



Building Communities

FIVE STEPS TO HOME OWNERSHIP
ON- RESERVE.

- HOUSING SUBSIDIES
- MINISTERIAL LOAN GUARANTEE
- BAND COUNCIL RESOLUTION
- BANK FINANCING

PREPARED BY: LÍLWAT NATION HOUSING DEPARTMENT

STEP 1 –

Before speaking to your Housing Manager: ask yourself:

Do you have regular, steady income from employment?
Do you pay your bills on time each month?

Questions to ask:

Is there a certain lender that you should talk to?
Are you eligible for a housing subsidy from ISC (Indigenous Services Canada)?
Are there serviceable lots available to you?

STEP ONE: Is home ownership for me?

Talk to your Housing Manager about the Home Ownership process in your community and whether Leadership supports the idea of homeownership

STEP 2 –

Things to consider:

Do you have a down payment?
What is your credit rating?

If you don't qualify for a loan, ask your lender what changes need to be made before you are qualified.

When deciding whether someone qualifies for a loan, lenders look at three things:

Income, Credit, Character

Step Two: Talk to your Lender

Talk to a lender about qualifying for a loan.
(ask the Lender for a pre-approved intent to loan letter)

STEP 3 –

What is a Land Encumbrance check?

Received from Lands Department, this verifies that land is available to be used for residential development and Lands Department / Líl'wat Nation

Why do I need a BCR? A BCR is needed because your Band Council will act as the guarantor on your loan

Step Three: Meet with your Housing Manager

Meet with your Housing Manager and provide them with a copy of the pre – approved letter. They will prepare a Band Council Resolution and Land Encumbrance check.

STEP 4 –

CMHC has many publications that can help you when you are looking for a builder and throughout the construction stage.

Contact CMHC Aboriginal Capacity Development department at 1-800-639-3938 ext. 4187 for more information.

Step Four:

Collect builder or home construction estimates

Find a builder and get copies of estimates or purchase an existing house.

STEP 5 –

Generally funding is provided in 4 installments after each of the following have been completed

- 1) Foundation
- 2) Framing
- 3) Lock up
- 4) Finishing

Step Five:

Meet with your lender

Once you have all your estimates, take them and meet with your lender, if approved, construction can begin

What Does it Cost to Build a New Home in Today's Market?

The cost per square foot for new construction of a modest new home is about \$250 to \$300 per square foot (this includes water, sewer, and hydro connections). So, for example, two - bedroom, 1000 square foot house would likely cost between \$250,000 and \$300,000 to build. Modular or Pre-Manufactured homes, built to CSA Z-240 standards, would likely cost in the range of \$160 and \$180 per square foot (includes install and hook up to water, sewer, and hydro). Thus, a two-bedroom, 950 square foot, single wide home would cost between \$152,000 and \$171,000 to purchase, with a maximized amortization period of fifteen years.

For Mount Currie weather make sure to check that the modular meets zone 6 construction standards and a roof snow load rating of 136 pound per square foot.

STEP ONE

Is home ownership for me? 1

Take to your Housing Manager about Homeownership Option in your Community

Sometimes communities have different options or ideas about homeownership. Before you start the process, you should make sure that you know how your community feels about homeownership and whether this is something you can do within your community.

Questions to Ask your Housing Manager:

Are there serviceable lots available to you?

A serviceable lot is a lot that is already connected, or can be connected to utilities, including electricity; and sewer lines, as well as provides road access. If serviceable will be your responsibility and will need to be included in the total construction cost.

Are you eligible for a housing subsidy from ISC?

ISC provides a subsidy to help build homes on-reserve. The subsidy to build a home is only available to an individual once. Although you may not have built a home previously, this subsidy may have been used to build a home under another program, for example rental housing. To find out whether you qualify for the subsidy, your Housing Manager will need to contact ISC directly.

Is there a certain lender that you should talk to about you financing options?

Your community might have a relationship with preferred financial institution. Before approaching a financial institution, check with your Housing Manager. They will tell you whether there is someone you will have to work with or whether you have the option of choosing your lender.

Is a Homeownership information session planned for the community?

CMHC offers a Homeownership information session that will help you through the homeownership process, including information on budgeting and credit.

STEP TWO

Talk to you Lender 2

Talk to a Lender about Qualify for a Loan

Before going forward, you should find out from the lender whether you qualify for a loan and how much of a loan you qualify for:

Generally, lenders look at three things to determine whether you are approved for a loan.

Capacity

Do you have a steady job?

Have you been continuously employed?

Credit

What is your credit history?

Do you pay your bills on time?

Do you have large debts?

Character

Do you pay your rent-on time?

Do you maintain your home?

Are you a good tenant?

The amount of the loan that you qualify for depends on the income that you make and the total of your other debts, including credit cards. To determine how much of a loan you can afford, your lender will calculate how much of a monthly payment you can afford to make each month. This is done by calculating your Gross Debt Service and your Total Debt Service.

Gross Debt Service

Gross Debt Service is the amount of money you should spend on housing and housing related costs each month. To calculate your gross debt service, calculate your total income from all sources before deduction and multiply this number by .35.

