



Ministerial Loan Guarantee Manual

Published by:
Aboriginal Affairs and Northern Development Canada
10 Wellington Street
Gatineau, Quebec, K1A 0H4

This document was last updated: September 16th, 2011

Version 36

Please obtain the latest update of this document, which is available at:
<http://www.ainc-inac.gc.ca/ih/fnh/amm-eng.asp>

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Definitions

Definitions

1.0 “Acceptable Security” means a security within the First Nation’s control which is accessible to use as a payment if required. To avoid conflict of interest, the security must not be under the control of the Minister.

2.0 “Applicant” means an individual Indian or a group of Indians (such as a Council of a Band, a Tribal Council, an authorized Band Housing Authority, a Band Housing Corporation including a Band Corporation under the Cree/Naskapi (of Quebec) Act, a corporation without share capital and a cooperative association, where all members of said corporations and cooperative associations are Indians) who have applied for an MLG to secure a loan for the construction, acquisition or renovation of housing located on lands as hereinafter defined.

3.0 “Application” means an application for an MLG to secure a housing loan which may be secured by the Minister through a Ministerial Loan Guarantee.

4.0 “Assignment” means the situation where a lender wishes to assign the loan to another lender, either during or at the end of the term, without changing either the outstanding principal balance or the remaining amortization period.

5.0 “Band” means:

- a) Band as defined in the *Indian Act* or the *Cree/Naskapi (of Quebec) Act*; or
- b) A former Band or group of Bands who is/are signatory to an implemented self-government agreement with Canada, or with Canada and the appropriate province/territory.

6.0 “Band Council Resolution” means the resolution or equivalent authorizing document approved by the First Nation Council to provide the assurances or certifications required to request the Ministerial Loan Guarantee from the Minister.

7.0 “Borrower” means an Applicant to whom a loan has been made by a lender, which has been guaranteed by the Minister.

8.0 “Default” means the borrower has failed to make Loan payments as stipulated in the Loan Agreement.

9.0 “Environmental Assessments” means a process to predict the environmental effects of proposed initiatives before they are carried out. Housing projects are required to undergo and pass a complete Environmental Assessment by a qualified inspector as

per the *Canadian Environmental Assessment Act* (CEAA), or the *Yukon Environmental Socio-Economic Assessment Act* (YESAA).

10.0 “Environmental Impact Site Assessment” means an Environmental Site Assessment as prescribed by the Canadian Standards Association (CSA) Standard Z768 entitled: Environmental Site Assessment, describing a systematic process by which an assessor determines whether a particular property is or may be subject to actual or potential contamination, and does not refer to an Environmental Assessment as may be required pursuant to the CEAA or the YESAA.

11.0 “First Nation Council” or “First Nation” means:

- a) A Council of a Band as defined in the *Indian Act*; or in the *Cree/Naskapi (of Quebec) Act*;

OR

- b) The governing body of a former Band or group of Bands who is/are signatory to an implemented self-government agreement with Canada, or with Canada and the appropriate province/territory.

12.0 “Guarantee Agreement” means the agreement between the Minister and the lender containing the terms and conditions for the Ministerial Loan Guarantee.

13.0 “Guarantee Certificate” means the document prepared by the Minister to certify the housing loan amount being guaranteed by the Minister.

14.0 “House” or “Housing” or “Housing Unit” means:

- a) any self-contained dwelling unit on lands as defined, with washroom and kitchen facilities and sleeping facilities. It is considered to be a main residence, rather than a seasonal or vacation home, whether or not it is presently occupied or needing renovation or repair. A housing unit can be a detached or semi-detached house, a mobile home, a row house or multi-unit residence, where each unit is counted separately;
- b) special purpose housing units are self-contained dwelling units that provide on site non-medical care facilities. Examples are: children's aid homes, halfway houses, shelters for homeless people, homes for single mothers, shelters for those experiencing family violence, homes for drug and alcohol rehabilitation programs, residences for physically or mentally disabled adults or children, and homes for the elderly.

15.0 “**Indian**” means a person who, pursuant to section 6 of the *Indian Act*, is registered as an Indian or is entitled to be registered as an Indian; or beneficiaries as defined under the *Cree/Naskapi (of Quebec) Act*.

16.0 “**Interest Adjustment Date**” means the date on which the term of the loan commences and the loan comes under regular payment of both principal and interest.

17.0 “**Lands**” means:

- a) Lands which constitute "lands reserved for the Indians" pursuant to section 91/24 of the *Constitution Act, 1867*, including lands, the legal title to which is vested in Her Majesty, that have been set apart as reserve for the use and benefit of a Band under subsection 2(1) of the *Indian Act*. This may also include lands defined or similarly defined in implemented self-government and/or, land claims agreements, or under the FNLMA;
- b) A designated Indian settlement where groups of Indians normally reside, and the federal Crown holds title to this land, or has acquired the right to use and occupy this land by agreement with the appropriate provincial or territorial government; or
- c) Category 1A or Category 1A-N lands as defined in the *Cree /Naskapi (of Quebec) Act* and Category A or B Settlement land held by Self-Governing First Nations in the Yukon that was previously reserve land or land set aside by notation in AANDC's property records for the use of the Indian housing program ; or
- d) Any other lands that are within the legislative authority of Parliament as contemplated by section 91/24 of the *Constitution Act, 1867*.

But does not include:

- e) Lands that are held in fee simple

18.0 “**Lender**” means Canada Mortgage and Housing Corporation (CMHC), direct lending and any lender approved under the *National Housing Act* for the purpose of making loans.

19.0 “**Loan**” means a loan which the Minister has guaranteed for the construction, acquisition or renovation of housing on lands as defined.

20.0 “**Loan Agreement**” means an agreement between a borrower and a lender containing the terms and conditions of the loan.

