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First Nations Market Housing Fund

# Business Plan Summary

2023–2027

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# FOREWORD

This is a summary of the 2023-2027 Business Plan that was approved by the Board of Trustees of the First Nations Market Housing Fund (“the Fund”) and by the Minister for Canada Mortgage and Housing Corporation in accordance with the provisions of Section 18 of the Indenture of Trust.

The Summary provides an overview of the Fund’s mandate and business structure, analyzes the expected operating environment, and sets out the Fund’s objectives and strategies for the upcoming five-year period. The Summary demonstrates how the Fund intends to achieve these objectives and measure its success.

The First Nations Market Housing Fund has been in operation since May 2008.

On the cover — Qátuwás Brown and partner Steven Smith the day they received the keys to their new home at Heiltsuk Nation, B.C.

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## EXECUTIVE SUMMARY

The First Nations Market Housing Fund (“the Fund”) prepares a five-year rolling *Business Plan* and submits it to the CMHC Minister for approval each year. The *Business Plan* addresses the business and activities of the Fund, including strategic direction and the financial plans for the period.

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There is an estimated \$60 billion need in Indigenous housing, and First Nations communities continue to lag behind the rest of Canada. Every factor that is driving Canada's housing and affordability crisis within our urban centres is disproportionately higher within First Nations communities: rising inflation and soaring costs; a shortage of labour in not just skilled trades, but also in supports to help First Nations families access financing and supports; and the escalating costs of building materials.

Every community in Canada, including First Nations, requires a continuum of housing ranging from shelters to subsidized rentals and market rentals, to rent-to-own units and finally, homeownership, in order to meet the needs of its residents.

Homeownership (which the Fund promotes) may be just one part of the solution, but it is a necessary consideration. All efforts to address the housing shortage and nation-building must include First Nations people participating in the opportunity to own their home in their community if that is their choice. However, there are still far too many challenges that First Nations communities face in being able to create the conditions to enable their members to own their own homes and benefit from their investment.

To date, the Fund has leveraged over \$1 billion in potential credit to support an estimated 7,000 home loans to purchase, build or renovate a home. The Fund has backed over 500 loans and is determined to see more

homes on the ground in our communities. To accomplish this, we need changes in products and services at the Fund, as well as greater autonomy. The Board of Trustees is currently leading the development of a strategy to work with the federal government in pursuing transformational reforms to revitalize and strengthen the Fund so that we can offer additional products and services that will enable homeownership to become a reality sooner for those who want it. In the interim, we are working with more than 40% of the First Nations in Canada delivering our two existing products – credit enhancement and capacity development – to reach their goals, one home at a time.

Our trustees are leading the development of a reform strategy to make the Fund more autonomous and more responsive to First Nations. Through this process, the Fund is exploring how it can better support First Nations.

Reform has been advocated by many parties over the course of the Fund's existence, beginning with the Fund's trustees. The Assembly of First Nations' draft *National Housing Strategy* identifies the Fund's reform as a goal. Further, in the process of appointing new trustees in 2019-2020, the government identified reform of the Fund as an important consideration.

To ensure that reform results in the achievement of both increased autonomy for the Fund and market- or loan-based homes on the ground, a reform strategy complete with milestones will be further developed in 2023. Work on this strategy began in 2022 with a strategic planning session in April. Following that session, the Fund engaged a consultant to develop and implement a national survey of First Nation leaders, administrators, and homeowners to get a better understanding of barriers to homeownership. Findings from these surveys are being used to inform the reform strategy. Additional steps that will be undertaken in 2023 to work on the reform strategy include:

- Identify other organizations that the Fund can work with as part of the reform strategy.
- Compile data that has already been collected by the Fund over the past 14 years, to identify areas for reform.

- Include staff input as a key input into the reform strategy process.
- Seek advice from external experts.
- Validate the reform strategy ideas with First Nations through a series of engagement sessions.

The trustees of the Fund have mandated that it must do a better job of getting houses on the ground. Reforming the Fund's products and services is paramount to increasing the number of options for on reserve homeownership. The most recent statistics on Fund-backed loans are reflected in the table below.

## National Summary – Fund-Backed Loans

Fund-Backed Loans @ June 30, 2022	Potential Credit Approved \$M	Credit Used \$M	Estimated loans	Loans in Place
National	1,015.60	91.28	7004	524
Atlantic	12.51	7.41	167	55
QC	77.26	27.42	423	127
ON	299.69	33.89	2589	211
MB	8.75	0.61	61	4
SK	18.50	0.00	170	0
AB	212.50	1.87	440	9
BC	326.01	16.23	2827	93
YK/NT	60.38	3.85	327	25

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## OVERVIEW

### **Mandate**

The Fund's mandate is to facilitate access to financing for loan-based housing in First Nations communities. The Fund helps create the capacity in First Nations communities to support and sustain loan-based housing programs, thereby contributing to the social welfare and civic improvements of First Nations communities and their residents. The overarching goal is to promote a system in which First Nations residents have the same housing opportunities on communally held lands – be they reserve, settlement, or lands set aside – as mainstream Canadians have in their communities.

