

APPENDIX E

MARKET-BASED HOME OWNERSHIP LOAN POLICY

(A.K.A. THE “MARKET BASED HOUSING PROGRAM”)

OBJECTIVE

The Home Ownership Loan Policy is designed to:

- a. provide affordable home loans (also referred to as mortgages) to qualified Skeetchestn Indian Band (“SIB”) members that wish to construct, purchase, or renovate a home.
- b. provide market rental units to a Skeetchestn Indian Band owned entity (on behalf of SIB) to construct or purchase a unit(s) for rental purposes.

CRITERIA:

This program is offered to eligible SIB members that qualify for a mortgage with the participating Lenders as per standard mortgage underwriting qualifications. SIB members that obtain a mortgage under this program are required to comply with the terms and conditions of their mortgage account with their Lender and with the terms and conditions of this policy with SIB. As a SIB member and home owner, the SIB member agree to but not limited to, ensuring that all insurances are maintained throughout the amortization of the mortgage, and that all loan payments are met on a timely manner by the SIB member. Should the Lender(s) request partial payment (arrears) or full payout to SIB under the guarantee agreement with the Lender(s), SIB will meet their guarantee obligation with the Lender(s) and then will be forced to comply with Section VI – Default of this policy and with SIB’s Housing Management Plan.

MORTGAGE GUARANTEES BY SIB:

1. SIB Home Loan Guarantee Credit Approval by the First Nations Market Housing Fund is **One Million Five Hundred Thousand (\$1,500,000.00) Dollars.**
2. SIB Home Loan Guarantee Credit Approval by the RBC (Royal Bank of Canada) On-Reserve Lending Program is **One Million (\$1,000,000.00) Dollars.**
3. Approval limits by other financial institutions will be added to this policy as they are obtained.

I. NEW CONSTRUCTION

For the purpose of this policy, **New Construction** is defined as the construction of a new home on SIB reserve lands.

PROGRAM DETAILS/CRITERIA

Maximum Loan	\$220,000.00
Maximum Amortization	25 years
Down Payment	5.00% cash equity
SIB Fee	\$500.00 (paid by the SIB member to SIB, can be included in home loan costs)
Grant Program	Optional and if available – Housing Subsidy may be available by Indigenous and Northern Affairs Canada (“INAC”). SIB member must still contribute 5% cash equity.
<u>Insurances</u>	Borrower(s) are required to ensure that all applicable insurances are maintained throughout the amortization of the mortgage, and when required, renewal documents are provided to SIB Housing Department within 30 days of each renewal. Non-compliance of insurance requirements will be deemed as non-compliance to agreement with SIB, and SIB may revoke guarantee to the Lender(s), which will result in default with mortgage account.
Life Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
Home Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
CMHC Mortgage Insurance	Mandatory
Construction Insurance	Mandatory
Collateral held by SIB	SIB to hold title of home lot by way of Band Council Resolution or Transfer of Certificate of Possession until mortgage is paid in full.
Home Lot	Will be minimum one (1) acre (or entire lot if under 1 acre) plus right of way
Gross Debt Ratio	Not to exceed 32%, as per general mortgage guidelines
Total Debt Ratio	Not to exceed 40%, as per general mortgage guidelines
Debts owed to SIB	Any debt owed to SIB must be repaid in full before loans will be guaranteed by SIB
Hold back on construction	Lender to withhold 10% of all disbursements until final inspection report is issued.

PROCESS DETAILS

A. Pre-Qualification

1. SIB member requests the application/orientation package from SIB Housing Department.
2. Member (now referred as the applicant) makes application to the SIB Housing Department. In case of spouse, application must include both spouses as Co-applicants. SIB will consider the SIB member as primary applicant.
3. SIB Housing and Finance Department conducts an internal credit check to ensure there are no accounts, such as loans, rental payments or payables that are owed to SIB. If there are any monies owing by the Applicant, full payment must be made to SIB before this application can proceed any further.

4. SIB Housing Department reviews submission of applicants' documents. SIB Housing Department will confirm that the applicant submits the following documents.
 - SIB Market Housing Application forms to be fully completed
 - Photo copy of government issued identification
 - Copy of membership/status card
 - Land identification
5. SIB Housing and Lands Department will proceed with Lot/Land Encumbrance check. SIB Housing will perform a search on the Indian Land Registry System to confirm ownership registration. Confirmation is required to ensure ownership of lot/land is by the applicant and that there are no existing liens on designated lot.
6. If INAC Housing Subsidy is available, SIB Housing Department assists the applicant in making application to INAC. SIB Housing Department, on behalf of the applicant will follow up with INAC on approval status of application. Upon approval notification, SIB Housing Department along with Chief and Council will determine how housing grant funds will be disbursed to the housing project. SIB Housing Department will seek approval by the applicant.
7. SIB Housing Department will issue a conditional letter of support to the applicant and will assist the applicant in making loan application to the Lender.

