

NUNAVUT HOUSING CORPORATION



Nunavut Down-payment Assistance Program (NDAP)

October 2016

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OBJECTIVE

- The objective of the Nunavut Downpayment Assistance Program (NDAP) is to assist clients in achieving homeownership through conventional financing means.

SUMMARY

- NDAP is targeted towards people wishing to buy an existing home or build a new home.
- An equity contribution by the client, when combined with NDAP, will ensure that clients have ten percent of the total house costs to contribute as a down payment. This will allow clients to meet the minimum down payment requirement of conventional mortgage lenders.

ENABLING LEGISLATION

- *The Nunavut Housing Corporation Act.*

Under Section 10 (General Powers) – the NHC may:

“Administer, manage, and maintain properties; and make grants or loans to individuals, municipalities and other corporate bodies for the purpose of acquiring, constructing or improving housing.”

ELIGIBLE CLIENTS

- The applicant(s) must be at least 19 years of age.
- The applicant(s) must have resided in Nunavut for a minimum of one (1) calendar year.
- This program follows income eligibility limits as set by the Homeownership Program Income Eligibility (HPIE) numbers (See VOI Guidelines, Appendix I)
- The applicant(s) must not currently own residential property, or have owned residential property in the community in which they are applying for NDAP during the last five (5) years.

Note: In extenuating circumstances, and with the approval of the Corporate Executive Committee, assistance may be provided to clients who currently own a home or to clients who have owned a home in the community in which they are applying for NDAP in the last five years.

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Examples of extenuating circumstances include applicants who may be living in substandard or overcrowded conditions, or in the case of family or marital separations.

- Neither the applicant nor co-applicant may have received previous assistance from the NHC to buy or build a home within the last 10 years.

Note: In extenuating circumstances, and with the approval of the Corporate Executive Committee, this requirement may be waived.

Examples of extenuating circumstances include applicants who may be living in substandard or overcrowded conditions, or in the case of family or marital separations.

- Applicants with rental or mortgage arrears with any Local Housing Organization in Nunavut or with the NHC, or have otherwise caused a loss to NHC, do not qualify for the program until those arrears or losses are paid in full.

Note: At the discretion of the Corporate Executive Committee, this requirement may be waived, provided that the client(s) agrees in writing to a Repayment of Arrears Schedule.

- The applicant(s) must be approved for a mortgage from a Canada Mortgage and Housing Corporation (CMHC) approved lender. The Corporate Executive Committee may, at its discretion, approve alternative financing arrangements upon the submission of appropriate documentation by the applicant(s).
- The applicant(s) must be able to afford to own and operate the home. In addition to a bank's analysis to determine credit worthiness, the NHC will conduct its own affordability analysis as part of the approval process.

PRIORITY OF APPLICANTS

- The annual allocation of NDAP projects is limited based upon available funding. NDAP applications will be processed in the order that they are received and according to available funding.
- Provided that the applicant(s) meets all eligibility requirements and that funding is available, the NHC will offer a conditional approval subject to the applicant(s) obtaining a mortgage commitment from their bank.

ELIGIBLE UNITS

- Existing homes, newly constructed homes, condominiums, manufactured, and modular homes are eligible under NDAP.

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- Homes purchased or constructed under NDAP must be used by the client(s) as their principal residence.
- All new homes constructed must meet or exceed all applicable building codes, and all laws and regulations of all authorities having jurisdiction.
- All homes purchased or constructed under NDAP must be located within municipal boundaries in Nunavut.
- Units with two self-contained living spaces are eligible for NDAP. Units with three or more self-contained living spaces are not eligible for NDAP.

CONTRIBUTION

- NDAP is offered as a forgivable 2nd mortgage over a 10 year period. There is no forgiveness in the first 5 years.
- The NHC will provide on a one-time-only basis a contribution in the form of a forgivable loan to subsidize the cost of purchasing an existing home or constructing a new home. Exceptions to the one-time only basis may only be made with the approval of the Corporate Executive Committee.
- The NDAP contribution is based on 7.5 per cent of the total costs, to a maximum of \$30,000. The client's portion of the down payment must be a minimum of 2.5 per cent of the total costs.
- The following table is provided to illustrate examples of NHC's level of assistance and the clients' equity contribution, based on total costs ranging from \$50,000 to \$400,000. The exact contributions are to be determined by calculating the percentages of the actual costs.

