboriginal people.

6.0 RECOMMENDATIONS

The roundtable session participants recommended five actions that could be implemented immediately:

1. An aggressive mentoring and education program for lenders, builders and developers, governments, clients, user group

2. Lobby the City of Saskatoon to provide land at appropriate prices and locations

3. Create a housing fund and find funding

4. Recommend changes to underwriting criteria and lobby for the changes, for example income recognition

5. Develop capacity to move ahead – work together

7.0 LISTING OF FUNDING, FINANCING AND STRUCTURE OPTIONS

Centenary Affordable Housing Program (CAHP) Grant – provides forgivable equity loans to approved households in Saskatchewan

Transition Entity[1] – a cooperative that makes PIT payments and collects the amount from the family until they are able to qualify for a mortgage on their own.

Land Trust – a mortgage is taken out on the building only and the owner pays a fee for leasing the land.

Housing Fund – acquires money to provide gap financing to low and modest income households to assist them in becoming homeowners.

Equity Loan – a sponsor gives an equity loan to purchase a home. The occupant is required to repay the loan in one of two ways: over time (monthly payments) or in one lump sum.

Limited Equity Co-op – allows the building of equity but not the capture of appreciation.

Revolving Equity Fund[2] – solicits investment from corporations, foundations and government and makes it available for the development of affordable housing through a second mortgage mechanism.

Community Investment Deposit[3] – GIC product with RRSP eligibility.

Shared Ownership[4] – provides households with an opportunity to own a part share in their home. Applicants can buy a share (minimum 25%) in a property according to their means. They then rent the remaining "unsold" share from a housing association, but can normally purchase further shares until they own the home outright.

Government Backed Mortgage Securities – mortgages are purchased, packaged and sold as securities to investors to generate a pool of capital.

Community Bonds – the community borrows money from the people to invest in a project or activity that is in line with the stated purpose of the bond.

Tax Exempt Municipal Bonds[5] – structured to appeal to either institutional or individual investors with the attraction being the tax-exempt nature of the return – a higher after tax yield.

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[1] Affordable New Home Development Foundation
[2] Saskatoon Housing Initiatives Partnership (SHIP)
[3] SHIP
[4] United Kingdom
[5] United States

Supportive Investment – an investment pool such as a charitable foundation or pension fund invests 1% of its total endowment in affordable housing at 0% interest over 5 years. The principal is repaid after 5 years. The capital can be protected through mortgage insurance, a benefactor guarantee, a contingency fund, or a government guarantee.

Bank Initiatives – Provide cashback without any clawback; more flexible underwriting criteria; administration of a housing fund; financially support education and training initiatives.

8.0 NEXT STEPS

The following next steps relate to moving ahead with the recommendations:

1. Prepare a submission and present it to potential sponsors of a mentoring and education program. For example lenders and builders could pay a tuition fee for clients to enroll in the program.

2. Assemble the groups that participated in the roundtable session, review the City of Saskatoon's current policies on land development, and prepare a submission to be presented in separate meetings with the senior bureaucracy and city councillors.

3. Determine if a single housing fund or a series of funds needs to be created. Other decisions have to be made regarding the size of the fund, how it will be administered and controlled, and where will it be lodged (e.g., the lender).

4. Convene meetings with the organizations in this group and others to discuss what should be done to increase flexibilities in the current underwriting criteria. Confirm the problems and propose other flexibilities that will help Aboriginals obtain mortgages. Once this is done, make a presentation to the mortgage insurers and lobby for adaptation.

5. As a group, assign activities to those with interest or a vested interest to lead the work.

APPENDIX A

Invitation List

Last Name	First Name	Position	Organization	Address	City	Phone	Fax
Anderson	Dr. Alan	Research Director	9 Campus Drive, Arts Bldg	University of Saskatchewan	Saskatoon	(306) 966-6927	(306) 966-6950
Bitternose	Kelly	Regional Manager	Peace Hills Trust	103C Packham Ave	Saskatoon	(306) 955-8600	(306) 955-0344
Blais	Robin		ScotiaMcLeod	305 - 3303 Hillsdale St	Regina	(306) 761-6522	(306) 525-3273
Bridgeman	Jim		Royal LePage	3 - 701 2nd Avenue N	Saskatoon	(306) 242-3535	(306) 651-3721
Carroll	John		Carroll Homes Ltd.	1702 Cameron Ave	Saskatoon	(306) 955-6677	(306) 955-6676
Carter	Greg	Economic & Community Development	FSIN	Suite 200 - 103 A Packham Ave	Saskatoon	(306) 956-6917	(306) 244-4413
Chicilo	Martin	Community Economic Development Manager	Saskatoon Credit Union	#201 - 209 22nd St E	Saskatoon	(306) 934-4052	(306) 934-4019
Down	Barry		Saskatoon Tribal Council	#200 - 335 Packham Avenue	Saskatoon	(306) 956-6100	(306) 244-7273
Gamble	Ray	Manager	BMO Bank of Montreal	101 2nd Ave N, 3rd Floor	Saskatoon	(306) 934-5638	(306) 665-7706
Gamracy	Veronica		CIBC Wood Gundy	119 4th Ave S, Suite 600	Saskatoon	(306) 657-4702	(306) 975-3832
Gauthier	Paul		City of Saskatoon	222 3rd Ave N	Saskatoon	(306) 975-2645	
Gibson	David		TD Canada Trust	3020 - 8th Street E	Saskatoon	(306) 477-0451	(306) 477-0351
Grant	Terry	Senior Manager	Royal Bank of Canada	4th Fl, 154 1st Ave S, Box 230	Saskatoon	(306) 933-3509	(306) 668-3893
Greyeyes	Spencer		Muskeg Lake Cree Nation 102	P.O. Box 248	Marcelin	(306) 220-3012	(306) 466-4951
Gross	Tim	Director, Affordable Housing Regina	Saskatchewan Housing Corporation	6th Floor, 1855 Victoria Ave	Regina	(306) 787-7311	(306) 787-4951
Hepburn	Dave		North Prairie Developments Ltd.	#9 - 3002 Louise Street	Saskatoon	(306) 931-2880	(306) 242-3133
Jimmy	Wilfred	Regional Manager	c/o CIBC, Transit 518	320 Circle Drive E	Saskatoon	(306) 668-3413	(306) 668-3437
Johnstone	Chief Glenn		Saskatoon Tribal Council	200 - 203 Packham Ave	Saskatoon	(306) 956-6100	(306) 244-7273
Jones	Darrell	Assistant Deputy Minister	Deputy Minister's Office	1920 Broad St	Regina	(306) 787-4174	(306) 787-1032