21.0 “**Loan Guarantee**” means a Ministerial Loan Guarantee whereby the Minister guarantees repayment of the loan to the lender in the event of default by the borrower, but

does not include loan guarantees authorized by the Minister pursuant to s.64(1)(j) of the *Indian Act* using Band Capital Moneys as security.

22.0 “Minister” means the Minister of Aboriginal Affairs and Northern Development Canada or his/her designated representative.

23.0 “Ministerial Loan Guarantee Authority” means the amount of loans that the Minister may guarantee pursuant to Indian and Northern Affairs Canada Vote 5, *Appropriation Act No. 3, 1972*.

24.0 “Project” means a single house or a number of housing units, to be acquired, constructed or renovated by an applicant; and grouped under one application for a loan guarantee.

25.0 “Refinancing” means the borrower wishes to change the interest rate, outstanding principal balance or term of an existing guaranteed loan with an existing lender, either during or at the end of the term of the loan. (Note - Any increase in outstanding principal balance or in amortization period will require a new MLG application.)

26.0 “Renewal” means the existing lender offers to continue financing the loan for another term without making changes to the outstanding principal balance.

27.0 “Renovation” means the act of improving the condition of a house by renewing, adding an addition or restoring to its original condition, but does not include the purchase of new appliances or furnishings.

28.0 “Set-Off” means recovery of a debt owed to Her Majesty in right of Canada, by way of deduction or set-off against any sum of money that may be due or payable by Her Majesty in right of Canada to the First Nation (as set out in Section 155 (1) of the *Financial Administration Act*).

29.0 “Transfer” means the situation where a borrower wishes to move a loan from an existing lender to a new lender, either during or at the end of the term, without changing either the outstanding principal balance or the remaining amortization period.

30.0 “Written Consent” means the agreement between an individual Band member(s) and the First Nation stating the terms and conditions to be met by the individual(s) during the amortization period of the loan and the rights of the First Nation in the event of loan default.

ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
BCR	Band Council Resolution
CARD	Corporate Accounting and Reporting Directorate
CEAA	<i>Canadian Environmental Assessment Act</i>
CIB	Community Infrastructure Branch
CMHC	Canada Mortgage and Housing Corporation
CSA	Canadian Standards Association
DIAND	Department of Indian and Northern Development
EA	Environmental Assessment
ESA	Environmental site Assessment
FNLMA	<i>First Nations Lands Management Act</i>
FNITP	First Nation Inuit Transfer Payment
FNOGMMMA	<i>First Nation Oil and Gas and Moneys Management Act</i>
GLMM	Guaranteed Loan Management Module
HQ	Headquarters
IAD	Interest Adjustment Date
MAP	Management Action Plan
NBC	National Building Code
MLG	Ministerial Loan Guarantee
NHA	<i>National Housing Act</i>
TAFR	Treasury Accounting and Financial Reporting
YESAA	<i>Yukon Environmental Socio-Economic Assessment Act</i>

SECTION 1.0 MINISTERIAL LOAN GUARANTEE OVERVIEW

1.1 Purpose of the Ministerial Loan Guarantee Manual

This Ministerial Loan Guarantee (MLG) Manual provides direction on issuing and managing guarantees made by the Minister for on-reserve housing loans in accordance with the Ministerial Loan Guarantee Terms and Conditions, approved by Order in Council P.C. 1999-2000 on November 4, 1999.

This guide supersedes Corporate Manual System Vol. 01 (Chapter 1-13 amendment 13 June 2000).

This manual describes the policy directive, roles and responsibilities and procedures applicable to all Aboriginal Affairs and Northern Development Canada (AANDC) staff in the administration and implementation of MLGs for on-reserve housing. This policy directive and procedures apply nationally. AANDC regional offices may from time to time introduce additional requirements at the regional level to improve program operation or delivery, as long as new requirements are within our authority.

MLGs originated before the present era of modern day treaties and agreements between the Government of Canada and First Nations. See Appendix A for information on Self-Governing and Comprehensive Land Claim First Nations.

1.2 Programs Supporting On-Reserve Housing

Housing is the foundation for strong and healthy communities. The Government of Canada's goal is to support First Nations on reserve in enjoying housing standards comparable to those of other Canadians. The Government of Canada's support for housing on reserve is provided through AANDC and through the Canada Mortgage and Housing Corporation (CMHC). Along with its partners, the Department is committed to working collaboratively with First Nations in achieving safe and affordable housing on reserve. MLGs support all of CMHC's on-reserve social housing programs. MLGs are also used to support access to market-based housing.

In 1996, AANDC introduced the On-Reserve Housing Policy to provide greater flexibility and more control to First Nations for their housing policies and programs. While the majority of First Nations communities opted into the 1996 Housing Policy, however around 200 of them (all those in British Columbia and 25 in Ontario) continue to operate under a project-based housing subsidy program established in the 1960s. AANDC's annual housing support is provided through an annual allocation; or through direct proposal-driven housing subsidies to First Nations that have not opted into the 1996 Housing Policy. The 1996 Housing Policy is based on four key principles: community control, capacity development, shared responsibility, and access to private capital. The later two principles emphasize the need for First Nations to actively seek other sources

of financing, including private loan financing, to meet the housing needs of their community.

1.3 Purpose of Ministerial Loan Guarantees

MLGs are a tool to assist First Nations in accessing loans for housing on reserve. Reserve lands are held by the Crown for the use and benefit of First Nations, as set out in the *Indian Act*. The *Indian Act* (Section 89(1)) protects Indian property from seizure by a non-Indian. Section 89(1) of the *Indian Act* effectively prevents the use of land on reserve as security and the seizure of real property located on reserve by a lender. These restrictions pose an impediment to Chief and Councils, individuals and businesses seeking loan financing such as mortgages for on-reserve projects including housing. To address this risk to the lender, AANDC issues MLGs to lenders in order to secure on-reserve housing loans.