Purchase Price	Client	NHC	Total
	2.5%	7.5%	10.0%
\$ 50,000	\$ 1,250	\$ 3,750	\$ 5,000
\$ 75,000	\$ 1,875	\$ 5,625	\$ 7,500
\$ 100,000	\$ 2,500	\$ 7,500	\$ 10,000
\$ 125,000	\$ 3,125	\$ 9,375	\$ 12,500
\$ 150,000	\$ 3,750	\$ 11,250	\$ 15,000
\$ 175,000	\$ 4,375	\$ 13,125	\$ 17,500
\$ 200,000	\$ 5,000	\$ 15,000	\$ 20,000
\$ 225,000	\$ 5,625	\$ 16,875	\$ 22,500
\$ 250,000	\$ 6,250	\$ 18,750	\$ 25,000
\$ 275,000	\$ 6,875	\$ 20,625	\$ 27,500
\$ 300,000	\$ 7,500	\$ 22,500	\$ 30,000
\$ 325,000	\$ 8,125	\$ 24,375	\$ 32,500
\$ 350,000	\$ 8,750	\$ 26,250	\$ 35,000
\$ 375,000	\$ 9,375	\$ 28,125	\$ 37,500
\$ 400,000	\$ 10,000	\$ 30,000	\$ 40,000

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- For properties in excess of \$400,000, the client's equity contribution must be increased proportionately so that the total down payment equals 10 per cent of the total costs.
- Eligible costs for existing properties include purchase price and closing fees and disbursements. Eligible costs for homes to be constructed include design and engineering costs, equity land lease costs, lot development costs, construction costs and closing fees and disbursements.
- Providing that the client(s) maintain the house as their principal residence and are not in default with the NHC or the bank, the loan is forgiven over a ten (10) year period as follows:
 1. The monthly payment of principal shall accrue, but shall not become payable;
 2. There is no forgiveness earned on the loan during the first five years; and
 3. 1.67% of the accrued and outstanding principal shall be forgiven at the end of each calendar month following the 5th anniversary of the date of the mortgage, with the effect that 20% of the accrued and outstanding principal shall be forgiven on each anniversary date on years six through ten of the term.

INCOME VERIFICATION

The applicant's income will be verified in accordance with the NHC's current Verification of Income Guidelines for NHC Homeownership Programs.

AFFORDABILITY ANALYSIS/ APPLICANT EVALUATION

- As part of the mortgage lending approval process, CMHC approved lenders undertake a borrower risk assessment. While the NHC may rely on the bank's borrower assessment to some degree, the NHC will undertake its own analysis and evaluation of the borrower, and reserves the right to reject the applicant should its analysis indicate that the applicant represents a significant borrower risk to the NHC. If the application is rejected as a result of the analysis, a letter will be sent to the applicant explaining reasons why.
- The borrower risk analysis will review the applicant's:
 - Capacity to Repay
 - Are the proposed payments manageable?
 - Is income likely to be stable over next 3 years?

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Willingness to repay

- Is there a good history of credit repayment?
- Does the borrower have adequate net worth?
- In order to complete a borrower assessment, NHC will require:
 1. Income Verification for applicant and co-applicant from all sources – current income and 3 year CRA Notice of Assessment
 2. Statement of assets and liabilities
 3. Credit bureau check
 4. Local credit history -- outstanding debts/repayment histories with LHOs, Hamlets and local stores
 5. Employment History – to determine the reliability and stability of income and employer
- Applicant(s) with a Gross Debt Service (GDS) ratio of more than 32 per cent and/or a Total Debt Service (TDS) ratio of more than 40 per cent are not eligible for the program, unless approved by the Corporate Executive Committee.

BANK FINANCING

- Clients must arrange for and obtain mortgage approval from a CMHC approved mortgage lender. Any alternative financing arrangement will require Corporate Executive Committee approval.
- In the case of new construction, and if necessary, clients will arrange for financing until the unit is fit for occupancy, and a mortgage can be used to pay off the construction loan. As a last resort (i.e. if the client's bank refuses), the NHC may provide interim financing (refer to Interim Financing Guidelines).

NDAP AGREEMENT

Clients are required to sign one of three NDAP Agreements before funds can be advanced, as follows:

1. NDAP New Home Construction Agreement
2. NDAP Purchase of Existing Home Agreement
3. NDAP Purchase of a New Home Agreement

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PRINCIPAL RESIDENCE

- Clients must maintain the unit as their principal residence. The principal residency requirement may be waived when a client(s) is on:
 1. Education leave for up to four years;
 2. Temporary out-of-town job placement for up to two years; or
 3. Extended medical treatment or hospitalization.
- Loan forgiveness is suspended for any period of the waived residency requirement in excess of three months. This can be achieved in one of two ways:
 - a) The client(s) would make the monthly NDAP payment as stipulated in the Agreement and the Mortgage, commencing in the fourth month that they are not occupying the unit as their principal residence, and continuing until they resume residency; or
 - b) The term of the forgivable loan period would be extended by the number of months of non-residency (excluding the first three months).

Note: Determining the most appropriate method of suspending forgiveness will be at the discretion of the District Director, taking into consideration such factors as whether the unit is leased during the period of non-residency and the client's income. The client account data in the mortgage administration system must be updated to reflect any suspension of forgiveness.

