Housing Responsibilities by Tenure

Guide to Homeownership in our First Nation

First Nations Housing Professionals Association

L'Association des professionnels de l'habitation des Premières Nations

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PJILA'SI – GREETINGS!

We are pleased to provide you with this Guide to Homeownership in Our First Nation.

Homeownership in Our First Nation

Homeownership in Our First Nation means that the homeowner is responsible for all the financial obligations related to the home including making a loan payment (where they have obtained a loan to build, purchase or renovate the home), arranging and paying for the cost of ongoing and preventive maintenance and repairs, property and contents insurance, maintaining the property surrounding the home, etc.

Homeownership can be achieved through the following options:

- **New Construction/Purchase of an Existing Home**
  A member may have borrowed funds or used their own financial resources to build a home or may have purchased an existing home in Our First Nation.
- **Tenure Conversion (Our First Nation-owned to Member-owned)**
  Our First Nation may have transferred ownership of a home to an eligible member (i.e., through a rent-to-own option or sale of a former Our First Nation-owned home to a member).
- **Inheritance**
  A homeowner, who had a legal will, may have transferred ownership of the home to another member.
- **Gifted**
  A homeowner may have gifted ownership of the home to another member.

The Homeownership Policy

The homeownership policy has been developed to confirm the roles and responsibilities related to homeownership in Our First Nation for both homeowners and for Our First Nation. The policy also confirms the rules, regulations and processes required to manage and support homeownership in Our First Nation. Chief and Council have approved the policy and have directed the housing department to implement and enforce the policy.

The Guide to Homeownership

This guide provides a summary of homeownership in Our First Nation; it does not contain all the information that is included in the homeownership policy. If you are interested in learning more, you can obtain a copy of the housing policy from the housing department.

Section 1 – Benefits, Risks and Cost of Homeownership

The Benefits of Homeownership

Some of the benefits include:

- Homeownership provides shelter security for the homeowner and their family.
- A homeowner can design their living space to suit their needs by choosing their preferred building design, layout of space, type of technologies, etc.
- The homeowner determines who occupies the home (subject to Our First Nation bylaws).
- A home can increase in value/the homeowner can build equity.
- A homeowner can rent or sell the home (subject to Our First Nation bylaws).
- A homeowner can include the home as part of their estate.
- Homeownership builds closer ties to the community.
- If borrowing funds to build, purchase or renovate a home:
    - A homeowner decides how much they want to borrow and the amount of time to repay based on their financial ability and subject to the criteria of the financial institute/Our First Nation.
    - The requirement to make monthly payments eventually ends which reduces housing costs to only operating expenses (e.g. maintenance, repairs, insurance, utilities, services).
    - When loan payments to a financial institute are made on time, this will be positively reflected in the homeowners' credit rating.

The Risks of Homeownership

While there are many rewards, there are also risks associated with homeownership.

- Owning a home is a long-term financial commitment. Even after a loan is paid in full, the homeowner must be able to cover ongoing operating costs (e.g. maintenance, repairs, utilities, insurance, etc.).
- If property insurance is not maintained and there is damage to the home, the homeowner is responsible for the costs to repair.
- The value of the home may not increase or, may decrease over time.
- If there is a change in household income the financial responsibilities of homeownership may become unaffordable.
- If borrowing funds to build/purchase or renovate:
    - The monthly loan payment may increase at renewal if the interest rates have increased.
    - If the homeowner defaults on the loan, they risk the loss of the home and equity. This can also result in a negative credit rating.

The Cost of Homeownership

Some of the costs a homeowner is responsible for include:

Loan payment (where applicable)	$__________
House Insurance	$__________
Other Services	$__________
Maintenance/repairs	$__________
TOTAL	$__________

Section 2 – Rights and Responsibilities

Homeowner Rights

As a homeowner, you have the right to:

- **Rent or lease your home:** Before doing so, talk to housing staff to confirm whether there are any restrictions or limitations (e.g., residency bylaw).