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## VISION

As the Fund focuses on increasing the opportunities for on-reserve loan-based homeownership, the current vision is that: Every First Nations family has the opportunity to have a home on their own land in a strong community.

The reform vision is that the Fund should:

- Continue as a perpetual trust fund;
- Strengthen governance accountability to First Nations; and
- Expand loan-based housing on First Nations reserve and settlement lands as part of the First Nations housing continuum.

## VALUES

The values of the Fund are the seven sacred teachings:



**Love | Humility | Respect | Courage |  
Honesty | Wisdom | Truth**

## CORE SERVICES

The Fund is a unique tool developed with input from First Nations communities and organizations across Canada and launched on May 5, 2008, with a one-time federal government investment of \$300 million. The Fund is a standalone, long-term, self-sustaining, non-profit trust established to <sup>1</sup>:

- “...facilitate the availability of financing for and the accessible supply of Market-based Housing in First Nations communities and help create the capacity in First Nations communities to become self-sufficient in developing and sustaining the Market-based Housing...”
- “create a platform for long-term change in housing provision and accommodation, leveraging more private-sector financing, progress in stabilizing the backlog in housing, greater housing investment by First Nations themselves and their members, and enhanced housing capacity in First Nations communities.”
- “...move away from a system that depends almost entirely on government subsidies, to a system that provides to First Nations residents the same housing opportunities and responsibilities in their communities as other Canadians.”<sup>2</sup>

1 Excerpted from the March 26, 2008 Indenture of Trust between the CMHC on behalf of the Government of Canada and the Original Trustees.

2 The Fund respects that not all First Nations citizens classify themselves as Canadians and thus this statement may be offensive to some.



Better housing is a vital and effective way to strengthen communities and promote equality and opportunity. The Fund's principal is used to create more and better housing through the Credit Enhancement Facility which provides a 10% guarantee backing for on-reserve housing loans, in addition to First Nations guarantees, to build, buy, or renovate individual homes and multi-suite rental units.

The Fund is a unique organization with tools to help increase the supply of homes in First Nations communities. We currently work in partnership with First Nations communities in two ways through existing programs for credit enhancement and capacity development.

## Credit Enhancement (CE) Facility

The Fund helps First Nations communities across Canada prepare for loan-based housing and attract and access private financing for housing loans (offered by participating national and regional lenders) with the best possible terms and conditions, to support new homeownership, home renovations and the creation of market rental units.

The Fund provides an alternate form of security for housing loans made on reserve, on lands set aside and settlement lands where appropriate, through CE. The backing provided by the Fund in conjunction with First Nations guarantees, attracts lenders by offsetting some of the security issues while preserving the communal nature of the land. As a result,

First Nations are provided with more leverage to negotiate favorable financing terms and conditions such as interest rates, loan features, risk-sharing agreements, reduced loan program access fees and favorable administrative arrangements.

The Fund contracts specialized program consultants to work closely with qualifying First Nations to develop and implement the CE program in their community.

Thirteen national and regional financial institutions partner with the Fund through the Credit Enhancement Facility. These partnerships support opportunities, especially in under-served geographic areas, for First Nations to establish new relationships with a financial institution for their citizens to access financing to purchase, build, or renovate a home in their community.

## Capacity Development (CD)

Through the Fund's CD Program, funded by investment income, we support access to training, and specialized consulting resources to support initiatives aimed at developing, increasing, and sustaining loan-based housing in First Nations communities. The identification of capacity development needs is tailored to each individual First Nation. Consultant resources and assigned staff work closely to support the planning and implementation of our CD program in communities.

The emphasis of our CD program is always on what is needed to implement and sustain loan-based housing. CD funding allows First Nations to expand existing homeownership programs, develop new ones, manage housing as a business, improve responses to community demand, and train staff in various areas to support these initiatives.

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## REFORM

The Board of Trustees is leading the development of a reform strategy to make the Fund more autonomous and more responsive to First Nations. Through this process, the Fund is exploring how it can better support First Nations. The current board members are all Indigenous and come from different regions across Canada. They have been asserting more influence in the selection process for new trustees and in the final recommendations to government on selection of board officers such as the chairperson and vice-chair.

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To ensure that reform results in the achievement of both increased autonomy for the Fund and market- or loan-based homes on the ground, a reform strategy complete with milestones will be further developed in 2023. Work on this strategy began in 2022 with a strategic planning session in April. Following that session, the Fund engaged a consultant to develop and implement a national survey of First Nations leaders, administrators, and homeowners to get a better understanding of barriers to homeownership. Findings from these surveys are being used to inform the reform strategy.

In the 2023-2027 period the Trustees will continue to lead reform actions to ensure that the Fund is: more responsive to the needs of First Nations; more favorable to lenders for on-reserve home loans; open to working with like-minded organizations; creating tools and options for First Nations citizens to obtain homeownership; and increasing autonomy for the Fund.