Kotlar	Earl		Canada Mortgage & Housing Corp.	P.O. Box 1107	Saskatoon	(306) 975-4924	(306) 975-6066
Ledoux	Paul	Property Manager	Muskeg Property Management Inc.	100-103 B Packham Ave	Saskatoon	(306) 477-6221	
Lonechild	Guy		Federation of Saskatchewan Indian Nations	Suite 200 - 103 A Packham Ave	Saskatoon	(306) 665-1215	(306) 244-4413
Lucyk	Lori	Mortgage Specialist	Home Loans Canada	123 Saskatchewan Cres W	Saskatoon	(306) 222-4311	(306) 668-3208
Mah	Wally		North Ridge Development Corp.	3037 Faithfull	Saskatoon	(306) 242-2434	(306) 242-9987
Mah	Colleen		North Ridge Development Corp.	3037 Faithfull	Saskatoon	(306) 242-2434	(306) 242-9987
Martel	Keith		First Nations Bank of Canada	100 - 224 4th Ave S	Saskatoon	(306) 955-3622	(306) 955-6811
McLeod	Greg		Provinicial Metis Housing Corp.	219 Robin Crescent	Saskatoon	(306) 343-8240	(306) 343-0171
Olson	Ron		Boychuk Construction Corp.	Box 22039	Saskatoon	(306) 374-3939	(306) 374-4411
Parent	Roger		Metis Nation - Saskatchewan	2nd Floor, 219 Robin Cres	Saskatoon	(306) 668-7671	(306) 343-0171
Piller	Lonnie	Manager, Non-Profit Programs	Saskatchewan Housing Corporation	9th Floor, 122-3rd Ave N	Saskatoon	(306) 933-8464	(306) 933-8411
Rosdahl	Anita		First Nations Bank of Canada	100 - 224 4th Ave S	Saskatoon	(306) 955-3622	(306) 955-6811
Settee	Priscilla	Indigenous Peoples Program	134 Kirk Hall	University of Saskatchewan	Saskatoon	(306) 966-5556	(306) 966-5567
Sully	Lorne		City of Saskatoon	222 3rd Avenue N	Saskatoon	(306) 975-2686	(306) 975-3185
Szafron	Dana		GE Capital Mortgage Insurance	3839 Fairlight Dr	Saskatoon	(306) 222-0802	(306) 249-4885
Thomarat	Alan	Executive Director	Saskatoon & Region Home Builders' Association	11, 3012 Louise St	Saskatoon	(306) 955-5162	(306) 373-3735
Wallace	Brenda	Executive Director	Saskatoon Housing Initiatives Partnership	Box 9149	Saskatoon	(306) 934-1711	(306) 934-2647
Watts	Robb		Saskatchewan Housing Corporation	9th Floor, 122 3rd Avenue N	Saskatoon	(306) 933-6292	

APPENDIX B

Invitation Letter

MUSKEG LAKE FIRST NATION **SASKATOON TRIBAL COUNCIL**

SASKATOON & REGION HOME BUILDERS' ASSOCIATION **SUN RIDGE GROUP**

November 26, 2004

Dear:

Current conditions have led to a well-recognized need for the creation of innovative housing solutions for Aboriginal people. In response to this challenge, the Saskatoon Tribal Council, Muskeg Lake Cree Nation, Sun Ridge Group, and Saskatoon & Region Home Builders' Association are hosting a roundtable session on finance and funding options to address affordable housing, with a primary focus on housing for Aboriginals. Issues include income and source recognition, debt, credit, underwriting criteria, and knowledge about the mortgage process. **We are inviting you to attend and share your knowledge and expertise.**

The roundtable will bring together a diverse group of individuals, both Aboriginal and non-Aboriginal, to discuss and develop creative financial strategies designed to help individuals and families purchase affordable homes. Approximately 25 key individuals are being asked to participate and contribute their expertise and time. This will create an opportunity to work together exploring the issue of Aboriginal housing and developing solutions. The goal of the roundtable is to identify financing strategies that can be developed for implementation.

Your participation in this session will be valuable.

The roundtable session will be held in Saskatoon on December 7th, 2004 at:

Eagleview Room (upstairs)
Willows Golf and Country Club
9:00 a.m. to 4:00 p.m. (Continental breakfast and lunch will be served)

We will be contacting you by telephone to confirm your attendance. If you have any questions or would like more information, contact one of the following:

Thank you.

Saskatoon Tribal Council – Barry Down 244-7744
Muskeg Lake Cree Nation – Paul Ledoux 477-6221
Sun Ridge Group – Keith Hanson 665-2525 ext. 114
Saskatoon & Region Home Builders' Association – Alan Thomarat 955-5162

APPENDIX C

Agenda

AGENDA

9:00 Introduction and Welcoming Comments

Paul Ledoux – Muskeg Lake Cree Nation
Roger Parent – Metis Nation – Saskatchewan
Greg Carter – Federation of Saskatchewan Indian Nations
Alan Thomarat – Saskatoon & Region Home Builders' Association
Barry Down – Saskatoon Tribal Council
Keith Hanson – Sun Ridge Group

Sketch: "The Agony of Peter Joe"

Presentation

- What's Being Done Now?
- Ideas and Concepts

Presentation – The GAP

Group Work

- Profile of 4 families
- Type of housing needed
- Capacity of each family to purchase a home
- How much to purchase or build the required home
- Solve the problem

Final Reports

Discussion

List of Actions

Who's Going to Do What?

3:00 Conclusion and wrap-up

*Lunch will be available at 12:00 p.m.