MLGS are not provided for housing on designated lands. The prohibition against seizure set out in section 89(1) of the *Indian Act*, does not extend to leasehold interests on designated reserve lands (s.89(2) of the *Indian Act*). There is consequently no risk to lenders that would warrant providing an MLG as security for the loan on designated lands. MLGs support the social housing program of CMHC. MLGs are also used to support access to market-based housing.

MLGs can be used to secure loans for the purpose of construction, acquisition, or renovation of on-reserve housing projects.

In order to obtain an MLG, a First Nation must submit a BCR (or equivalent authorizing document) and supporting documents to AANDC in support of a housing project, or in support of an individual member's request for and MLG. The First Nation must meet AANDC application requirements and eligibility criteria in order for AANDC to issue an MLG in support of the housing project.

1.4 History of Ministerial Loan Guarantees

AANDC was first granted authority by Parliament to provide MLGs to First Nations in 1966 to provide securities to obtain loan financing for housing projects. Over the years, the Department has received increases to its Ministerial Loan Guarantee Authority in response to the growth in population and increased need for housing loans. The most recent increase was approved in October 2008, raising the Department's authority to \$2.2 billion against its previous authority of \$1.76 billion.

1.5 Lenders

First Nations apply for MLGs to secure loans from lenders for housing purposes.

SECTION 2.0 MINISTERIAL LOAN GUARANTEE POLICY

2.1 Authorities

- Ministerial Loan Guarantee Terms and Conditions, approved by Order in Council P.C. 1999-2000 on November 4, 1999.
- Increase to Ministerial Loan Guarantee Authority for the housing component of the Capital Facilities and Maintenance program (October 2008).
- Financial Management Manual; Financial Signing Authorities Manual;
http://intra/inac/docs/policies,manualsandmanagementinformation/financialpolicies,manualsandprocesses/sinaut_000428_e.pdf
- Default Prevention and Management Policy;
<http://shq06100/tutor/E/HTML/REFFM505.htm> (AANDC Intranet)
- Manual for the Administration of Band Moneys;
<http://www.ainc-inac.gc.ca/eng/1100100032353>
- Environment Policy and associated directives;
<http://intra/INAC/category.asp?Id=1193&SortBy=Alpha&AltName=Environnement&Name=Environment&Language=E>
- Transfer Payments Programs;
<http://www.ainc-inac.gc.ca/ai/arp/es/0708/tpp/tpp-eng.asp>

2.2 Conditions for the Provision of Ministerial Loan Guarantees for Housing Loans

This policy sets out the conditions under which AANDC may guarantee loans for housing on lands as defined. The Minister's authority to guarantee loans for on-reserve housing has been delegated to Regional Directors General and the Director of Funding Services in accordance with the financial signing authorities in the departmental Financial Management Manual. Housing loan guarantees must be administered in accordance with this policy and must be managed within the Guaranteed Loan Management Module (GLMM) in the department's First Nation Inuit Transfer Payment (FNITP) system.

Guarantees may only be issued subject to the availability of the Ministerial Loan Guarantee Authority granted to the Minister.

The Minister may not guarantee a loan amortized beyond 25 years and any subsequent renewals or refinancing of a guarantee may only be for an amortization period equal to

the original amortization period less the total number of years of previous term renewals.

2.3 Ministerial Loan Guarantee Application Requirements and Eligibility Criteria

MLGs may be issued to a First Nation acting on its own behalf or on behalf of an individual First Nation member.

To ensure that the risk of loan defaults are minimized and to prevent undue fiscal pressures on First Nation as well as on AANDC, each request for an MLG must be assessed and approved against the application requirements and eligibility criteria as follows.

2.3.1 Application Requirements

The First Nation is required to submit an MLG application and supporting BCR (or equivalent authorizing document) from the First Nation. **Application forms may be completed within the GLMM of FNITP or using a paper copy of the MLG application form.**

An application for an MLG must contain the following to be considered (for more precision on required documentation, please consult your regional officer responsible for MLGs):

- **Project description for the purposes of Environmental Assessment;**
- **Site map of project;**
- **Copy of a Letter of Intent or a copy of a Loan Agreement from a lender or a copy of a CMHC Commitment letter; and**
- **BCR (or equivalent authorizing document) certifying the following :**
 - a) That the First Nation is informed and understands the MLG process and its requirements;
 - b) That the loan, if granted, will provide for the construction, acquisition or renovation of housing on lands as defined;
 - c) That services and/or utilities for the project will be in place by the completion of the project;
 - d) That all housing to be constructed, acquired or renovated shall be inspected by qualified inspectors who must confirm that it will meet or exceed the National

Building Code (NBC) standards and other relevant standards. The First Nation understands that the record of inspection and record of compliance to NBC standards or other relevant standards must be kept on file by the First Nation for the life of the MLG and that AANDC may require to see these records from time to time;

- e) That the project will comply with the *Canada Environmental Assessment Act* (CEAA) (or equivalent, such as *Yukon Environmental Socio-Economic Assessment Act* [YESAA]). The First Nation in undertaking of this project confirms it understands its responsibility to practice due diligence and meet obligations or responsibilities associated with all applicable federal environmental acts and regulations including the *Canadian Environmental Protection Act*, *Species at Risk Act* and the *Fisheries Act* as to avoid potential violations;
- f) The First Nation certifies that a Phase 1 Environmental Site Assessment has been carried out on the subject property, either individually or as part of a sub-division or community assessment, in accordance with the Canadian Standards Association's standard Z768-01 for Environmental Site Assessment (or as may be revised from time to time) by a qualified assessor. A record of the assessment must be kept by the First Nation for the life of the MLG; The First Nation also confirms that there is no evidence of contamination that may, upon exposure, constitute an identifiable risk to human health or to the natural environment. Documentation supporting this confirmation must be retained by the First Nation for the life of the MLG;
- g) That the land of the project site is unencumbered and is under the control of the First Nation;
- h) That the First Nation also agrees that AANDC will recover from the First Nation the amounts paid on a defaulted loan plus interest from the date of payment to the Minister. The First Nation understands that this recovery will be done through the following process, in ranked order:

- 1) Recover acceptable security when pledged by the First Nation;
- 2) Enter into a repayment agreement whereby interest must be charged and the repayment plan must not exceed the amortization period of the original loan agreement; and
- 3) Set off against payments made by Canada to the First Nation pursuant to its Funding Agreement with AANDC in effect from time to time.

NOTE: Set off will be used where the conditions of a repayment agreement are not met.

- i) Where s.89 of the *Indian Act* is applicable, the BCR shall also provide AANDC with a waiver to the application of s.89 with respect to the First Nation's assets other than land.

In addition to the above criteria, if the First Nation is acting on behalf of an applicant, the First Nation BCR (or equivalent authorizing document) must also confirm

- a) That they have obtained the written consent of the applicant; and
- b) That the land of the project site is unencumbered and is under the control of the First Nation or the applicant.

2.3.2 Eligibility Criteria

- a) The First Nation is required to have a satisfactory record of managing previous AANDC-funded housing projects whether new construction or renovation. This will be verified by the regional officer responsible for MLGs based on previous year(s) performance.
- b) All capital reporting requirements in First Nation funding agreements must have been met. This will be verified by the regional officer responsible for MLGs.
- c) The project meets environmental requirements as per CEAA or YESAA.
- d) The regional officer responsible for the verification of lands status has confirmed in writing that:
 - The land is eligible;
 - The BCR confirms that the land of the project site is under the control of the First Nation; and
 - There are no encumbrances or charges on the land that would prevent its use for residential purposes.
- e) The First Nation's annual audited consolidated financial statements as set out in AANDC's year end Reporting Guide have been accepted by AANDC at an initial review stage.
- f) The First Nation is well managed and has a satisfactory record of meeting financial obligations in accordance with the following:
 - (i) where AANDC has required the First Nation to develop and implement a Management Action Plan (MAP) in accordance with the Directive on Default

Management; the First Nation may be considered eligible for an MLG only if a MAP is in place and has been operating effectively for at least the last six (6) consecutive months;

(ii) if the First Nation has defaulted on a loan and the loan has been paid out by the Minister, the First Nation may be eligible to apply for a MLG on a new loan only after an acceptable debt recovery plan has been operating effectively for at least the last six (6) consecutive months; and

(iii) none of the MLGs of the First Nation, or its member(s) is subject to a Claim to DIAND for Payment.

- g) If the First Nation is under third party management, no MLG will be issued.

2.4 Renewal of an Existing Ministerial Loan Guarantee

Any costs associated with a renewal will be the responsibility of the borrower. The lender shall collect any costs related to the renewal of the loan (i.e. penalty or administration fees) from the borrower. Where a borrower and an existing lender agree to renew an existing loan for another term, the Loan Guarantee will continue to apply, provided the lender forwards a written notification to AANDC, within 60 days after the loan has been renewed, indicating:

- a) The term start date and term end date;
- b) The interest rate for the new term of the loan;
- c) That the outstanding principal balance under the loan is not being increased;
- d) That the total amortization period of the loan is not being increased;
- e) Instalment frequency;
- f) Interest type;
- g) Instalment amount;
- h) Date of first instalment; and
- i) Lender loan number.

2.5 Transfer of Ministerial Loan Guarantee

A Guarantee Agreement may be transferred. In the event a borrower wishes to transfer the loan to another lender, the Loan Agreement and the Guarantee Agreement will be assigned to the new lender, provided that the new lender will, within 60 days of receiving the loan, provide AANDC with a written notification, indicating:

- a) The name and address of the new lender;
- b) The Guarantee certificate number;
- c) The term start date and term end date;
- d) The interest rate;
- e) That the outstanding principal balance of the loan is not being changed;
- f) That the total amortization period of the loan is not being increased;
- g) That the new lender assumes the obligations under the Loan Agreement and the Guarantee Agreement that was transferred or assigned to him;
- h) Instalment frequency;
- i) Interest type;
- j) Instalment amount;
- k) Date of first instalment; and
- l) Lender loan number.

2.6 Assignment of a Ministerial Loan Guarantee

In the event a lender wishes to assign the loan to another lender, the Loan Agreement and the Guarantee Agreement will be assigned to the new lender, provided that the new lender will, within 60 days of receiving the loan, provide AANDC with a written notification, indicating:

- a) The name and address of the new lender;
- b) The Guarantee Certificate Number;
- c) The term start date and term end date;
- d) The interest rate;

- e) That the outstanding principal balance of the loan is not being increased;
- f) That the total amortization period of the loan is not being increased;
- g) That the new lender assumes the obligations under the Loan Agreement and the Guarantee Agreement that was transferred or assigned to him;
- h) Instalment frequency;
- i) Interest type;
- j) Instalment amount;
- k) Date of first instalment; and
- l) Lender loan number.

2.7 Arrears and Defaults

- a) In the event a borrower fails to make loan payments as stipulated in the Loan Agreement, the lender shall inform the borrower, the First Nation and AANDC of the default, by submitting a first Notification of Loan Default after a loan has been in default for 90 days and every 30 days thereafter while the default continues (up to a period of 120 days). Failure to provide notification as per this schedule requires the notification process to start over;
- b) AANDC may make loan payments, including the arrears, to the lender, and take any other steps which may be deemed appropriate in the circumstances. Any loan payments made on behalf of the borrower will be recovered from the First Nation in accordance with the MLG recovery process; and
- c) The lender is required to notify AANDC if the First Nation has assumed the responsibilities of an individual borrower by making the loan payments on his/her/their behalf.