A key piece to date is the survey of leaders, administrators, and homeowners. The data collected has been used to inform ideas around Fund reform. There is a need to balance the Fund's efforts between First Nations government and First Nations members to achieve better outcomes and more houses on the ground. Another finding from the research is that there is growing support for homeownership as one of the housing options available to members. If homeownership is not an option, it is the desire of many (leaders and administrators) to move in this direction.

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## STRATEGIC DIRECTION

The 2023-2027 Business Plan provides an overview of the Board and staff's work to plan the business operations and activities of the Fund. This includes locally driven strategies, measurable performance indicators, and financial plans. These objectives, activities, and results are organized around four key strategic directions:

1. Promote loan-based homeownership and the Fund's services.
  2. Support First Nation individuals to be better prepared and knowledgeable about homeownership.
  3. Improve the Fund's offerings to support intended loan-based housing outcomes.
  4. Increase the autonomy and independence of the First Nations Market Housing Fund.
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## Promote loan-based homeownership and the Fund’s services.

This strategic direction mainly focuses on marketing and communications activities such as rebranding and putting communications and marketing resources in place for the Fund. In 2022, the Fund conducted a national survey of First Nations leaders, administrators and homeowners. A majority of those surveyed were not aware of the services of the Fund. This may be an indication of the need to revisit how the Fund carries out marketing and promotion activities. It may also be an indication that a lot of

work still needs to be done in order for more First Nations to embrace homeownership as an option for their members.

In prior years, the Fund has developed broad communication strategies to define the scope of its marketing and communication activities. Moving forward, the Fund also needs to consider a variety of marketing strategies that will yield the results that the Fund is trying to achieve such as stronger brand awareness.

**Goal**

Increase awareness of housing options available to First Nations members and increase awareness of the Fund’s services.

**Activities**

- Better marketing and communications to raise awareness and visibility of the Fund. This will entail work to be done by new communications firm selected through the RFP. Work will include rebranding the Fund, creating a social media presence for the Fund and revamping the Fund’s website.
- Develop and host webinars (at least 4 per year) and invite current First Nations clients to attend. This provides a forum for clients to share best practices and to learn from each other. A consultant with expertise in developing webinars will be hired at the outset of this project.

**Expected Results**

- More First Nations are aware of the Fund and are able to interact with the organization.
- Joint projects/initiatives with other First Nations organizations and Aboriginal Financial Institutions (AFI).
- A communications & marketing specialist on staff.
- A communications firm selected.
- Rebranding of the Fund takes place in 2023. New look is launched by year end.
- New website is relaunched by end of 2023.
- Survey tools and engagement sessions are used to refine the marketing efforts.
- Social media tracking tools are used to monitor the success of social media efforts.

**Key Performance Indicators**

- The Fund is sought after for providing homeownership workshops and credible research.
- More lenders working with the Fund (with or without the CE program).
- More prospective homeowners interacting with the Fund for services that will lead to homeownership.

# Support First Nations individuals to be better prepared and knowledgeable about homeownership.

This strategic direction involves activities pertaining to potential homeowner education and working with like-minded organizations. One of the findings from research done in 2022 was that there needs to be balance between building up the organizational capacity of a First Nation (i.e., housing policies) and building up the individual capacity of potential homeowners (i.e., training on financial management, budgeting and saving for a down payment).

## Goal

Potential homeowners in First Nations communities will be more knowledgeable of homeownership requirements, resources and opportunities. With this information, these individuals will be more likely to become homeowners.

## Activities

- One of the findings from the 2022 surveys was that there is a need for homeownership policies. The Fund could be proactive by hiring a contractor directly to develop a homeownership policy template which could then be shared with First Nations clients.
- One of the strategic activities is to work with new/existing partners to adapt capacity building/financial literacy offerings, including for youth. This may entail working with other partners to develop a customized financial literacy training program that is relevant to the Fund and its clients, as well as developing some online tools.
- The Fund will develop a homeownership toolkit that could be integrated into the housing training programs. A consultant would be hired to research and develop the toolkit.
- Hire 'housing navigators' on staff and additional CE specialists on the ground.
- Develop a package of capacity development resources (workshops, presentations, etc.) to deliver to First Nations and community members.
- Explore the possibility of train-the-trainer workshops for First Nations staff to deliver to their membership.

## Expected Results

- Increased visits to First Nations communities to deliver presentations/workshops to potential homeowners.
- Increased numbers of loan-based homes are built.
- Homeownership is accepted as a housing option on the continuum in a majority of First Nations communities.
- Toolkits developed for training curriculum for housing professionals.
- Workshops developed by the FNMHF.
- An updated *Capacity Development Provider Assessment Process Guide* and an *Approved Capacity Development Provider Guide*.

## Key Performance Indicators

- Increased number of people participating in homeownership training through the Fund.
- Homeowner groups working with the Fund are organized and are able to interact and network with each other through events hosted by the Fund.

## Improve the Fund’s offerings to support intended loan-based housing outcomes.

This strategic direction includes a multi-pronged approach that entails: reforming the services that the Fund currently provides; researching new products such as alternatives to credit enhancement; researching and developing programs with the goal of making on-reserve home loans more attractive to conventional lenders; and researching how the Fund could support the development of housing infrastructure.