APPENDIX D

Script for Sketch

The Agony of Peter Joe

Peter Joe: Applicant -- College grad, lender employee
Mr. Black: Lender -- at desk with computer, calculator and files.

SCENE ONE: Mortgages and Down Payments

Joe knocks on door.

Peter:

Mr. Black I was wondering if you had a few minutes to discuss mortgages with me. I know as a newly hired teller I won't get involved in mortgages, but I'd like to learn more about the industry. And to tell you the truth, now that I've landed this job I may be looking at buying a house down the way.

Mr. Black:

Peter, let me once again praise you for joining our company. I know that you're going to enjoy your career in the lending industry. And who knows…with all I've been hearing about your work ethic, we may be moving you up the corporate ladder in no time flat. I'm impressed that you're taking an interest in other parts of the business.

Peter:

Well thank you sir. It's very rewarding seeing the smiles on the faces of the bank's customers!!

Mr. Black:

Peter, that's what our business is all about. Serving our customers. Helping them to realize their dreams. Sometimes I feel just like Santa Claus!!.

Like when you arrange that mortgage for the first time home buyer. Helping them to realize that Canadian dream of home ownership. I'd bet that you didn't realize that through the graces of the Canadian lending institutions Canada has one of the highest home ownership rates in the world. Why virtually everyone can own their own house.

Peter:

Coming from my community you don't always see it that way. Many of my friends and other people I know are looking at homeownership but very few have been able to achieve it.

I know your time is tight, so maybe we can get around to discussing mortgages. How does the process work?

Mr. Black:

Well simplistically, a lender will provide you with the funds required to purchase a house, and the loan will be secured by the house. The lender will assess the applicant's ability to repay the loan in determining the amount which they feel comfortable lending as a mortgage. The key issue to the Lender is if we lend the applicant money will it be repaid?

Peter:

Well if its not repaid don't you just take back the house. Sorta like when the repo guys come and get your car if you fall behind on payments?

Mr. Black:

But that's not what we want to do. We're in the money business. Financing Canadian dreams. As lenders, we don't want to be in the business of owning property. There's a big cost incurred by the lender if foreclosure were required. And we'd have to spend money again to resell the property. So there's no upside to the lender taking on customers who won't be able to uphold their end of the bargain – meeting monthly mortgage payments.

Peter:

Let's get back to this loan worthiness you've mentioned. What will I need to show you before I can get a mortgage?

Mr. Black:

Well the bank will need to know that you have the ability to cover the down payment on the house. In conventional home financing that would amount to 25% of the cost of the house.

Peter:

What? So for a $100,000 house I'd need to come up with $25,000 as a down payment.

(Use calculator and do some calculations) At my exceedingly generous current salary that'll take me about 500 years to save that much …oh yeah, that'll happen!

Mr. Black:

It does get better. Mortgage insurance allows the lender to provide a mortgage on up to 95% of the value of the property. Those forward thinking people in Ottawa have put that program in place to assist first time buyers.

Peter:

So for that $100,000 house I'd need to come up with only $5,000 as a down payment. That'd certainly be easier. Every once in a while Ottawa does do something useful, don't they.

So what you're saying is me putting my own money into the home demonstrates credit worthiness?

Mr. Black:

Well it does demonstrate to the lender that you are willing to invest your own money in the home. And it proves that you've been able to get that money-whether from savings or from another source.

Peter:

Okay, so I've got to come up with the downpayment. Hmmm. Where will that come from???

MODERATOR

The problem is usually not the down payment. Let's not focus too much on finding down payments...

Fills in various options for raising down payments (sweat equity, gifts from family and friends, gifts from organizations, equity loans from government programs like CAHP, personal saving (perhaps with support from IDA sponsors)

SCENE ONE: Recognition of Income

Peter:

Okay. Think I've got the bit about getting the down payment together. What else will you need to see to get me a mortgage?

Mr. Black:

Well as a lender I'll need to know that you'll have the ability to make your mortgage payments on a monthly basis.

Peter:

So you need to know that I've got a job. (ASIDE: If I got a raise… I'd even think that I had one)

Mr. Black:

Right. Now in your case clearly you've got a job in a solid industry. And that's good. That stability of employment will be to your favour. The mortgage lender will also want to know about the applicant's work history. We'd take a look at where you've worked and how much income you've generated through your previous employment.

Peter:

Well I've never shied away from hard work.   Before I decided to go back to school I had my own business. I was running my own construction company for a couple of years. I still do some contract work in the summer. Did some renovations for the Band.

Mr. Black:

Well we have a couple of rules that we have to follow here. The bank won't acknowledge earnings from self employment unless there's a three year track record. And contract earnings won't be reflected in your income assessment.

Peter:

Pardon me. You're saying that me running my own business doesn't count. Or if I did contract work that doesn't count.

Mr. Black:

It's not that it doesn't count, but on the application form here I'm not allowed to recognize that history unless you'd been in business for three years. It might not reflect a solid income stream.

Peter:

Seems strange to me. But if I had worked for someone else making less money, your form would acknowledge that income.

Mr. Black:

Right.

Peter:

Well let's see. For the past couple of years I've been getting a training allowance from the Band to help me while I'm getting my education. Works out to a monthly income of $1,500 / month. (ASIDE: Actually …after taxes that more than I'm making now!)

Mr. Black:

Well the application form here states that a variety of income sources aren't really income. For this purpose we're not able to recognize training allowances, EI payments, or child tax credits as income.

Peter:

Well how about the tips I make at my part-time job? Even working part time I can bring in a couple of hundred bucks a night. !

Mr. Black:

We'd need to see documentation to substantiate that. You must have claimed that income on your tax filing.

Peter:

What? And pay taxes on cash income. I think not!

Mr. Black:

Well the mortgage application form is quite specific. Income sources have to be stable and documented. I'm thinking that based on what you've told me you're going to need to wait a few years till you've established a longer term work history.

Peter:

You keep referring to the application form and requirements. Don't you have any ability to alter the criteria?

Mr. Black:

Well Peter, there's an early lesson for you in the lending business. The rules and regulations are made up in Ontario and you know that what comes from the east has to be correct!