Calculating

Totally monthly income	\$2,500.00
Monthly Income left for housing	\$875.00

Total Debts Service

Total Debt Service is the amount of money you should spend each month to pay for housing costs and other monthly loan payments. To calculate your total income from all sources before deductions and multiply this number by .42. Now calculate the total you spent on loan payments. This includes credit card bill, car payments, and any other loans you may have. Subtract these two numbers.

Calculating

Total monthly income	\$2,500.00
Multiplied by .42	\$1,050.00

Monthly Payments for Loans

Monthly car payments	\$250.00
Monthly credit card payments	\$50.00
Monthly personal loan payment	\$100.00
Total payments for loans	\$400.00
Monthly income left for housing	\$650.00

Compare the number from Gross Debt Service (\$875.00) to the Total Debt Service (\$650.00). The lesser of the two numbers (\$650.00) is the maximum amount that you should spend on housing each month, including heating costs.

The monthly income that you have left over for housing costs is then used along with the amount of money you have for a down payment to determine how much of a mortgage you would qualify for. The length of the amortization period, the interest rate you are going to be paying and your payment type will also be considered

Definitions

Interest rate: Interest rate is the cost of borrowing the money. The rate that the interest changed can be either a “fixed rate”, which remains the same during your term or it can fluctuate, which is called a “variable rate.”

Term: The period the conditions of the loan apply, which is usually associated with interest rates. For example, if you select a five-year term with a fixed interest rate, the interest rate will be the same for the next five years.

Amortization Period: This is the life of the loan or the amount of time required to pay off the amount of money borrowed. The amortization period can range from 5 to 35 years.

Choice payment type: A housing loan is repaid in regular payments: monthly, bi-weekly or weekly. The more frequent your payment, the less interest you will pay and the sooner you will pay out your loan.

Principal:
The amount of money you borrowed.

How to reduce your Monthly Payments

Monthly payments can be reduced in two ways:

- 1) Extending the life of your loan (amortization period)
- 2) Increasing the frequency of payments

Note: extending you amortization period may decrease you monthly payment, but it will increase the total amount of interest you will pay.

If you don't qualify for a loan, ask you lender why you didn't qualify. Find out what you can do to help you qualify for a loan in the future. Actions that could help increase your chances of being approved for a loan are:

Paying down any outstanding debt or reducing the overall amount that you owe.

Establishing credit with a lender, possibly through a credit card.

Maintaining continuous employment for certain period.

STEP THREE

Meet with your Housing Manager

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Meet with your Housing Manager and provide them with a copy of the pre-approval letter. They will prepare a Band Council Resolution (BCR) and a Land Encumbrance check.

What is a Land Encumbrance check?

Received from Líl'wat Nation / Lands Department this verifies that the land is available to be used for residential development.

Why Do I Need a BCR?

If you are building a home on-reserve, a BCR is needed because your Band Council will act a guarantor on your loan. If you are unable to pay your loan. Your Band Council will be responsible for the loan

Housing Subsidy Rate from Indigenous Services Canada

- What it is; as of 2019? – \$47,895.00
- How it is applied to the purchase or build of a new home?

If purchasing a new home, subsidy is put toward a down payment to a lender or if to a seller of the home, usually the down payment is dependent on the Lender/ Bank. Some lenders use whole subsidy as a down payment the lender puts deposit on purchase. Some lenders take 105 and the home buyer use balance of the subsidy on infrastructure. If build, it is similar – accept you make draws from lender/bank against the loan

STEP FOUR Collect Builder or Home Construction Estimates 4

Find a builder and get copies of estimates.

Unlike rental housing you are responsible for finding a builder who can build a home to your specifications.

Useful CMHC Publications:

About your House: Selecting a New Home Builder

There are thousands of home builders in Canada; this clear and easy to understand guide to selecting the right builder for you is a must read. From deciding what kind of home, you want. To the search for the right builder, to checking model homes, to what questions to ask, plus much more; it's all here to help you make sense of what the biggest purchase is probably you will ever make.

About your House: Understanding Your New Home Sales Contract

Get it in writing! The adage never applied more than to the sales contract for a brand- new home. Without a detailed contract, there may be no reference point in case of a misunderstanding or disagreement between you and your builder. (A companion to About your House: Selecting a New Home Builder, this guide helps you make a sense of what can be a very complex document and helps ensure you get what you pay for. Don't buy a home without it.)

About Your House Hiring a Contractor

This publication provides you with a list of appropriate questions to ask when interviewing candidates for the job. It also talks about how to obtain estimates, the items that should be contained in a contract and how payment for the work should be made. Also included is additional information about lien and seasonal holdbacks, completion certificates, consumer protection laws, insurance and developing a good working relationship. And easy-to-use hiring checklist is also included.

About Your House: Sample Renovation Contract

This companion reference to "Hiring a Contractor" contains a detailed sample renovation contract useful to both homeowners and contractors. The sample includes sections on work description, deadlines, terms of payments, the payment schedule, standards, warranties, insurance, dispute resolutions and other important areas. In addition, detailed explanations are provided for Each section with guidance on what to include

STEP FIVE**Meet with your lender****5**

Once you have all your estimates, take these to your lender.

If approved, construction can begin.

How is funding provided?

Generally, funding is provided in 4 instalments after each of the following building stages listed below have been completed.

Be sure to check with your lender to confirm this prior to the start of construction.

- 1) Foundation
- 2) Framing
- 3) Lock up
- 4) Finishing



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