### Goal

Reform current services to be more ‘outcome based’ and expand the scope of Fund services beyond the existing products. Identify and develop new products that will result in the desired outcome of increasing First Nations housing options including rent to own and homeownership.

### Activities

- Undertake a ‘lean process study’. The current processes followed for CD and CE will be assessed by a third party with expertise in lean process studies. Our objective is to identify gaps in service delivery from the initial application/assessment process to the point where a First Nations member is taking out loans with a Fund-approved lender.
- Conduct case studies on 10 First Nations clients, to assess how CD projects actually helped them with increase the volume of on-reserve homeownership. Review CD initiatives to determine which services directly impact increased homeownership (what has worked, what has not worked, etc.). This will entail a detailed file review plus interviews with the First Nations staff. This work will be carried out by an independent consultant.
- Research where Fund support has contributed to First Nations accessing alternative financing for loan-based housing (lending programs that did not require CE backstop).
- Conduct a needs assessment on the data requirements for converting the Fund’s current database to a customer relationship management platform. This will result in better service for clients and better use of data that has been collected by the Fund.
- Re-examine the existing research including the *Deakin Study*, regional engagement sessions, and targeted surveys to inform the reform planning to reduce barriers to home ownership.
- Review the survey data from the FNMHF surveys of administrators, leaders, and homeowners to determine research opportunities to support multiple paths to get to homeownership.
- Review and revise the CE guarantee program so that there is a more effective incentive for participation and pursuit of homeownership.
- Explore how the Fund can fill gaps in products and service delivery of loan-based housing for First Nations and examine alternatives.
- Review CD initiatives to determine which services directly impact increased homeownership.
- Collaborate and partner on joint projects with other like-minded organizations.
- Initiate relationships with lenders where no relationship has existed.
- Research how the Fund can facilitate nation to nation sharing of information as it pertains to housing and homeownership best practices.



## Expected Results

- The Fund has the resource capacity, both human and financial, to respond to First Nations' homeownership needs across the country using customized yet effective approaches from various locations.
- Reform strategy is developed, building from initial research carried out in 2022. Additional steps to developing the strategy will include reaching out to other organizations to be part of the strategy, getting input from staff, looking at existing data collected over the past 14 years, seeking input from external experts, and seeking validation of ideas with First Nations.
- A sustainable funding approach for CD is identified and put forward to Canada.
- A reform strategy, complete with milestones, is fully developed by the end of the year.
- Completed research studies.

## Key Performance Indicators

- Throughout 2023, incremental improvements are made to the current services of the Fund. Each improvement is documented. Feedback on the changes will be obtained through regional engagement sessions or through surveys. In the short term, the key performance indicator is that the changes are communicated clearly to all stakeholders. In the long term, the key performance indicator is more homeownership projects happening with the support of Fund services.

## Increase the autonomy and independence of the First Nations Market Housing Fund.

This strategic direction is consistent with Recital 11 of the Fund’s Indenture of Trust, which states: *“The Settlor, the Government of Canada and the Original Trustees envision that there will be evaluation of the performance and management of the Fund with a view to the transfer to the First Nations community of responsibility for the mandate and accountability of the Fund.”*

Increasing the autonomy and independence of the Fund is tied to the performance and management of the Fund. The Trustees believe that asserting a stronger Indigenous voice in the governance of the Fund will lead to improved performance and management. Examples of activities under this strategic direction include: removing CMHC as the Fund Manager (completed in 2022), updating the Indenture of Trust (completed in 2022), Establishing an on-reserve location for the Fund’s head office (completed in 2022) to make the organization

more attractive for Indigenous job seekers, taking an active role in the nomination process for new trustees, mandating that Trustees must be First Nations citizens, developing an environmental, social and governance (ESG) policy for the Fund with an Indigenous lens.

In 2023, this work continues as the Fund will continue to assert more authority over governance matters and will implement changes that will result in improved performance and management of the Fund.

## Goal

The development of the capacity and processes to support the transition of the autonomous and independent First Nations Market Housing Fund to governance by First Nations.

## Activities

- The Fund will retain the services of an Indigenous consulting firm to facilitate planning meetings related to reform and increasing the Fund's autonomy and independence. This continues to be a strategic priority. Additional efforts are needed to pursue reforms such as making additional changes to the trustee nomination process, making changes to the indenture of trust to allow it more flexibility in how it can use the Fund to support First Nations homeownership, and making changes to the CD formula.
- Continue to develop risk management practices by engaging an enterprise risk management specialist to provide advice and training to trustees and management.
- Continue to build up internal capacity on investment management by engaging the services of a professional investment management advisor, and professional investment managers who will manage the various asset classes in the Fund's portfolio.
- Continue to refine the Fund's ESG policy. Continue to monitor ESG ratings of investments in the Fund's portfolio.
- Continue to take an active role in recruitment, selection, and recommendation of trustees.
- Work towards being an employer of choice for Indigenous employees. Encourage the hiring of more First Nations staff in various roles to reflect the clients that are being served by the Fund.