Peter:

Okay. But it all seems sorta strange. Who would think that a hard working guy doesn't get credited for working hard!

MODERATOR

Recognition of income is an issue. What works and what doesn't. There are many people that have never been unemployed, having continuous work in one form or another…none of it qualifying as income for mortgage purposes.

One of the challenges we face is recognizing the 'new reality' where people work many jobs, move between jobs, utilize self-employment options, and often are frozen out of 'full time' or 'permanent' employment by companies that favour part-time workers.

The other issue here is the recognition of income earned on-reserve compared to that earned off-reserve. Employment income generated on the urban commercial reserves is significant and is an increasing strategy and trend that must be taken into account.

SCENE THREE: Credit

Peter:

Okay. So far you've talked about down payment and work history as part of the mortgage approval process. What else are you going to be looking at?

Mr. Black:

Well Peter an important part of our assessment of your application will involve your credit history. We'll lookup your credit record through one of the rating services. Here I'll simply enter your name at Equifax!

(Turns to computer, clicks on some keys)

Wow. Says here that you have never had a credit card.

Peter:

No. I applied for a credit card through a couple of places – but I was always turned down. They said that until I had a credit rating they couldn't approve me for a card. What's up with that?

Mr. Black:

Just another one of those inflexible rules that comes out of Ottawa!.

Peter:

Any way, it's never been a big deal because most of my deals are in cash. People like that too.

Mr. Black:

But Peter, you need to understand that a Lender requires a credit history. It's an important means of confirming that you pay your bills on time. It proves to the Lender that you're not a risk.

Peter:

Okay but let me understand this. If I had not paid my bills wouldn't that show up on that fancy credit report program?

Mr. Black:

That's correct…if the person who wasn't paid reported it to the credit bureau. The report usually tracks your banking history, whether you bounced a check or overdrew your account. And then your record with utilities (Sasktel, Sask power, etc.) may show on your report as well.

Peter:

So let me try and figure this part of the system out. I'd have a credit record if I bounced checks and borrowed money or used a credit card (which I can't get because I don't have a credit record).

Mr. Black:

Right…though the better your record of paying your bills, the better would be your credit score. It's much like a score sheet –providing a number from 300 to 900…with points deducted for non-payments or late payments. And it tracks your record over a period of five (?) years. The higher the number… the better your rating.

Peter:

Makes it hard to get a good rating when the Band is paying some of the bills doesn't it? Doesn't seem to make a lot of sense…my credit is deemed be a lot of credit for not owing anybody anything.

Mr. Black:

That is another thing that a credit report will show. What your current debt is. How much you currently owe and what your monthly payments are. And that'll play a role in determining whether you have the ability to pay the monthly payments for a mortgage.

Peter:

So some computer somewhere figures out whether I can pay for a house or not! I'm guessing that computer is in Ottawa too!!

MODERATOR

Lenders need as much comfort as they can get that a person will pay the mortgage payment on time. Lenders are not like landlords… who may provide some flexibility as to when they get their rent cheques. Lenders want assurance (by looking through history) of responsibility in making payments … on time.

Credit tracking agencies (Equifax, Others?) get information from …(courts, credit card companies, furniture and car companies, consumer credit companies.. etc. etc.)
And track everything for at least 7 years. Data submitted to them is deemed to be accurate, even if its not.

SCENE FOUR: Debt

Peter:

Well, I'm going to make certain that I start borrowing money for nothing and paying it back for nothing so that I can build up a good credit rating. So once the computers print out this credit report -- is that the end of the application?

Mr. Black:

No as part of the application process we need to determine the maximum amount you can afford to pay for your mortgage!

Peter:

Let me guess. Some group in Ontario has set another bunch of rules.

Mr. Black:

Right. We'll need to determine your GDS. That's your gross debt service ratio. It's a measure of monthly mortgage payments as a percentage of your monthly income. For example, if your gross monthly income is $3,000, a $1,000 mortgage payment would represent a GDS ratio of 33%. A mortgage payment of $750 a month on that same salary would result in a GDS of 25% !

Peter:

So, how does that affect me?

Mr. Black:

Well, our lending rules have a maximum ratio – which determines how much mortgage you can afford.

Peter:

So why don't you just say so. What's the ratio?

Mr. Black:

The debt service ratio can't be higher than 32% based on your gross income – that's the amount of your earnings before deductions for taxes!

Peter:

When I work on the reserve I don't pay taxes – so I have more money in my pocket…which increases my ability to pay … right?

Mr. Black:

The system doesn't take that into account. I'm not sure that people in Ottawa ever thought about that one!

Peter:

So let me make sure I understand this. If I've got a monthly income of $2,000 my allowable mortgage payment would be 32% of that – think that works out to $640.

Mr. Black:

That's the maximum payment you'd be allowed. Let's see, the computer tells me at today's interest rate you'd be able to afford a house in the $65,000 - $70,000 range

Mind you, we have to factor in any other payments you have. That ratio is your TDS – total debt service.

Peter:

GDS's, TDS's sounds like a MESS. What's the TDS all about?

Mr. Black:

The total debt service ratio takes into account all of the debt you have. The maximum allowable TDS is 40%. So in your case with a monthly income of $2,000, all of you monthly debt payments (including your mortgage payment) can't be more than $800.

If your total debt payments are too high, you'd have to scale back your allowable mortgage payment.

Peter:

Geez! I'm starting to think that I'll need to go back to college and do some applied mathematics courses just so I can understand all of this? At least, I'll need to get a credit card so that I can charge all of these expenses.

Mr. Black:

You'll also need money for closing fees. There will be legal fees, land transfer fees, and mortgage insurance premiums. They can add another several thousand dollars to the cost of that house.

Peter:

At this rate sounds as if I'll be eligible for a mortgage on nothing larger than a doghouse. Doesn't sound like a great deal to me. Renting certainly isn't that complex.

Mr. Black:

Come now. We've just scratched the surface. This booklet here will provide you with a lot more detail about mortgages

(Passes over huge book)

It's a user-friendly consumer publication produced by head office.