B. Approval of Home Loan

1. Applicant makes application to the Lender.
2. Lender completes assessment.
3. Lender approves or denies application and advises the Applicant accordingly. Applicant and/or Lender will advise SIB Housing Department of approval.
4. Lender provides loan documents to the Applicant.
5. Applicant accepts loan terms and conditions from the Lender. Applicant provides copies of duly executed loan agreements to SIB Housing Department.

C. General Contractor Selection

1. Applicant to submit two sets of certified plans, one for SIB Housing Department and one to be forwarded to the lender. Plans from local hardware stores may also be acceptable, provided they are certified.
2. SIB Housing Department reviews plans to ensure they meet, at minimum, the current versions of the British Columbia Building Code. Any modifications must be implemented to ensure the final construction meets the minimum building codes.
3. At the request of the Applicant, SIB Housing Department will provide applicant with the list of contractors. Applicant, however, is not required to choose a contractor from the provided list. Applicant is responsible to ensure contractors are reputable, qualified, has insurance and must provide references. Contractors must be in good standing with Workers Compensation Board. Contractors must have BC Homebuilders license. Contractors must be willing to enter into fixed price contracts and must be capable of meeting construction costs prior to qualified loan advances. Loans to be advanced as per the bank construction loan schedule and approved inspections. Applicant provides proof of all of the above to SIB Housing Department and Lender prior to any advances.
4. Owner builders must demonstrate competency to SIB Housing Department. SIB Housing Department will review this and advise Applicant that it meets SIB satisfaction in order to proceed.
5. Applicant ensures that contractor costs include installation of all utility services plus road access and must be included in the cost of construction (final quote).
6. Applicant submits final quote, budget and contract to SIB Housing Department and the Lender. At the discretion of SIB Housing Department, review of the contract

will be done and reported back to the Applicant to confirm it meets budget requirements. Total project costs less equity contribution must be equal to or less than the maximum loan amount of \$220,000.00.

D. Execution of Documents

1. Applicant will sign transfer of one acre (plus right of way) land/lot in name of SIB, with intention to be held by SIB until loan is paid in full.
2. SIB executes Band Council Resolution for loan guarantee. This will be requested by Housing and Finance Departments. Copies to be provided to Lender and FNMHF.
3. Lender applies and requests to the FNMHF to issue the Credit Enhancement Certificate.
4. Lender provides copy of FNMHF Credit Enhancement Certificate to SIB Housing Department.
5. Lender applies and obtains CMHC Loan Insurance.
6. Lender confirms to SIB Housing Department that applicant has met all applicable insurance requirements (life, home, and construction). Lender or Applicant provides copies to SIB Housing Department.
7. SIB Housing Department, Lender, and FNMHF confirm via joint checklist that all required documentation is in order. SIB Housing Department confirms completeness of checklist and advises Applicant accordingly.

E. Construction

1. Applicant and Contractor commence construction.
2. Lender is to ensure that Applicants equity is applied to construction costs prior to home loan disbursements.
3. Applicant is responsible for ensuring the timely completion of progress and compliance inspections. Photographs of housing project are to be submitted to the lender and SIB Housing Department per advance.
4. Applicant is responsible to ensure that they comply with the First Nations Health Authority inspection reports as required.
5. Lender proceeds with disbursements. Holdback of 10% until confirmation that project is 100% complete along with confirmation that sub contractors have been paid will be required and enforced by the Lender.
6. Applicant is responsible to ensure that interest payments are made to the Lender throughout construction period (if required by the Lender). Upon 100% completion of construction, Applicant and Lender sets Interest Adjustment Date, and Applicant is advised of when blended payments are to commence.
7. Applicant moves into home upon final inspection report (that is submitted to the Lender and SIB).

II. PURCHASE

For the purpose of this policy, **Purchase** is defined as the acquisition of an existing home on SIB reserve lands by a SIB member. This may include renovations, but must not exceed maximum renovation amount of \$50,000.00. For clarity, purchase/renovation total amount must not exceed \$220,000.00.