## Expected Results

- The Fund is a strong First Nations organization, autonomous yet accountable to First Nations and to the Government of Canada through a modernized framework.
- Experienced and motivated staff in a positive, flexible, and collaborative work environment that are committed to the vision of the Fund.
- New and improved database and strengthened information technology policies.
- A fully active nine-person Board of Trustees.
- Additional First Nations employees and revised organization chart.

## Key Performance Indicators

- Greater level of involvement of the Board of Trustees in the appointment process for Trustees.
- A reform strategy to drive change, led by the Trustees, developed with the input of external stakeholders.
- The Fund works on more research projects with like-minded Indigenous organizations.

The following table illustrates the planned results of the operations of the Fund for the 2023-2027 planning period (CE refers to Credit Enhancement, CD refers to Capacity Development):

Projected Activity	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
<b>Applications</b>					
Received	5	5	5	5	5
Cumulative	268	273	278	283	288
<b>Approved First Nations</b>					
CE and CD * ( <i>includes CE approved after "Under Review"</i> )	2	2	2	2	2
CD Only *	4	5	6	7	8
CE after CD *	5	5	5	5	5
<b>Applications Under Review</b>					
Net change	(1)	(2)	(3)	(4)	(5)
Cumulative	41	39	36	32	27
<b>New Qualified First Nations for Credit Enhancement</b>					
# First Nations	7	7	7	7	7
Cumulative	130	137	144	151	158
<b>Potential # of Units Approved Under the CE Program</b>					
# of Potential Units **	420	420	420	420	420
Cumulative	7,424	7,844	8,264	8,684	9,104
<b>Units Approved</b>					
# of New Units	70	84	88	92	98
Cumulative	605	689	777	869	967
<b>Lenders</b>					
# Qualified	13	13	13	13	13

\* As the Fund will focus on approving existing applications under review and identify First Nations approved for CD who are ready for CE, it is expected that the number of CE approvals will increase in relation to those approved for CD. It should be noted that applications received in the last 2 months of the year will not be completely processed until the following year, and therefore added to Applications Under Review.

\*\* Based on actual results to date (inception of the Fund in 2008 - June 30, 2022), the average number of potential units that a CE-qualified First Nation anticipates being back-stopped under the CE Program is 60.

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## **FINANCIAL PLAN & BUDGETS**

The Fund's fiscal year is the calendar year. As per the Fund's accounting policy, in accordance with Canadian public sector accounting standards for not-for-profit organizations, revenues are only recognized on the statement of operations to the extent of expenses incurred. Total income from investments including gain or loss on sale (realized) is reported under the 'schedule of changes in deferred contribution'.

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**Table 1 – Statement of Operations**

Statement of Operations \$M	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
<b>Revenue</b>					
Investment Income	10.355	10.821	11.116	11.509	11.986
Realized gain/(loss) on sale of investments	(0.593)	0.153	0.289	0.426	0.538
<b>Total Revenue</b>	<b>9.762</b>	<b>10.974</b>	<b>11.405</b>	<b>11.935</b>	<b>12.524</b>
<b>Expenses</b>					
Administration	6.683	6.316	6.324	6.488	6.528
Capacity Development	2.000	4.000	4.000	4.000	4.000
Credit Enhancement Guarantee Expense/(Recovery)	0.009	0.011	0.012	0.012	0.013
Evaluation	–	–	–	0.345	–
<b>Total Expenses</b>	<b>8.692</b>	<b>10.327</b>	<b>10.336</b>	<b>10.845</b>	<b>10.541</b>
<b>Excess of Revenue over Expenses</b>	<b>1.070</b>	<b>0.647</b>	<b>1.069</b>	<b>1.090</b>	<b>1.983</b>

**Table 2 – Schedule of Changes in Deferred Contribution**

Schedule of Changes in Deferred Contribution \$M	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Balance, beginning of period	376.498	377.568	378.215	379.284	380.374
Investment Income	10.355	10.821	11.116	11.509	11.986
Realized gain/(loss) on sale of investments	(0.593)	0.153	0.289	0.426	0.538
Recognized as Revenue to match Expenses	(8.692)	(10.327)	(10.336)	(10.845)	(10.541)
Deferred Contribution, before Unrealized Gain/(Loss)	377.568	378.215	379.284	380.374	382.357
Unrealized Gain/(Loss), beginning of period	(14.432)	(9.661)	(4.188)	1.258	6.664
Unrealized Gain/(Loss)	4.771	5.473	5.446	5.406	5.389
Amounts Realized	–	–	–	–	–
Unrealized Gains/(Losses), end of period	(9.661)	(4.188)	1.258	6.664	12.053
<b>Total Deferred Contribution End of Period</b>	<b>367.907</b>	<b>374.027</b>	<b>380.542</b>	<b>387.038</b>	<b>394.410</b>