Mr. Black gets up off his chair

Well Peter. I'm glad you came in. But now I've got an important meeting to attend on Affordable Housing (we do a lot to help you know). We'll look forward to completing that mortgage application with you in the future.

Mr. Black offers Peter his hand.

Peter:

Peter gets up and shakes Mr. Black's hand. Then both sit down.

FINISHED

MODERATOR

Debt loads are calculated from national norms. Incomes are based on gross amounts not on net disposable incomes.

People with high debts are often utilizing high interest loans such as credit cards and unsecured consumer loans. These are very difficult to get paid off.

Many people don't know how to get out of debt… as it just seems to get bigger and bigger, even though they pay and pay.

FACILITATOR

Thanks the actors and releases them to rejoin the groups.

Begins to debrief the audience on the essential learnings that came out of the characterization.

APPENDIX E

What's Being Done Now?
&
Ideas and Concepts

The Affordable New Home Development Foundation

Mission Statement

The mission of the Affordable New Home Development Foundation is "To help individuals and families with lower incomes become owners of affordable new homes".

Background

The Affordable New Home Development Foundation is a registered non-profit organization that was created in 1999 to provide education and support to families and individuals that want to buy their first home but, for various reasons, cannot access the traditional marketplace. The Foundation works closely with the professional home building industry, the financial community, governments, and the community to design, finance, and build homes that are affordable and to develop alternative forms of home ownership.

Starting with the Borden Crescent Pilot Project in 1999, the Foundation helped five families become homeowners. Since then, over 200 families have been able to buy brand new homes in various neighborhoods throughout the city, including Parkridge, Confederation, Fairhaven, Forest Grove and Silverspring. And, with the ongoing education and support that the Foundation provides, there are many more on the road to home ownership.

All new homes are constructed by builder members of the Saskatoon & Region Home Builders' Association and are backed by New Home Warranty to offer the maximum in quality construction and consumer protection.

The Foundation targets individuals and families with annual household incomes of $40,000 or less. Families and individuals in this income range are often paying rents approximately equivalent to monthly principal and interest payments; however, because of real or perceived barriers, they are not able to purchase a home through the normal channels. The Foundation works with people to help overcome these barriers, leading to the purchase of a new home.

First Homes

A program of the New Home Development Foundation

First Homes is a program of the Affordable New Home Development Foundation designed to help families become the owners of brand new, quality first homes in Saskatoon. The program targets families that are tired of paying rent, want to own their own home, and would like to benefit from the tax-free increase in value of their home while enjoying a better lifestyle.

The most exciting component of the First Homes Program is designed for families and individuals that are ready to make a commitment to work towards homeownership. Participants agree to contribute an agreed upon amount per month in a special savings account leading towards a down payment. They also agree to meet monthly rental obligations, and to fully participate in the education portion of the program. In return, the Foundation agrees to provide preferential access to special financing programs, the Centenary Affordable Housing Grant, and preferential access to new housing options.

The First Homes program provides an educational component that provides information about credit and debit, mortgages, the process of buying & selling, home maintenance, home styles, and types of housing availability. Participants learn all about the benefits and responsibilities of being a homeowner. Mentoring and individual help is also provided to assist in improving their credit and debt situations.

Centenary Affordable Housing Program

The Affordable New Home Development Foundation (ANHDF) has been approved as a sponsor of the Centenary Affordable Housing Program under the Homeownership Option. The emphasis of this program is the creation of additional affordable housing through new construction and enabling lower to moderate income households to become successful homeowners.

The Centenary Affordable Housing Program (CAHP) provides one time capital assistance to increase the supply of off-reserve affordable housing in Saskatchewan for low to moderate income households. Funding for this program is provided by the Canada Mortgage and Housing Corporation (CMHC), the Saskatchewan Housing Corporation (SHC), and municipal governments. All housing that receives funding must be targeted to households with gross household incomes from all sources under the Maximum Income Limits established by SHC.

CAHP will provide approved households forgivable equity loans to enable them to purchase a home through the Foundation. Approved households are then responsible to contribute the difference between the purchase price and the forgivable equity loan. The difference may be funded through mortgage financing or a combination of mortgage and owner/sponsor equity.

The ANHDF is responsible for recruiting applicants and assisting them to obtain the mortgage lending approval and CAHP loan approval. Eligible households must meet certain criteria, including: the total gross household income from all sources must be at or below $39,500 and the applicant must be able to obtain mortgage and other funding equal to the difference between the purchase price and the equity loan. Priority will be given to families with dependents, Aboriginal households or persons with disabilities

Forgivable loan amounts are income dependent and range from $3,500 to $19,500. The Foundation has been given approval to sponsor 50 households. These loans are to be used only for new affordable housing within the City of Saskatoon in the form of single family dwellings, attached dwellings (with separate titles to each unit), and condominiums.

Transition Entity Co-operative

1. What is the Transition Entity?

   The Transition Entity is a legally incorporated body under the laws of the province. It is designed to help families that are very close to qualifying for a mortgage under normal lending requirements, but fail to qualify because they do not meet all of the required criteria. However, within a relatively short time period (2 to 5 years), they will be able to qualify. Some examples of why they would not be able to qualify include: a discharged bankruptcy that is not quite two years past the discharge date; a discharged bankruptcy of more than two years, but credit has not been re-established; a family with debt that pushes their TDS just above 40%, but with debt counselling will bring their TDS in line; or a family with a GDS slightly above 32% but will soon be receiving a raise.

2. How is it operated?

   A Board of Directors is established, which looks after the operations as follows:
   - Makes sure that the common payments are made every month (maintenance of common areas)
   - Receives the funds from the occupant members
   - Ensures that when someone leaves that a replacement is found and the property is cleaned up and repaired.

3. What are the supports that are required?

   - To protect the lender and the mortgage insurer against default, a contingency fund is established. This is composed of a contribution made by a benefactor and by the families within the co-op (for example, each household contributes $25 per month). All interest earned is retained in the fund.
   - Financial mentoring – e.g., keeping a budget, managing debt
   - Home maintenance – how to keep the home maintained

4. What are the qualifying criteria?

   - Potential members must be able to qualify for mortgage in a relatively short period of time (2 to 5 years).
   - Potential members must have the desire to become a homeowner with all the associated rights, privileges and responsibilities that go with it.