2.8 Claim for Payment

- a) Where the loan remains in default for 120 days from the date on which the lender gave the notice referred to in subsection 2.7(a), or for such other period of time as may be agreed upon by AANDC and the lender, the lender shall submit to AANDC a Claim to DIAND for Payment form of the unpaid balance of principal and accrued interest at the contract rate up to the date that the claim is paid by AANDC. Any reasonable charges incurred by the lender in accordance with prudent lending practices to safeguard the interest of the lender, such as

insurance premiums against fire and other insured risks or hazards, hydro, water/sewer, inspection or management fee, property protection, property maintenance, property repairs and expenses, heating are recoverable.

- b) A Claim to DIAND for Payment form shall be submitted along with supporting documentation, confirming that the loan is in default and the unpaid balance of principal and accrued interest, plus other reasonable costs, are specified and included in the amount set out in the claim and are due under the terms of the Guarantee Agreement. The maximum period of accrued interest being paid shall not exceed 270 days unless agreed to, in advance and in writing, between the lender and AANDC.

2.9 Recoveries

After the lender assigns all of its rights under the loan agreement to AANDC, AANDC will inform the Band that AANDC is the owner of the debt. AANDC will recover from the First Nation the amounts paid on a defaulted loan plus interest from the date of payment. The process of recovery will be done through the following process, in ranked order:

1) Recover acceptable security:

The first recourse by AANDC must be to recover acceptable security pledged by the First Nation.

2) Establish a repayment agreement:

A repayment agreement can only be established if all reasonable efforts have been made by the Minister to recover acceptable security pledged by the First Nation. Regions may wish to consult their regional Justice Canada counsel on drafting of agreements.

There are two options for establishing a repayment agreement:

- a) Continue repayment as per original Loan Agreement.

If this option is selected, the following rules apply: The regional officer responsible for MLGs must provide a rationale for entering into a repayment agreement and supporting documents must be attached. The rationale must include an explanation of why recovering acceptable security against payment was not an appropriate method of recovery. Interest must be charged at the same rate as established by the lender as per the original Loan Agreement. The term of the repayment agreement must not exceed the original Loan Agreement amortization date.

OR

b) Enter into a new repayment agreement.

If this option is selected, the following rules apply: The regional officer responsible for MLGs must provide a rationale for entering into a repayment agreement and supporting documents must be attached. The rationale must include an explanation of why recovering acceptable security against payment was not an appropriate method of recovery. Interest must be charged but interest rate does not have to remain the same as the original Loan Agreement, it may be changed under exceptional circumstances. Justification for the rate chosen must be included in the file. The term of the repayment agreement must not exceed the original Loan Agreement amortization date.

3) Set off:

If the acceptable security or repayment agreement can not be recovered, the Minister must set off against payments made by Canada to the First Nation pursuant to its Funding Agreement with AANDC (or other applicable funding agreement in the case of Self-governing or Comprehensive Land Claim First Nations) in effect from time to time.

NOTE: Set off will be used where the conditions of a repayment agreement are not met.

2.10 Compromise Settlements

Unless there is an actual or pending litigation or bankruptcy, compromise settlements is not a tool available for use in relation to MLG debts.

Only the Minister of Justice has authority to approve compromise settlements and this authority is related to actual or pending litigation or bankruptcy.

2.11 Debt Write-Off

For information on the applicability of debt write-off procedures, please consult the Financial Management Manual, Chapter 7.6.1 Debt Write-Off (http://shq06100/tutor/e/html/Default_files/FMM/Extract_Chapter_7-6-1_e.pdf) or the Revised Debt Write-Off Regulations (<http://www.tbs-sct.gc.ca/fm-gf/pol/in-ai/1994/1213-eng.asp>).

The Debt Write-Off Regulations no longer allow departments to waive recovery based on compassionate or other grounds, this must be done with a "forgiveness" authority, such as the remission of debt provisions allowed to the Governor in Council, upon recommendation of the Treasury Board, under Section 23 of the *Financial Administration Act*.

Where a regional office believes there is a public benefit to seeking a settlement that would include remission of a debt to the Crown they should consult Community Infrastructure Branch (CIB) at Headquarters (HQ) to discuss the situation and determine options. Governor in Council authority is necessary to enter into settlements involving remission of debts to the Crown.

2.12 Roles and Responsibilities

The authority to issue MLGs for housing on-reserve is currently delegated by the Minister to designated regional representatives. All regions are responsible for managing, and administering their MLG portfolio through the GLMM of FNITP.

2.12.1 Regional Directors General / Regional Director of Funding Services

- Ensuring that all MLGs meet application requirements and eligibility criteria in accordance with AANDC policies and MLG Terms and Conditions.

2.12.2 Regional Officer responsible for Ministerial Loan Guarantee

- Reviewing and assessing all applications to ensure conformance and eligibility with the MLG Terms and Conditions;
- Managing the MLG assessment, approvals and portfolio through the GLMM in FNITP in accordance with the policy and procedures set out in this manual;
- Providing reports and information on MLGs to the appropriate manager at AANDC HQ as required;
- Reviewing and recommending all applications against MLG eligibility criteria;
- Activating Guarantee Certificates in the GLMM (where applicable);
- Recovering security or negotiating a repayment schedule with the First Nation or seeking set off of funds in the event of a default;
- Confirming availability of funds in the Ministerial Loan Guarantee; and
- Recommending applications based on availability of authority within the Ministerial Loan Guarantee.