PROGRAM DETAILS/CRITERIA

Maximum Loan	\$220,000.00
Maximum Amortization	25 years
Down Payment	5.00% cash equity
SIB Fee	\$500 (paid by the SIB member to SIB, can be included in home loan costs)
<u>Insurances</u>	Borrower(s) are required to ensure that all applicable insurances are maintained throughout the amortization of the mortgage, and when required, renewal documents are provided to SIB Housing Department within 30 days of each renewal. Non-compliance of insurance requirements will be deemed as non-compliance to agreement with SIB, and SIB may revoke guarantee to the Lender(s), which will result in default with mortgage account.
Life Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
Home Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
CMHC Mortgage Insurance	Mandatory
Construction Insurance	Mandatory, if general contractor is required for renovation project.
Collateral held by SIB	SIB to hold title of home lot by way of Band Council Resolution or Transfer of Certificate of Possession until mortgage is paid in full.
Home Lot	Will be minimum one (1) acre (or entire lot if under 1 acre) plus right of way
Gross Debt Ratio	Not to exceed 32%, as per general mortgage guidelines
Total Debt Ratio	Not to exceed 40%, as per general mortgage guidelines
Debts owed to SIB	Any debt owed to SIB must be repaid in full before loans will be guaranteed by SIB
Hold back on construction (reno's)	Lender to withhold 10% of all disbursements until final inspection report is issued.

PROCESS DETAILS

A. Pre-Qualification

1. SIB member requests the application/orientation package from SIB Housing Department.
2. Member (now referred as the applicant) makes application to the SIB Housing Department. In case of spouse, application must include both spouses as Co-applicants. SIB will consider the SIB member as primary applicant.

3. SIB Housing and Finance Department conducts an internal credit check to ensure there are no accounts, such as loans, rental payments or payables that are owed to SIB. If there are any monies owing by the Applicant, full payment must be made to SIB before this application can proceed any further.
4. SIB Housing and Finance Department conducts an internal credit check on the Seller to ensure there are no accounts, such as loans, rental payments or payables that are owed to SIB. If there are any monies owing by the Seller, full payment must be made to SIB before OR an agreement that the debt is paid to SIB upon sale of home.
5. SIB Housing Department reviews submission of applicants' documents. SIB Housing Department will confirm that the applicant submits the following documents.
 - SIB Market Housing Application forms to be fully completed
 - Photo copy of government issued identification
 - Copy of membership/status card
 - Land identification
 - signed purchase agreement
 - if renovations are included, renovation plan and budget
6. SIB Housing and Lands Department will proceed with Lot/Land Encumbrance check. SIB Housing will perform a search on the Indian Land Registry System to confirm ownership registration. Confirmation is required to ensure ownership of lot/land is by the applicant and that there are no existing liens on designated lot.
7. SIB Housing Department will review purchase agreement, at the discretion of SIB, a housing inspection may be requested as a requirement.
8. SIB Housing Department will issue a conditional letter of support to the applicant and will assist the applicant in making loan application to the Lender.

B. Approval of Renovation Project (if applicable)

1. SIB Housing Department will review renovation outline with Applicant.
2. SIB Housing Department will advise Applicant if renovations can be done by Applicant and/or trades. SIB Housing Department will advise applicant if a General Contractor is required. If a General Contractor is required, Applicant must follow applicable steps as set out in Section I. New Construction, Process Details – C. General Contractor Selection & E. Construction.
3. If SIB Housing Department deems that the renovation project does not require a General Contractor, the SIB Housing Department will review and approve the Applicants submission on renovation quote and insurances (if required).

C. Approval of Home Loan

1. Applicant makes application to the Lender.
2. Lender completes assessment.
3. Lender approves or denies application and advises the Applicant accordingly. Applicant and/or Lender will advise SIB Housing Department of approval.
4. Lender provides loan documents to the Applicant.
5. Applicant accepts loan terms and conditions from the Lender. Applicant provides copies of duly executed loan agreements to SIB Housing Department.

D. Execution of Documents

1. Applicant will sign transfer of one acre (plus right of way) land/lot in name of SIB, with intention to be held by SIB until loan is paid in full.
2. SIB executes Band Council Resolution for loan guarantee. This will be requested by Housing and Finance Departments. Copies to be provided to Lender and FNMHF.
3. Lender applies and requests to the FNMHF to issue the Credit Enhancement Certificate.

4. Lender provides copy of FNMHF Credit Enhancement Certificate to SIB Housing Department.
5. Lender applies and obtains CMHC Loan Insurance.
6. Lender confirms to SIB Housing Department that applicant has met all applicable insurance requirements (life, home, and construction). Lender or Applicant provides copies to SIB Housing Department.
7. SIB Housing Department, Lender, and FNMHF confirm via joint checklist that all required documentation is in order. SIB Housing Department confirms completeness of checklist and advises Applicant accordingly.