5. How does it work?

The Co-op purchases a number of homes, which can be located in different areas. A contract is drawn with families that have the ability to purchase the home as soon as they remove the barriers to mortgage qualification. Each family provides a 5% downpayment. Mortgage insurance is provided by a mortgage insurer – CMHC or GE Capital. The Co-op makes the PIT payments to the lender and collects the amount from the families. When a family is able to qualify for a mortgage, they will assume full responsibility for the mortgage and become a homeowner. As mortgages are assumed, new families can be brought in to replace them.

When Members Leave

Equity in the home is only accrued once ownership is turned over from the co-op to the family. Families that move or do not wish to stay in the co-op will not accrue equity.

Saskatoon Housing Initiatives Partnership (SHIP)

The Saskatoon Housing Initiatives Partnership, or SHIP, has operated as a non-profit organization to enhance access to affordable housing since 1999. Formed by a group of individuals from the private, public, and non-profit sectors, SHIP assists in facilitating financing, providing technical assistance, and building and supporting partnerships to make housing happen for low and moderate-income and special needs households in Saskatoon.

One of SHIP's objectives is to raise equity for affordable housing. The Housing Investment Fund of SHIP helps build much needed housing in Saskatoon in three ways:

1. Providing land through the SHIP Land Trust

The purpose of the Trust is to improve the economics of affordable housing construction by deferring the cost of the land to the project. SHIP solicits land and property or cash donations to purchase land for the Trust. This land is then available to proponents of affordable housing projects free for a period of time.

2. Revolving Equity Fund

SHIP recognizes there is often an equity gap in financing affordable housing. The purpose of the Revolving Equity Fund is to supply patient capital to projects that serve Saskatoon families in need of housing. SHIP solicits investment from corporations, foundations and government and makes it available for the development of affordable housing through a second mortgage mechanism. Projects can be made more affordable if a portion of the debt can be deferred. Monthly payments are not required until enough equity has been built up in the project through its regular mortgage payments.

3. Community Investment Deposit

The Community Investment Deposit is a Guaranteed Investment Certificate (GIC) with RRSP eligibility. The GIC product may offer 1.5% interest where 1% goes to the investor (return) and 0.5% to SHIP (unencumbered). SHIP is working with a financial institution to manage the certificates and work on the sales training and marketing materials. A number of terms can be available with varying rates. RRSP eligibility comes from the Self-Directed RRSP provisions.

LAND TRUST

1. What is a land trust?

   A land trust is a legal entity that can purchase, hold and sell land. A house is built on land owned by the trust, which leases it out. A mortgage is taken out on the building only and the owner pays a fee for leasing the land. This reduces considerably the amount of mortgage required. Equity may be shared between the occupant and the trust.

   The land trust will need to acquire funding from various sources in order to purchase the land, e.g., TLE, grants from financial institutions, CMHC, INAC, or CAHP, federal or provincial governments. Once a funding source is secured and land is acquired, the land trust can interface with the long-term cooperative, the transition entity cooperative, or other forms of tenure.

2. Possible Situations

   - Land purchased by the trust using TLE money is designated as reserve land.

   - Land purchase by the trust using TLE money is not designated as reserve land.

   - Land can be sold.

   - Land cannot be sold.

   - Land does not have to generate income – only protect the capital.

   - Land does have to generate income:
     a) monthly
     b) annually
     c) periodically

Example: Transition Cooperative

In this model, land is acquired from the land trust in various locations and over time is sold, as co-op members are able to assume the mortgage.

Sample Situation 1:

Criteria:
- The land is not a reserve
- The land does not have to generate income on an annual basis, as long as the capital is protected.
- Growth of the value of the land is retained by the trust.

At some point in the future the occupant can buy the house, but has to pay to the trust the value of the land. The land price can be pre-determined or can be market value. If the original value of the land was $25,000 and the house was $75,000, then land value is 25 percent of the total. If in a few years, the value of the house is $150,000, then 25 percent of the value is now $37,500, a gain of $12,500 for the trust.

Sample Situation 2:

Criteria:
- The land is not a reserve
- The land has to earn money on an annual basis

The trust must determine how much money has to be earned annually. For example, if the land trust borrowed money to buy land, they must get the financing back.

HOUSING FUND

1. What is a housing fund?

   A housing fund is essentially a locally based non-profit organization that has secured revenue and is committed to using this revenue to assist low and modest income households to acquire appropriate, affordable housing.

   Housing funds have emerged, mainly in the United States, primarily to fill gaps in available funding. They provide a mechanism for government to commit resources to affordable housing and have been successful in generating needed funds from private sources thereby creating new public-private partnerships to build a long-standing environment supportive of new housing initiatives.

2. How does a housing fund work?

   A housing fund fundamentally acquires money to provide gap financing to low and modest income households to assist them in becoming homeowners. Repayment of these funds is deferred for the term of the first mortgage or until sale, transfer or refinancing of the home or another amount of time predetermined by the housing trust fund. The housing fund will be directed at reducing the initial financing costs that create a barrier for lower income households. A second mortgage will be provided and the security for this financing would be in the form of a second mortgage on the house that the fund is providing financing for. At the time of repayment it is expected that the participating households will have built up equity in the home and the value of the home will have increased. The participant will then refinance the home and the investment will be repaid in full to the housing fund, often with a return.

   The key source of revenue for a housing fund is a permanent or dedicated source that will provide on-going revenue to the fund. Most funds also receive other monies from public, private, and charitable sources. These monies would add to those funds already available for affordable housing rather than divert or replace them. Income for the fund is also derived from the repayment of loans.

   In the past most housing funds received government support from allocations from government programs. This was typically given to start up the housing fund until the dedicated revenues came on stream or to supplement the dedicated revenues when inadequate.

3. How does a housing fund acquire money?

   Money may be acquired in a number of different ways such as public funds, investors with patient capital or industry contributions money.