2.12.3 Regional Officer Responsible for Lands

- Reviewing application to ensure that the land and parcel(s) of land on which the housing is situated is eligible and under the control of the First Nation; and
- Provide a written confirmation indicating if there are any encumbrances or charges on the land that would prevent its use for residential purposes.

2.12.4 Regional Officer Responsible for Environment

- Verifies that the proposed housing project meets environmental requirements as per CEAA or YESAA.

2.12.5 Regional Officer Responsible for the Verification of Finance

- Issuing any loan payments to the lender;
- Activating Guarantee Certificate in GLMM (if applicable);
- Issuing payment to lender in the event of a Claim to DIAND for Payment;
- Reconciliation between the MLG receivables balance in GLMM and in Oasis;
- Setting up accounts receivable in the GLMM in the event of a payment to lender on default;
- Monitoring repayment schedule and recording all repayments in GLMM; and
- Monthly reconciliation of accounts receivables.

2.12.6 Community Infrastructure Branch

- Developing and revising policies and procedures for MLGs;
- Reviewing and updating the Terms and Conditions, under *Appendix E, Ministerial Loan Guarantee Terms and Conditions*, P.C. 1999-2000, as required;
- Reviewing and renewing the Treasury Board Authority relating to the Ministerial Loan Guarantee Authority, as required;
- Review regional proposals for debt remission and provide advice;
- Director General of CIB approves the adoption of new and revised MLG policies and procedures;

- Setting, monitoring and reporting regional and national annual forecast of usage against ongoing Ministerial Loan Guarantee Authority;
- Conducting reviews of the MLG process in the regions;
- Preparing material for Operations Committee quarterly reviews; and
- Reviewing management control framework for Ministerial Loan Guarantees, including reports and forecast requests submitted by regions.

2.12.7 Lands Operations and Registration Directorate

- Registering individual MLGs/written consent documentation as applicable, in accordance with Lands policy.¹

2.12.8 Corporate Accounting and Reporting Directorate (CARD)

- Monitoring and controlling the Ministerial Loan Guarantee Authority;
- Reporting the contingent liability to senior management and central agencies;
- Monitoring data quality and following up with regions;
- Controlling and monitoring GLMM for defaulted loans and arrears;
- Reconciliation of receivables between GLMM and Oasis on a national basis;
- Analysing statistical reports;
- Providing policy/procedural advice on the write-off of debts;
- Providing reports on MLGs and making recommendations to Senior Management as required; and
- Entering prime rate from the Bank of Canada weekly in GLMM.

2.12.9 Integrated Performance and Corporate Systems

- Maintaining the GLMM in FNITP to administer and monitor the MLG portfolio.

¹ Lands and Economic Development Sector is currently reviewing Lands policy in regards to registration of encumbrances and Written Consent documents. Subsequent versions of manual will be updated with the results of that review.

2.12.10 Operations Committee

- Reviewing and approving the regional and national annual forecast of usage against ongoing Ministerial Loan Guarantee Authority.

SECTION 3.0 GENERAL ADMINISTRATION OF MINISTERIAL LOAN GUARANTEES

3.1 Management Oversight Reporting

Annual national and regional MLG forecasts of usage will be established, based on the previous 3 years of approved MLGs against the Ministerial Loan Guarantee Authority. Regional usage will be tracked on a weekly, monthly, quarterly and annual basis. In April of each year, through the First Nation National Housing Liaison Committee, with CMHC, and in consultation with Regions, CIB will develop regional and national MLG forecast usage associated with departmental guarantee authority on a 3-year projection. These regional and national forecasts, including current usage by regions against forecast, will be reported to the Operations Committee for the purposes of planning, performance analysis and reallocation. Should a region require additional Ministerial Loan Guarantee Authority to meet unforeseen demands, the Operations Committee would be able to respond by reallocation amongst regions. Furthermore, annual forecasts will be adjusted according to new sources of financing that are made available (e.g. Budget initiatives).

3.2 Guaranteed Loan Management Module

MLGs will be reported and managed in AANDC's GLMM within FNITP that is used to manage the day to day administration of MLGs. The system also provides CIB with a mechanism to monitor current regional forecast usage and CARD with data for reporting to Senior Management on status of departmental Ministerial Loan Guarantee Authority usage.

3.3 Annual MLG File Reviews and Portfolio Evaluations

CIB and CARD will jointly evaluate current MLG administration and reporting both at the regional and HQ level each year as a component of the annual departmental Ministerial Loan Guarantee Authority reporting to Senior Management.

SECTION 4.0 MINISTERIAL LOAN GUARANTEE PROCEDURES

4.1 Ministerial Loan Guarantee Application and Approval

Only a First Nation may apply to AANDC for an MLG. A First Nation may also apply on behalf of member(s) or others, such as a Band Housing Authority or a Tribal Council.

The application may be in any of the following forms:

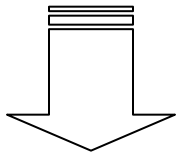
- Manual (printed copy);
- Electronic (through GLMM within FNITP) [original copies of required documents must follow]; or
- Blended manual and electronic.

Note: An MLG application form is required if submitting manually.

Step 1: The First Nation may Apply for an MLG

The First Nation is required to submit an MLG application with the following information in support of their request for an MLG:

Step 1: The First Nation may apply to AANDC for a MLG.



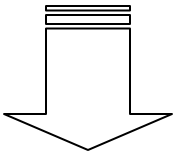
- ✓ Band Council Resolution (or equivalent authorizing document)
 - For First Nation; or
 - For individual (if applicable) [original signed copies must follow if electronic version provided];
- ✓ Copy of the Letter of Intent or Loan Agreement from the lender or a CMHC Commitment letter; and
- ✓ Site plan/project description for each house to be constructed, acquired or renovated.