**Table 3 – Statement of Financial Position**

Statement of Financial Position \$M	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
<b>Assets</b>					
<u>Current</u>					
Cash and cash equivalents	10.709	10.917	11.102	11.282	11.477
Restricted cash	–	–	–	–	–
Receivables from investments	1.004	1.226	1.405	1.647	1.895
Prepays	0.056	0.057	0.058	0.059	0.061
Accounts receivable	–	–	–	–	–
	11.769	12.200	12.565	12.988	13.433
Long- term investments	357.311	363.205	369.442	375.740	382.847
Capital assets	0.290	0.217	0.229	0.180	0.142
<b>Total Assets</b>	<b>369.370</b>	<b>375.622</b>	<b>382.236</b>	<b>388.908</b>	<b>396.422</b>
<b>Liabilities</b>					
<u>Current</u>					
Accounts payable and accrued liabilities	1.329	1.484	1.528	1.715	1.858
	1.329	1.484	1.528	1.715	1.858
Capital lease obligation	0.044	0.020	0.063	0.040	0.025
Deferred lease inducement	0.010	–	–	–	–
Credit enhancement guarantee liability	0.080	0.091	0.103	0.115	0.129
Deferred Contribution	367.907	374.027	380.542	387.038	394.410
<b>Total Liabilities</b>	<b>369.370</b>	<b>375.622</b>	<b>382.236</b>	<b>388.908</b>	<b>396.422</b>

## Operating Budget

The Operating Budget provides for administration expenses and costs for the credit enhancement guarantee expense, as well as any evaluations, special reports, or audits. Capacity development is shown separately. The following table summarizes the requirements for 2023-2027.

**Table 4 – Operating Budget**

Operating Budget \$M	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Administration Expenses	6.683	6.316	6.324	6.488	6.528
Capacity Development Expenses	2.000	4.000	4.000	4.000	4.000
Credit Enhancement Guarantee Expense/(Recovery)	0.009	0.011	0.012	0.012	0.013
Evaluation Costs	–	–	–	0.345	–
<b>Total Operating Budget</b>	<b>8.692</b>	<b>10.327</b>	<b>10.336</b>	<b>10.845</b>	<b>10.541</b>

## Administration Expense Budget

Administration expenses are the expenses that an organization incurs on a day-to-day basis that are not directly tied to a specific function such as, in the Fund's case, capacity development. Administration expenses are incurred for the basic operation of the Fund and are related to the organization as a whole as opposed to an individual program.

The administration expense budget provides for such expenditures as:

- Professional and technical services, which include staff salaries and benefits, investment management fees, legal and audit fees, banking charges, insurance costs, consulting fees, and various other fees;
- Transportation, including staff travel and postage and courier;
- Trustee governance;
- Marketing and promotion;
- Business premises;
- Fund development;
- Computer/telecommunications services; and
- Other charges.

As provided for in the *Indenture of Trust*, administration expenses must not exceed the total amount set out in the approved budget.

## Capacity Development Budget

The purpose of the Capacity Development Program is to provide support for First Nations communities in qualifying under the Credit Enhancement Facility. It also helps to strengthen those who do qualify to ensure they have the necessary foundation to implement and sustain market-based housing.

The funding agreement sets out the amount of resources available for capacity development, and this amount is to be specified in the annual business plan. The total amount is not to exceed 50% of the immediately preceding year's net income (defined as investment and other income less any expenses incurred during the year). Where the Fund expends less than the total maximum amount available in a given year, the Fund can carry forward unexpended amounts to future years, subject to the Minister's approval of the budget in each subsequent business plan. Cumulative carried-forward amounts will be in addition to the maximum total amount otherwise permitted.



The budget provides for fees, travel, and other related costs to be paid to external contractors in the delivery of the capacity development activities in First Nations communities. A relatively small amount of the budget is paid up-front, which tends to be for courses offered by educational and training institutes. The balance of the costs is paid when deliverables are completed to the satisfaction of the First Nation and the Fund; this may take more than a year to complete. These initiatives often require community engagement sessions which are critical to community buy-in and ongoing support.

The current formula for calculating the available amount of capacity development funding has resulted in an insufficient and decreasing amount of funding being available. Without a change in the formula, the Fund would not have sufficient funding for capacity development by the end of 2026, even if the Fund can earn sufficient revenues to cover both administrative expenses and capacity development expenses (Net Income below). This situation is illustrated in the following table:

**Table 5 – Capacity Development Budget**

CD Budget \$	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Cumulative Unexpended Amount, Beginning of Year	12,153,939	10,153,939	6,688,582	3,011,979	(453,470)
Add: Current Year's Allocation *	–	534,643	323,397	534,551	544,707
<b>Sub-total</b>	12,153,939	10,688,582	7,011,979	3,546,530	91,237
Less: Expenditures during Current Year	2,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>Cumulative Unexpended Amount, For Next Year</b>	10,153,939	6,688,582	3,011,979	(453,470)	(3,908,763)