4. Providing loans vs. forgivable loans:

   In the case of the housing fund providing purchasers with loans as opposed to grants is more favorable as it is not seen as giving money away. By using a cyclical deferred loan mechanism the money is paid back and will return to the fund to be disbursed again to another purchaser. There is also expected to be a return on investment with the equity increase in the house; the fund will receive a portion of the equity increase upon repayment.

5. Loan security:

   One of the initial responsibilities of the administrator or sponsor of the housing fund will be to explore issues pertaining to the protection of the fund's security. By providing a second mortgage, a risk will exist that the value of the property will decline and the fund will incur a loss. The administrator will confer with mortgage insurers and lenders to establish if mortgage insurance will be available to the fund for the second mortgages. By insuring these mortgages there will be less risk of loss and investors will view their investment as being secure, which would ensure a greater chance of investments to the fund.

Example:

Household annual earnings:	$31,000
Affordable new housing purchase price:	$100,000
GDS (assuming debt does not exceed TDS limits):	27.5%
Can acquire a mortgage of:	$83,000.00
CAHP Grant:	$12,000
Housing Funds:	$5,000
Total funds:	$100,000
The housing fund's interest in the property:	5%
Monthly payments on first mortgage (PI @6.15%):	$550

After 5 years there are two options:

1. **Sell**: Purchaser sells the home after 5 years of ownership. The purchaser needs to pay the housing fund the balance of the second mortgage and a portion of the increase in the market value of the property.
   - Assume property has increased in value an average of 3% per year which gives value of $100,000 x 3% x 5 years = $115,000
   - Housing fund is entitled to 5% of the gain and the original $5,000 which equals $5,750
   - Amount required to pay out mortgage: $76,216
   - Purchaser would repay the fund $ 5,750
   - **Purchaser's equity: $30,034**

2. **Refinance**: Purchaser refinances to cover cost.
   - Balance remaining on first mortgage $76,216
   - Add repayment to fund ($5,000 + $750) $ 5,750
   - New mortgage balance ($575 PI@7%) $81,966
   - **Purchasers equity $33,034**

Conclusion: In each example – sell or refinance – the homeowner is now in a strong equity position after only five years. These people would not have been able to purchase a new house without the fund.

What's Being Done in Other Countries?

Australia

Temporary Mortgage Payment Protection Scheme

Some Australian states offer an interest-free loan (repayable over 12 to 24 months) to assist low-income home buyers that find themselves in short-term financial difficulty (6 to 12 months). Such measures mitigate the risk that the household will lose its home in an economic downturn.

Aboriginal and Torres Strait Islander Commission (ATSIC) Home Ownership Program

The primary aim of the program is to facilitate a person or family into home ownership. This is achieved by providing an affordable home loan product and maintaining a flexible approach.

The program provides an opportunity for its clients to enter the home ownership market, some of which will eventually move onto a mainstream lender. Other clients will remain ATSIC borrowers until their loan is repaid.

A deposit of $3,000 or 5% of purchase price (whichever is lesser) is required, and interest rates commence at 4.5%. The interest rate increases after one year by annual increments of 0.5% until the benchmark ATSIC Housing Loan Rate is reached. This benchmark rate is set at 1% below the Commonwealth Bank Standard Variable Home Loan rate. Families whose gross income is below $30,000 receive further concessions. The loans are generally written with terms of between 20 and 25 years. In certain circumstances these terms may be extended to 32 or even 45 years, provided that at least 50% of the loan is repaid by the time the main income earner reaches retirement age.

Clients have their loan applications assessed using the same principles that apply in the commercial sector; however, the program has the flexibility to tailor a loan, or vary a loan during its term, to meet the specific affordability requirements of its clients through one or more of the following initiatives:

- Extending the loan term
- Reducing the commencing or current interest rate
- Accepting a lower deposit amount

ATSIC is specifically looking for the commercial finance sector to become proactively involved in assisting Indigenous home ownership in the following ways:

- Emphasizing Indigenous people in print and visual media promoting housing loans
- Developing home ownership information pamphlets specifically aimed at Indigenous people
- Increasing visibility and accessibility through sponsoring and participating in community information sessions alongside staff of the Home Ownership Program
- Understanding the Indigenous home loan market through close liaison with staff of the Home Ownership Program
- Considering a tailored and flexible customer service to better meet the specific requirements of Indigenous people
- In conjunction with the Home Ownership Program, developing an appropriate referral and information system to assist Indigenous people to access mainstream lending.

ATSIC is not seeking special considerations for Indigenous people, but a practical recognition by the commercial finance sector of a past relationship (or lack of one) that requires redressing in the present – specifically to encourage Indigenous people to enter the private lending market in greater numbers.

United Kingdom

Bank of Scotland's Shared Equity Ownership Scheme

The Bank of Scotland and Warburgs has a shared equity mortgage, which gives cheaper mortgage financing in return for a stake, up to 50% in the appreciation in the house bought with the mortgage, realizable only when the mortgagor sells the house.

Shared Ownership

Provides households with an opportunity to own a part share in their home. Applicants can buy a share (minimum 25%) in a property according to their means. They then rent the remaining "unsold" share from a housing association, but can normally purchase further shares until they own the home outright.

Homebuy

Shared ownership provides households with an opportunity to own a part share in their home. Applicants can buy 75% of the value of the property. A housing association provides a loan for the remaining 25% with nothing to pay back until the home is eventually sold. When the home is sold (or the home buyer purchases the remaining share) 25% of the value of the home is paid back to the association.

United States

Universal Account

Customers pool their assets for the purposes of obtaining loans. This permits homeowners to readily access the capital tied up in their home. In this way, lenders can allow existing homeowners to borrow more than their home is worth. A related product is the 125% Loan-To-Value mortgage, which recognizes the collateral value of a range of household assets, which could be called upon in times of credit distress.

HUD-FHA Homebuyer Education Learning Program (HELP)

Federal agencies such as Housing and Urban Development (HUD), Freddie Mac and Fannie Mae have encourage homebuyer counselling for first-time homebuyers. One example is the HUD-FHA Homebuyer Education Learning Program, which offers a reduced mortgage insurance premium to first-time home buyers who have undertaken homeownership counselling.