Step 2: The Regional Officer Responsible for MLGs Assesses MLG Request Against Application Requirements

The regional officer responsible for MLGs will review the request and work with regional colleagues to ensure that the following requirements have been met in the BCR (or equivalent authorizing document):

- ✓ Certification that the borrower(s) and/or First Nation understands the MLG process and its requirements;
- ✓ Certification from the First Nation that all housing to be constructed, acquired or renovated shall be inspected by qualified inspectors and will meet or exceed the NBC standards and other relevant standards and that the *record of inspection and record of compliance to NBC standards (or other relevant standards) will be kept on file by the First Nation for the life of the MLG*;

**Step 2:
Regional
officer
responsible
for MLGs will
review the
MLG request
in
accordance
with AANDC
application
requirement**



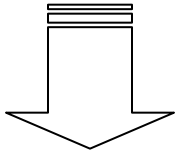
- ✓ That services and/or utilities for the project will be in place by the completion of the project;
 - ✓ Certification from the First Nation that the project will comply with the CEAA (or equivalent, such as YESAA);
 - ✓ If applicable, a Phase 1 Environmental Site Assessment (or equivalent) has been carried out by a qualified assessor, *and that a record of that assessment will be kept by the First Nation for the life of the MLG*;
 - ✓ Certification from the First Nation that the loan, if granted, will provide housing or housing improvements for Indians, on unencumbered lands;
 - ✓ The First Nation agrees that the Minister will recover from the First Nation any amounts paid on default plus interest from the date of payment to the Minister. *The First Nation understands that this recovery will be done through the following process, in ranked order:*
 - 1) Recover acceptable security when pledged by the First Nation;
 - 2) Enter into a repayment agreement whereby interest must be charged and the repayment plan must not exceed the amortization period of the original Loan Agreement;
 - 3) Set off against payments made by Canada to the First Nation pursuant to its Funding Agreement with AANDC in effect from time to time.
- NOTE: Set off will be used where the conditions of a repayment agreement are not met.
- ✓ The BCR shall also provide AANDC with a waiver to the application of s.89 of the *Indian Act* with respect to the First Nation's assets, other than land; and
 - ✓ Certification that the land of the project site is not encumbered and is under the control of the First Nation.

Where the application is on behalf of a member, the review must also confirm that:

- ✓ The First Nation has received the written consent of the applicant.

Step 3: The Regional Officer Responsible for MLGs Enters MLG Application Information and Required Documents into GLMM

**Step 3:
Regional
officer
responsible
for MLGs
enters MLG
information
into GLMM.**

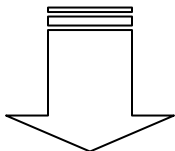


- ✓ Once the regional officer responsible for MLGs receives an application from the First Nation (either electronically or manually), he may begin to process the MLG into GLMM indicating the status as “draft”;
- ✓ **The First Nation must submit an original signed BCR (or equivalent authorizing document), site plan/project description and Loan Agreement (or Letter of Intent) for the application to be complete;** and
- ✓ If one of these three documents is not attached, the regional officer responsible for MLGs will contact the First Nation stating what is missing in the application.

Step 4: The MLG Request is assessed Against Eligibility Criteria

The regional officer responsible for MLGs reviews the request to ensure that:

**Step 4:
The MLG
application
is reviewed
in
accordance
with
AANDC's**



- ✓ The First Nation has managed all previous AANDC-funded housing projects in accordance with the criteria established in the project agreement.
- ✓ All capital reporting requirements in First Nation funding agreements have been met.
- ✓ Sufficient authority is available within the Ministerial Loan Guarantee Authority.
- ✓ The First Nation has submitted to AANDC, the First Nation's annual audited consolidated financial statements according to the specifications set out in AANDC's Recipient Reporting Guide.
- ✓ The First Nation is well managed and has a satisfactory record of meeting financial obligations in accordance with the following:
 - (i) where AANDC has required the First Nation to develop and implement a MAP in accordance with the Directive on Default Management; the First Nation may be considered eligible for an

MLG only if a MAP is in place and has been operating effectively for at least the last six (6) consecutive months;

(ii) if the First Nation has defaulted previously on a loan, and the loan has been paid out by AANDC, the First Nation may be eligible to apply for a MLG on a new loan only after an acceptable debt recovery plan has been operating effectively for at least the last six (6) consecutive months; and

(iii) none of the MLGs of the First Nation, or its member(s) is subject to a Claim to DIAND for Payment.

- ✓ If the First Nation is under third party management, no MLG will be issued.

The regional officer responsible for land verification has confirmed:

- Land is eligible under the MLG Terms and Conditions;
- The land on which the housing is to be situated is under the control of the applicant; and
- A written confirmation shows that there are no encumbrances or charges on the project site of the land that would prevent its use for residential purposes.

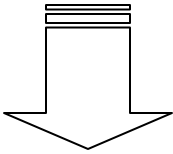
The regional officer responsible for environment verification has confirmed:

- That the project meets environmental requirements as per CEAA or YESAA.

Step 5: The Regional Officer Responsible for MLGs Updates GLMM as to MLG Eligibility Criteria Status

**Step 5:
Regional
officer
responsible
for MLGs will
update
GLMM to
indicate the
status of the
request.**

- ✓ If the First Nation meets the eligibility criteria, the regional officer responsible for MLGs updates GLMM; and
- ✓ If the application does not meet the eligibility criteria, the regional officer responsible for MLGs notifies the First Nation in writing, stating the reasons for the rejection.