III. RENOVATION

For the purpose of this policy, **Renovation** is defined as home improvements of an existing home on SIB reserve lands.

PROGRAM DETAILS/CRITERIA

Minimum Loan	\$5,000.00
Maximum Loan	\$50,000.00
Amortization Table	Loan less than \$25,000, 5 years maximum amortization Loans \$25,001 - \$50,000, 10 years maximum amortization
Down Payment	5.00% cash equity
SIB Fee	\$250 (paid by the SIB member to SIB, can be included in home loan costs)
<u>Insurances</u>	Borrower(s) are required to ensure that all applicable insurances are maintained throughout the amortization of the mortgage, and when required, renewal documents are provided to SIB Housing Department within 30 days of each renewal. Non-compliance of insurance requirements will be deemed as non-compliance to agreement with SIB, and SIB may revoke guarantee to the Lender(s), which will result in default with mortgage account.
Life Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
Home Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
CMHC Mortgage Insurance	If required by the Lender. Not a requirement by SIB.
Construction Insurance	Mandatory, if general contractor is required for renovation project.
Collateral held by SIB	SIB to hold title of home lot by way of Band Council Resolution or Transfer of Certificate of Possession until mortgage is paid in full.
Home Lot	Will be minimum one (1) acre (or entire lot if under 1 acre) plus right of way
Gross Debt Ratio	Not to exceed 32%, as per general mortgage guidelines
Total Debt Ratio	Not to exceed 40%, as per general mortgage guidelines
Debts owed to SIB	Any debt owed to SIB must be repaid in full before loans will be guaranteed by SIB
Hold back on construction	Lender to withhold 10% of all disbursements until final inspection report is issued.

PROCESS DETAILS

A. Pre-Qualification

1. SIB member requests the application/orientation package from SIB Housing Department
 - Land identification
 - Renovation plan and budget
2. SIB Housing and Lands Department will proceed with Lot/Land Encumbrance check. SIB Housing will perform a search on the Indian Land Registry System to confirm

ownership registration. Confirmation is required to ensure ownership of lot/land is by the applicant and that there are no existing liens on designated lot.

3. SIB Housing Department will issue a conditional letter of support to the applicant and will assist the applicant in making loan application to the Lender.

B. Approval of Renovation Project (if applicable)

1. SIB Housing Department will review renovation outline with Applicant.
2. SIB Housing Department will advise Applicant if renovations can be done by Applicant and/or trades. SIB Housing Department will advise applicant if a General Contractor is required. If a General Contractor is required, Applicant must follow applicable steps as set out in Section I. New Construction, Process Details – C. General Contractor Selection & E. Construction.
3. If SIB Housing Department deems that the renovation project does not require a General Contractor, the SIB Housing Department will review and approve the Applicants submission on renovation quote and insurances (if required).

C. Approval of Home Loan

1. Applicant makes application to the Lender.
2. Lender completes assessment.
3. Lender approves or denies application and advises the Applicant accordingly. Applicant and/or Lender will advise SIB Housing Department of approval.
4. Lender provides loan documents to the Applicant.
5. Applicant accepts loan terms and conditions from the Lender. Applicant provides copies of duly executed loan agreements to SIB Housing Department.

D. Execution of Documents

1. Applicant will sign transfer of one acre (plus right of way) land/lot in name of SIB, with intention to be held by SIB until loan is paid in full.
2. SIB executes Band Council Resolution for loan guarantee. This will be requested by Housing and Finance Departments. Copies to be provided to Lender and FNMHF.
3. Lender applies and requests to the FNMHF to issue the Credit Enhancement Certificate.
4. Lender provides copy of FNMHF Credit Enhancement Certificate to SIB Housing Department.
5. If Lender requires CMHC Loan Insurance, Lender applies and obtains CMHC Loan Insurance.
6. Lender confirms to SIB Housing Department that applicant has met all applicable insurance requirements (life, home, and construction). Lender or Applicant provides copies to SIB Housing Department.
7. SIB Housing Department, Lender, and FNMHF confirm via joint checklist that all required documentation is in order. SIB Housing Department confirms completeness of checklist and advises Applicant accordingly.

E. Renovations

1. Applicant or Contractor commence construction.
2. See New Construction E. Construction if applicable.
3. Or Applicant proceeds with renovations and meets Lenders requirements for draws upon completion of renovation project.