- **Gift your home:** You can gift or will your home to another individual as long as this meets the requirements of the Our First Nation homeownership policy and the lands policy. It will be your responsibility to notify housing and lands departments to move forward with the transfer of the right of possession for the home. Consider obtaining a legal opinion about transferring ownership to be aware of the risks of doing so.
- **Sell your home:** You can sell your home to another Our First Nation member as long as the sale meets the requirements of the Our First Nation homeownership policy and the lands policy. This transaction will be between you and the individual who is buying the home however, if you have obtained a loan guaranteed by Our First Nation:
  - You must meet the eligibility criteria of the financial institute and Our First Nation regarding sale of the home where there is an outstanding loan balance; and
  - You will be responsible to pay the outstanding balance of the loan, an early pay-out penalty (where applicable) plus all sale and closing costs.

Our First Nation Rights

Our First Nation has the right to…….

- Enforce all applicable bylaws and regulations (e.g. residency bylaw, minimum property standards).
- Enforce the homeownership agreement (where applicable).
- Enter the home to do an inspection to confirm the condition of the home (where Our First Nation has guaranteed a loan to a financial institute/financial institution).
- Enter a home if it appears to have been abandoned.
- Enforce the homeownership policy.

Responsibilities of a Homeowner – Protecting Your Investment

As a homeowner, you have invested time and money into the home and will want to protect that investment. Here are some ways to do so:

- ✓ **Interior home maintenance and repairs**: Carry out regular maintenance and repairs to keep the building safe and structurally sound so that it continues to meet your housing needs.
- ✓ **Plan for future repair and replacement:** In addition to regular maintenance and repairs, plan for the cost of replacing building components as they age.
- ✓ **Plan for emergency repairs:** While many repairs are predictable there will be unexpected repairs or emergencies; consider setting up an emergency repair fund so that funds are available in these situations.
- ✓ **Exterior Property Care**: Keep the property surrounding the home clean and clear of debris and hazardous materials and maintain the lawn/grounds to avoid the risk of grass fires or rodent infestation. Our First Nation enforces a Minimum Property Standard Bylaw for all properties.
- ✓ **Insurance**: Insurance must be maintained to protect the home and the homeowner. This can include fire/property insurance equal to replacement value of the home in the event of loss and, liability insurance to cover a claim against you for injury to others while in your home/on your property. Where the homeowner has obtained a loan to build/purchase/renovate, life insurance could be considered to cover the outstanding balance of a loan in the event the homeowner dies before the loan is paid in full.
- ✓ **Temporary absence from the home**: If you are going to be away from the home, consider asking a family member or friend to watch your home during an absence. Check with your insurance provider to confirm their requirements to maintain coverage if the house is unoccupied. To minimize risks, consult with the housing department to learn what you can do.

- ✓ **Wills and estate planning**: This should be considered to ensure that the home/property is passed to the individual(s) of your choice. Contact Our First Nation lands department or Indigenous Services Canada for more information.

Responsibilities of Our First Nation – Support for Homeowners

Our First Nation provides ongoing support for all homeowners by:

- ✓ **Providing the infrastructure and services** such as garbage pick-up and, for the homes in the subdivision provide water and sewer services.
- ✓ **Plowing the residential streets** in winter.
- ✓ **Offering limited assistance with repairs**, subject to program and funding availability, for Elders and for emergency repairs.
- ✓ **Offering advice on homeownership responsibilities**. This can include information on what homeowners can do to protect their home (e.g. maintenance and repair resources, how-to videos, advice on budgeting, contracting and information and resources on energy efficiencies, etc.).
- ✓ **Confirming if there is a subsidy or assistance** from Our First Nation to help with new construction, purchase or renovation of an existing home.
- ✓ **Assisting with the application process for a loan to build/purchase/renovate**: If applying for a loan, the housing department can explain the homeownership program, how to comply with building codes, the requirements for inspections, etc.
- ✓ **Counselling in the event of a breach of the loan agreement/Homeownership Agreement** (e.g., payment default, maintaining minimum property standards, abandoned property, health and safety issues or environmental hazards). Housing staff can meet with the homeowner and offer suggestions to resolve the issue and will confirm the consequences if the issues are not resolved as required.

Section 3 – Financial Support for Homeownership from Our First Nation

Loan to Fund New Construction, Purchase of a Home, Renovations

A member who is interested in building a new home or purchasing an existing home in Our First Nation or completing renovations to their home in Our First Nation can apply for assistance to obtain a loan from a financial institute.