HSBC CommunityWorks® Mortgage (available throughout New York)

HSBC Affordable Home Ownership Mortgage allows the homebuyer to choose between a 30 or 40 year term, down payment requirements of as little as 3%, flexible underwriting guidelines, closing cost assistance, and accommodation of eligible assistance such as grants and subsidies. HSBC also has a First Home Club matched savings program. Financed by the Federal Home Loan Bank of New York, it allows qualified first time homebuyers to earn $3 in grant money for every $1 saved. As a result, potential home owners can obtain a maximum grant of $5,000 for opening an account at HSBC Bank USA, National Association and saving $1,667 through regular monthly installments.

APPENDIX F

Family Profiles
&
Formulas

Student (Single)

Single, no children

Monthly Income

Band funding	$ 800
Part-time work	303
	$1,103

Debt

Visa	Limit:	$500	
	Balance:	$500	
	Payment (at 3%)		$15
Sears Card	Limit:	$1,200	
	Balance:	$1,200	
	Payment (at 5%)		$60
	Total Monthly Payment		**$75**

Calculations:

$1,103 X .32 = $352.96

$352.96 – $125 – $75 = $152.96

$152.96/6.55 X 1000 = $23,352.67

$23,352.67 + 5% downpayment = $24,520.30

TDS = $\frac{\$75 + \$352..96}{\$1,103}$ X 100 = 39%

Single Parent Family

Single mom and two children

Monthly Income

Working off-reserve full time at $10/hour	$1,733
Child Support	$ 200
Child Tax Credit*	$ 435
Total Income	$2,368

*Child Tax Credit considered as income by some lenders

Debt

Visa	Limit:	$1,000	
	Balance:	$ 600	
	Payment (at 3%)		$ 20
Zellers	Limit:	$1,000	
	Balance:	$ 800	
	Payment (at 5%)		$ 40
Car loan	Balance:	$4,500	
	Payment		$300
Small loan	Balance	$500	
	Payment		$ 75
	Total Monthly Payment		$435

Calculations:

$2,368 X .32 = $757.76

$757.76 - $125 - $75 = $557.76

$557.76/6.55 X 1000 = $85,154.20

$85,154.20 + 5% downpayment = $89,411.91

$$\text{TDS} = \frac{\$435 + \$757.76}{\$2{,}368} = 50\%$$

Two-Parent Family

Two adults and four children

Monthly Income

Working on-reserve*	$3,000
Working off-reserve	$2,400
Total Income	$5,400

*On-reserve income can be grossed up by 35% resulting in total income of $6,450

Debt

Mastercard	Limit:	$3,000	
	Balance:	$2,500	
	Payment (at 3%)		$ 75
The Bay	Limit:	$2,000	
	Balance:	$400	
	Payment (at 5%)		$ 20
The Brick	Owe $4,000		
	Payment		$200
Car Loan	Balance:	$7,000	
	Payment		$300
Car Lease	Balance:	$15,000	
	Payment		$250
TransCanada Credit Loan	Balance:	$1,500	
	Payment		$100
	Total Monthly Payment		**$945**

Calculations:

$6,450 X .32 = $2,064

$2,064 - $125 - $75 = $1,864

$1,864/6.55 X 1000 = $284,580

$284,580 + 5% downpayment = $298,809

$$\text{TDS} = \frac{\$945 + \$2{,}064}{\$6{,}450} \times 100 = 47\%$$

Elder Couple

Married couple

Monthly Income

Total CPP/OAS $1,200

No Debt

Calculations:

If the income qualified:

$1,200 X .32 = $384

$384 - $125 - $75 = $184

$184/6.55 X 1000 = $28,091.60

$28,091.60 + 5% downpayment = $29,496

APPENDIX G

Formula Sheet

FORMULAS

1. Determine the maximum amount the family can pay per month on housing:

   Monthly Income X Maximum GDS* = Principal + Interest + Taxes + Heating (PITH)

   *According to underwriting criteria, maximum GDS = 32%

2. Subtract taxes and heating to determine maximum amount the family can pay per month on housing based on PI only:

   Assume taxes are $125
   Assume heating is $75

3. Determine the maximum mortgage amount based on PI:

   PI/6.55* X 1000

   *at 6.25% the interest factor is 6.55 per $1000

4. Determine the maximum house price the family can afford:

Maximum mortgage + downpayment of 5%

5. Determine TDS (maximum allowable is 40%)

   $$\text{TDS} = \frac{\text{Total monthly debts (including housing costs)}}{\text{Gross monthly income}} \times 100$$

APPENDIX H

Thank-you Letter

Muskeg Lake First Nation **Saskatoon Tribal Council**

Saskatoon & Region Home Builders' Association **Sun Ridge Group**

December 15, 2004

Dear

Thank you for participating in the roundtable session on December 7th in which we discussed finance and funding options for affordable housing for Aboriginal people in Saskatoon. Your input was very valuable and contributed to the session's successful outcome. Special thanks goes to Paul Ledoux and Earl Kotlar for their excellent portrayals of Peter Joe and Mr. Black.

The session accomplished what it set out to do – provide information to key organizations, produce creative solutions to some of the problems that Aboriginal people experience in becoming homeowners, and provide a forum where everyone works together.

We hope the information that was provided was enlightening and will stimulate ongoing discussions within and between the participating organizations. It is important that the results of the session produce actions to help make changes.

The goal of the roundtable was to come up with solutions that can be implemented immediately or very soon. The next step is to make sure the participating organizations are not only kept informed but that they take part in fulfilling the recommendations by working together.

If you have any questions, please feel free to contact any of the following:

Saskatoon Tribal Council – Barry Down 244-7744
Muskeg Lake Cree Nation – Paul Ledoux 477-6221
Metis Nation – Saskatchewan – Roger Parent 668-7671
Sun Ridge Group – Keith Hanson 665-2525 ext. 114
Saskatoon & Region Home Builders' Association – Alan Thomarat 955-5162