IV. NEW CONSTRUCTION FOR RENTAL PURPOSES

For the purpose of this policy, **New Construction for rental units** is defined as the construction of a new home on SIB reserve lands for market rental purposes. The applicant must be a SIB owned entity.

PROGRAM DETAILS/CRITERIA

Maximum Loan	\$220,000.00 per unit
Maximum Amortization	25 years
Down Payment	15.00% cash equity by SIB or the SIB owned entity.
SIB Fee	n/a
Life Insurance	Not applicable
Home Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
CMHC Mortgage Insurance	Mandatory
Construction Insurance	Mandatory
Collateral held by SIB	SIB to hold title of home lot by way of Band Council Resolution until mortgage is paid in full.
Home Lot	Will be minimum one (1) acre plus right of way
Gross Debt Ratio	Not applicable
Total Debt Ratio	Not applicable
Debts owed to SIB	Any debt owed to SIB must be repaid in full before loans will be guaranteed by SIB. SIB may review this again.
Hold back on construction	Lender to withhold 10% of all disbursements until final inspection report is issued.
Business Rental Feasibility	A feasibility report is required to be submitted to SIB and the Lender to support the viability of a rental project.

PROCESS DETAILS

(see I. New Construction – Process Details)

V. PURCHASE FOR RENTAL PURPOSES

For the purpose of this policy, **Purchase for rental units** is defined as the acquisition of an existing home on SIB reserve lands by a SIB for market rental purposes. This may include renovations, but must not exceed maximum loan amount. The applicant must be a SIB owned entity.

PROGRAM DETAILS/CRITERIA

Maximum Loan	\$220,000.00
Maximum Amortization	25 years
Down Payment	15.00% cash equity by SIB or the SIB owned entity.
SIB Fee	n/a
Life Insurance	Not applicable
Home Insurance	Mandatory, loss payable firstly to Lender, loss payable secondly to SIB.
CMHC Mortgage Insurance	Mandatory
Construction Insurance	Mandatory, if renovations are included and exceed \$15,000.00
Collateral held by SIB	SIB to hold title of home lot by way of Band Council Resolution until mortgage is paid in full.
Home Lot	Will be minimum one (1) acre plus right of way
Gross Debt Ratio	Not applicable
Total Debt Ratio	Not applicable
Debts owed to SIB	Any debt owed to SIB must be repaid in full before loans will be guaranteed by SIB. SIB may review this again.
Hold back on construction	Lender to withhold 10% of all disbursements until final inspection report is issued.
Business Rental Feasibility	A feasibility report is required to be submitted to SIB and the Lender to support the viability of a rental project.

PROCESS DETAILS

(See II. Purchase – Process Details)

VI. DEFAULT SCENERIOS

If in event that an Applicant defaults on their loan, the following will occur:

- A. Scenario 1 – Lender and SIB Applicant (Client) works together to bring account current within 90 days.
1. Lender takes action immediately, by phoning and/or writing a letter to the Client.
 2. Client and Lender work together to bring loan account current.
 3. Client continues to maintain loan account in good standing.
- B. Scenario 2 – Lender, SIB, and SIB Applicant (Client) brings account current after 90 days.
1. Lender takes action immediately, by phoning and/or writing a letter to the Client.
 2. Client is unable to catch up on missed payment and 90 days lapses.
 3. Lender advises SIB that further action is required.
 4. Client, Lender, and SIB work together to determine successful process to bringing account current. All three parties must agree to one of the following:
 - a. Special Payment Plan
 - b. Capitalize on loan arrears
 - c. Re-amortize loan account
 5. Client continues to maintain loan account in good standing.
- C. Scenario 3 – At 120 days, Lender, SIB, and SIB Applicant (Client) determine account is not recoverable.
1. Client is unable to catch up on missed payment and 120 days lapses.
 2. Lender formally advises client and SIB of default, and calls upon the SIB guarantee.
 3. SIB Finance advises client that member ownership via default of the CP will be null and void and that SIB will take ownership rights.
 4. SIB Finance determines equity value in home on a specified date (value of home less mortgage payout and other costs) and will advise client accordingly. SIB will recover costs incurred during this default process plus any overhead fees and such fees will be deducted from net sale or recovery proceeds. Net equity amount (if any) would be forwarded to the client (defaulted borrower) as equity value. In some cases, the client may not have an equity position in the home due to but not limited to house condition, determined value, amount required to payout the lender and SIB's costs.
 5. SIB determines eviction process as per SIB's current Eviction Policy. SIB advises the Client accordingly.
 6. SIB and the Lender mutually agree on whether loan account to be restructured between SIB and the Lender or fully paid out by SIB.