- If the client(s) ceases to occupy the NDAP unit during the loan period except as noted above, the outstanding forgivable loan balance is due and payable in full.

Note: In extenuating circumstances, and with the approval of NHC's Corporate Executive Committee, clients may be provided with the option of entering into a special arrangement to repay the loan on a monthly basis as per the terms of the NDAP Agreement and the Mortgage for the period of time that they are not maintaining the property as their principal residence (similar to the payment procedures under the waived residency requirement except that payment would commence in the first month of non-residency).

CONSTRUCTION CONTRACT

In the case of new home construction projects:

- All homes constructed under NDAP must meet or exceed all applicable building codes, and all laws and regulations of all authorities having jurisdiction.

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- The client(s) is required to provide the NHC with a copy of the construction contract and a copy of the plans and specifications for review by the NHC staff.

DEFAULT

Should the client(s) default on the terms and conditions in the first and second mortgage documents and/or program agreement, the following options are available to resolve the situation:

1. Depending on circumstances, it may be possible for the client(s) to negotiate a repayment of arrears schedule with their bank.
2. The client(s) may sell their home for no less than the full balance of their outstanding financial obligations and pay out both mortgages.
3. In situations whereby the NHC is notified of pending foreclosure proceedings by the bank, a decision paper must immediately be submitted to NHC's Corporate Executive Committee, recommending a specific course of action (i.e. whether to pay out the bank mortgage and a recommended approach for dealing with the delinquent clients).
4. Where the client(s) is in good standing with the bank mortgage but has defaulted on the NDAP Agreement/Mortgage, it may be possible to set them up on a repayment schedule rather than to demand full payment of the outstanding forgivable loan balance, in which case approval of the Corporate Executive Committee would be required.

INSURANCE

- In the case of new home construction projects, the construction contract must include provision for:
 1. Course of construction insurance in the form of an "All Risks" Builders Risk policy, for not less than the full replacement cost of the building;
 2. Comprehensive General Liability Insurance with limits not less than two million dollars per occurrence; and
 3. Compliance with all Workers Compensation Board (Nunavut) requirements.
- The client(s) must provide proof of a Broad Form Homeowners Insurance policy in an amount not less than the replacement cost of the building, and must show the NHC as a loss payee as its interests may appear.

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The policy is to be in place prior to occupancy of the unit, and must be maintained for the duration of the forgivable loan period.

LOAN SECURITY

- Security for the forgivable loan is to be obtained by the NHC when registering a mortgage. When the house is sold, the remaining unforgiven balance of the loan becomes due and payable (see Portability exception).
- The NHC will provide the client's solicitor with the NHC standard NDAP mortgage document to be prepared as per the terms of the NDAP agreement and registered as a second charge against Title.

SIGNATURES

- The names on all mortgage and agreement documentation must match the names on the land lease.
- In situations where clients are married or living under common law arrangements, NHC considers that any assistance provided to the client and his/her partner is provided jointly to both partners.

ESTATE AFTER CLIENTS DEATH

- Upon the death of one partner and the surviving partner sells or vacates the home, the outstanding loan is due and payable in full.
- In the event of the death of co-mortgager(s) with an outstanding loan balance or forgiveness period, the following policy shall apply:
 1. The NHC has an interest in the property. However, the NHC permits the estate to be handled by lawyers or the Public Trustee. In this situation, the lawyer or Public Trustee should be notified of the NHC's interest in the property.
 2. The outstanding forgivable loan balance goes with the inheritor of the property.
 3. If there is no will in place, the estate is handled by the Public Trustee. If the property is sold, the proceeds should be used to pay out the bank mortgage and the outstanding forgivable loan balance due to the NHC.

PORTABILITY

If the client(s) sells the house and purchases another property in Nunavut within 120 days, the client(s) may be eligible for the reassignment of the outstanding balance of the forgivable loan to a new mortgage on the property to be purchased, provided that

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client(s) meets all eligibility requirements. All terms and conditions of the existing NDAP Agreement and Mortgage would carry forward to the new mortgage

ADVANCE AND DISBURSEMENT OF FUNDS

Once all eligibility requirements have been met and all required documentation is in place, the funds will be advanced to the client's lawyer, to be held in trust until such time as written authorization is provided by the NHC to the lawyer regarding when and for what amount to disburse funds to the client(s) or on the client's behalf. Instructions regarding the advance and disbursement of funds will be specified in the Instructors to Solicitor.

- For existing house purchases, it is anticipated that the total amount will be disbursed at once as part of the purchase price and closing costs. However, prior to disbursing the funds, the lawyer will be required to submit an interim solicitor's report/requisition for disbursement of funds.
- For construction loans or mortgages where there is more than one advance, the client's lawyer may be required to submit an interim solicitor's report/requisition for disbursement of funds for each progress advance. The NHC may, at its option, inspect the construction progress prior to authorizing the disbursement of funds.