Summary of Loan Options – Financing through a Financial Institute

<u>Option #1 - New Construction or Purchase of an Existing Home</u>

Our First Nation may guarantee a loan of up to $____ for a member who can obtain a loan from a financial institute to build new or purchase an existing home in Our First Nation. Our First Nation guarantees the loan for the financial institute which means that if the member defaults on the loan, Our First Nation is responsible to pay the financial institute the outstanding loan balance. After applying to and receiving approval from Our First Nation, the member is responsible to apply to the financial institute and meet their eligibility criteria including providing a downpayment as required by the financial institute. If approved, the member makes the loan payments directly to the financial institute to repay the loan.

<u>Option #2 - Renovations</u>

Our First Nation may guarantee a loan of up to $_____ for a member who can obtain a loan from a financial institute or other financial institution to carry out renovations to their home in Our First Nation. Our First Nation guarantees the loan for the financial institute which means that if the member defaults on the loan, Our First Nation is responsible to pay the financial institute the outstanding loan balance. The member must hold the land rights to the home (e.g. Certificate of Possession).

After applying to and receiving approval from Our First Nation, the member is responsible to apply to the financial institute and meet their eligibility criteria and may be required to provide a cash downpayment. If approved, the member makes the loan payments directly to the financial institute to repay the loan.

Collateral for the Loan

For both of these loan options, the land rights (e.g. Certificate of Possession) is transferred to Our First Nation as a condition of loan approval and is held as collateral until the loan is paid in full. If the member defaults on the loan, Our First Nation will seize (foreclose on) the home and property. This means that the homeowner will forfeit the land rights, the home, and all or a portion of their equity (e.g. downpayment, improvements) and the homeowner and other occupants will be removed from the home.

Eligibility Criteria

To qualify for either of these loan options, a member must:

- Be a member of Our First Nation as defined in the membership code and be 18 years of age or older.
- Complete and submit an application to the housing department.
- Obtain written confirmation from Our First Nation finance department that you have no arrears or outstanding payments on any account with Our First Nation.
- Meet eligibility requirements to develop/own land in Our First Nation as confirmed in the Our First Nation Land Use Plan and lands policy and regulations.
- Pre-qualify for a loan with the financial institute including having an acceptable credit rating, providing verification of income to confirm you can manage the cost of loan repayment and other housing costs and have the required downpayment.

Before Committing to a Loan Consider:

- The benefits and risks of homeownership.
- How much you can afford to borrow/repay.
- If a downpayment is required, how much you can afford/how much you need to save.
- How much you can afford to pay in monthly loan payments in consideration of other ongoing housing costs, debts and personal expenses and any potential change in household income.
- How long you want to take to pay off your loan (where the option to choose the amortization period is available).
- Meeting or talking to a financial institute or a financial planner to learn about the costs you will be responsible for as a homeowner.
- Checking your credit rating beforehand to be sure the information on your file is up-to-date as the financial institute will be considering this as part of their review.

Our First Nation: Managing the Financial and Legal Liability of the Loan

Because Our First Nation has a financial and legal liability for the loan, Chief and Council have approved a homeownership policy. The policy confirms how these loans are made available and managed to prevent a financial loss to the community.

Our First Nation will require a homeowner to sign a Homeownership Agreement as a condition of approving the loan guarantee for the financial institute. This agreement is separate from the loan agreement with the financial institute and confirms the roles and responsibilities of a homeowner in Our First Nation and the conditions of providing the loan guarantee.

If the homeowner defaults on their loan (i.e., is unable to make the required loan payments or commits any other breach of the loan agreement), Our First Nation is responsible to repay the loan. If the homeowner defaults, Our First Nation will seize (foreclose on) the home and property. This means that the homeowner will forfeit the land rights, the home, and all or a portion of their equity (e.g. downpayment, improvements) and the homeowner and other occupants will be removed from the home.

Our First Nation has the right to sell the home to another qualifying member or, keep the home and rent it as part of the Our First Nation rental portfolio.

INFORMATION AND SUPPORT

The housing department is committed to providing information and support to tenants. If you have any questions about homeownership, please contact us at 123-456-7890. We are here to help.

IMPORTANT PHONE NUMBERS