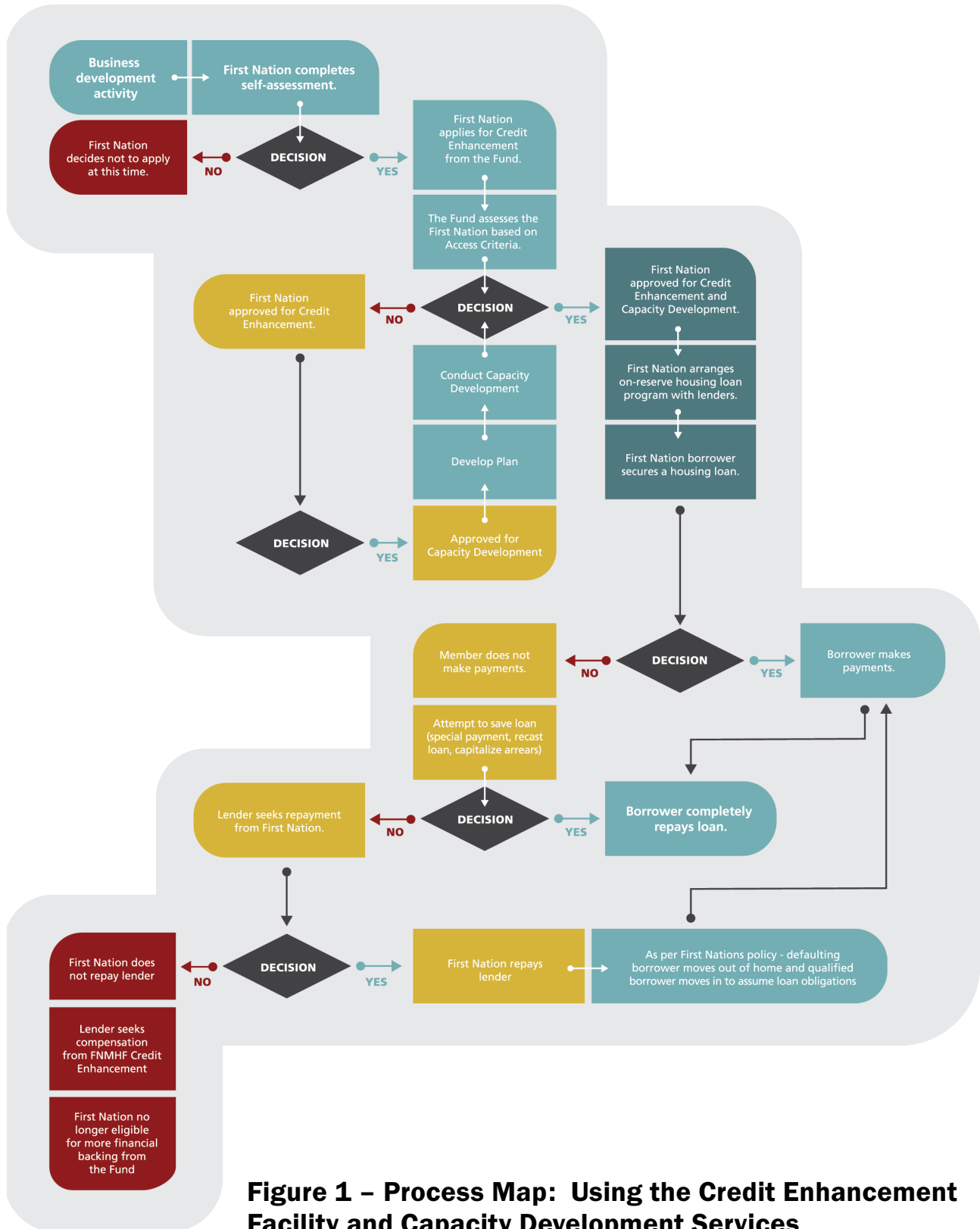
\* One-half of planned net income for prior year as follows. Allocations in 2022 Forecast and 2021 Actual are based on 2021 actual and 2020 actual net income.

	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Net Income/(Loss)	(3,595,634)	1,069,287	646,793	1,069,102	1,089,414

The Fund has been conservative in its capacity development spending to date while examining alternatives over a number of years to ensure a predictable and stable stream of funding is available for capacity building going forward. It is understood that any alternative capacity development funding mechanism may not be implemented without the express approval of the Government of Canada. The discussion is provided herein for information as an integral part of the business planning process for 2023-2027. According to the *Indenture of Trust*, any activity the trustees plan to undertake, including the exploration of changing the Capacity Development Program as is contemplated herein, must be described in the business plan. Changes to the capacity development funding mechanism are planned to be part of the Fund's reform strategy. For the remainder of 2022 and 2023 specifically, it is anticipated that capacity development funding will be reduced to allow the Fund to focus on reform process and identify gaps in the current Capacity Development Program.

# ANNEX – HOW THE FUND WORKS

The figure below illustrates the process a First Nation could follow to work with the Fund.



The sections below explain the flow chart.

## **Business Development**

To commence the process described in the flow chart, business development efforts are first required to identify First Nations who are interested in using the Fund. These include attending a broad cross section of national and regional gatherings and conferences to meet First Nations representatives. Follow-up meetings with interested First Nations are then scheduled.

## **Self-Assessment and Application**

Once the services of the Fund are understood, a First Nation completes a 'self-assessment,' which will identify requirements (for financial management, governance, community commitment) for First Nation participation. Once the self-assessment is complete, the First Nation will decide whether to complete and submit an application to use services of the Fund – Capacity Development Program and the Credit Enhancement Facility. A First Nation can only apply for capacity development if it is applying for credit enhancement as well. A First Nation government resolution is required to support the application to the Fund.

## **Application Evaluation**

If the First Nation meets the requirements and is in a reasonable financial position to safely provide a guarantee for housing loans, it can be approved to use the Credit Enhancement Facility. Even though it meets the requirements for credit enhancement, the First Nation could still need capacity development to strengthen key components to implement and sustain market-based housing.

In some cases, a First Nation may not have all the appropriate policies and procedures in place. In these situations, the First Nation may not be approved to use the Credit Enhancement Facility but could be eligible for capacity development services. A key component to qualify for market-based housing is a functioning housing system where occupants believe in paying for their housing. Payment behavior in a rental system is transferable to a loan program. Although there have been 40 years of rental housing programs delivered in First Nations communities, the Fund has found that often payment systems are not implemented in part or in whole, requiring extended periods of capacity development at the leadership, administrative and citizen levels. The result is not only qualifying for the Credit Enhancement Facility but also a better managed and better maintained existing housing stock.

Capacity development initiatives could also take the form of workshops and training to develop and implement the appropriate governance, lands, and financial management structures. They could also include

development of policies, codes, by-laws, and laws, as well as staff and leadership training.

For a First Nation that has qualified only for capacity development, once these structures are in place, the First Nation would be re-assessed to use the Credit Enhancement Facility.

### **Establish housing loan program with an eligible lender**

Once a First Nation is eligible to use the Credit Enhancement Facility, it is supported by the Fund to establish how the facility will work in their community. For example, determining the types of loans and loan limits and any conditions of the First Nation that will be necessary for borrowers to fulfill prior to qualifying at the financial institution need to be established and approved by Chief and Council. A system to process applications within the First Nation needs to be established, including the identification of potential permitted contractors and qualified inspectors, as well as the approval process. These are all conditions that precede the ability to work with approved lenders to establish an on-reserve housing loan program. Receiving presentations and evaluating lender offers, selecting and approving the most suitable choices and then conducting community awareness sessions on the new home loan opportunities are all steps needed to put a loan program in place. If a First Nation or lender has chosen to mitigate its risk by using mortgage loan insurance there is another assessment process to go through with CMHC at the First Nation level.

### **Member loan application**

Once the loan program is in place, a citizen of the participating First Nation would be able to apply for a loan with a lender. This would require showing evidence of membership. If the loan is for new home construction, the borrower would need to provide evidence that a serviced lot is available on which to build a home. Many First Nations have added criteria such as the need to have life insurance or the need to pay off any debts in arrears to the First Nation before obtaining a guarantee. In addition, the borrower would be required to qualify for the loan based on lender requirements. This typically includes information about income and debt service as well as a positive credit history.

Once a member knows the loan amount that they qualify to borrow, they may need to reassess or change their plans. For example, they may need to save more towards a down payment or adjust their preferred home type to fit within their qualified loan limit. If a member does not qualify for a home loan, they may need to take steps to improve their credit or their income.

### **On-reserve Housing Loan Agreement**

If a member qualifies for a loan, terms would be agreed upon. These could include amortization schedule, term, interest rate, and the opportunity for special payments, ability to recast loan or capitalize arrears in the event there is a challenge paying the loan.

In some cases, lenders that are not approved by the Fund have been competing for business once a First Nation has qualified for or implemented a Fund-backed loan program. In select communities certain lenders have been extremely competitive with interest rate discounts, similar to those offered off-reserve as special one-time deals. The Fund continues to encourage competition but cannot agree to back loans suggested to be locked in by lenders as on reserve the individual loans are personal loans not mortgage loans and are legally open and pre-payable at any time, without penalty. The Fund will not guarantee loans for borrowers who do not qualify according to the lender's criteria.

## **Purchase / Construction**

Once the terms of the loan are agreed upon, the member uses the loan proceeds to construct or purchase and/or renovate their home. In order for loan draws to be released the borrower's equity must first be contributed and an inspection system must be in place for both building code compliance and advancing purposes.

## **Debt repayment**

Members are responsible for debt repayment. Monthly performance reporting is due to the First Nation and the Fund. In cases where a loan is non-performing, there may be opportunities for the member to recast, recapitalize or make special payments to get back on track.



## First Nations Market Housing Fund

### **Akwesasne Office (physical)**

19 Irene Roundpoint Lane,  
Akwesasne, ON K6H 0G5

### **Akwesasne Office (mailing)**

P.O. Box 158,  
Cornwall, ON K6H 5S7

### **Ottawa Office**

1420 Blair Towers Place,  
Suite 510,  
Ottawa, ON K1J 9L8

### **Reception/Main number:**

1-866-582-2808 / 613-740-1592 | Fax: 613-740-9932

[info@fnmhf.ca](mailto:info@fnmhf.ca) | [www.fnmhf.ca](http://www.fnmhf.ca)