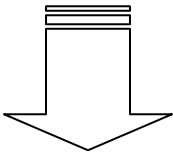


Step 6: The Regional Officer Responsible for MLGs processes the MLG for Approval

If the application meets the requirements and eligibility criteria, the regional officer responsible for MLGs may proceed to process the MLG for approval by:

**Step 6:
Regional
officer
responsible
for MLGs
processes
MLG for
approval.**

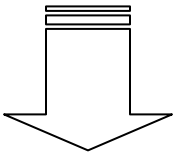
- ✓ Preparing 2 original copies of the Guarantee Certificate to be recommended by the regional officer responsible for MLGs and approved by the manager responsible for the program with a minimum delegated signing authority of “Level 5”; and
- ✓ Preparing 2 original copies of the Guarantee Agreement to be signed by the Regional Director General or Regional Director of Funding Services.



Step 7: The Lender signs the Guarantee Agreement

**Step 7:
The lender
signs the
Guarantee
Agreement.**

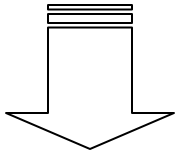
- ✓ The regional officer responsible for MLGs sends the 2 original copies of the Guarantee Agreement to the lender; and
- ✓ The lender signs and returns both copies to the regional officer responsible for MLGs.



Step 8: The Regional Director General / Director of Funding Services Signs the Guarantee Agreement

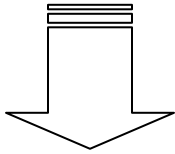
**Step 8:
The Regional
Director
General or
Director of
Funding
Services
signs the
Guarantee
Agreement.**

- ✓ The Regional Director General/Director Funding Services signs the 2 copies of the Guarantee Agreement; and
- ✓ The regional officer responsible for MLGs enters the information into GLMM and changes status from “pending activation” to “active”.



Step 9: The Regional Officer Responsible for MLGs Distributes Copies of the Guarantee Certificate and Guarantee Agreement

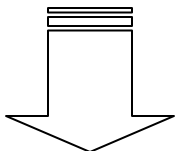
**Step 9:
Regional
officer
responsible
for MLGs
sends
copies of the
Guarantee
Certificate
and
Guarantee
Agreement.**



- ✓ The regional officer responsible for MLGs sends to the First Nation the following:
 - Departmental letter of MLG approval;
 - An original signed copy of the Guarantee Certificate; and
 - A copy of the Guarantee Agreement.
- ✓ The regional officer responsible for MLGs sends to the lender the following:
 - Departmental letter of MLG approval;
 - An original signed copy of the Guarantee Agreement; and
 - A copy of the Guarantee Certificate.
- ✓ The regional officer responsible for MLGs ensures original copies of the Guarantee Certificate and the Guarantee Agreement are added to the AANDC file for the MLG.

Step 10: The Lender Provides Completed Terms & Conditions

**Step 10:
The lender
submits a
Guaranteed
Loans Terms
and
Conditions
Report.**

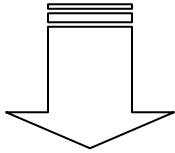


- ✓ Within 60 days of the Interest Adjustment Date (IAD), the lender forwards a completed Guaranteed Loans Terms and Conditions Report to the regional officer responsible for MLGs.

Step 11: The Regional Officer Responsible for MLGs Updates GLMM as to Loan Status

**Step 11:
Regional
officer
responsible
for MLGs
updates
GLMM.**

Upon receipt of the Guaranteed Loans Terms and Conditions Report, the regional officer responsible for MLGs updates GLMM as to the status of the loan.



Step 12: The Regional Officer Responsible for MLGs Issue a Call Letter for Lender Annual Reports

**Step 12:
Regional
officer
responsible
for MLGs
issue a Call
Letter for
Lender
Annual
Reports.**

- ✓ Corporate Accounting and Reporting Directorate (CARD) provides a **Call Letter to Lenders** template to each regional officer responsible for MLGs. The regional officer responsible for MLGs sends out a Call Letter to each lender by March 1 of each year.
- ✓ Annually, each lender must complete a Lender Confirmation of Actuals Report summarizing the yearly status of each MLG as of March 31 and submit to the regional officer responsible for MLGs by the date set by CARD. The regional officer responsible for MLGs is to ensure that GLMM is updated with current loan status, and within the timeframe prescribed by CARD.

4.2 Loan Guarantee Management

4.2.1 Loan Renewals – Reviewing Terms and Conditions of Loans

Note:

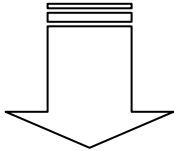
Any increase in the total amortization of the existing loan or of the outstanding principal balance, under the terms of the existing Guarantee Agreement, will require an application for a new Ministerial Loan Guarantee. Any costs associated with the renewal will be the responsibility of the borrower. The lender shall collect any costs related to the renewal of the loan (i.e. penalty or administration fees) from the borrower.

All loan renewals of existing MLGs are to be reported to AANDC. All management information related to an MLG is to be recorded in GLMM.

Step 1: The Lender Reports Each Renewed Loan

Step 1:
The lender
reports each
loan renewal.

- ✓ The Lender is required to report the renewal of an existing loan subject to an MLG by submitting a Guaranteed Loans Terms and Conditions Report to AANDC.



Step 2: The Regional Officer Responsible for MLGs Updates GLMM Based on Lender Information Related to Loan Renewal Information

Step 2:
Regional
officer
responsible
for MLGs
updates
GLMM to
indicate the
status of the
loan.

- ✓ Upon receipt of the Guaranteed Loans Terms and Conditions Report, the regional officer responsible for MLGs updates GLMM as to the status of the loan; and
- ✓ If the total amortization period or the outstanding principal balance of the existing loan is being increased, the regional officer responsible for MLGs will inform the lender that the Guarantee Agreement will not be transferable and that the borrower will have to apply for a new MLG.

4.2.2 Loan Refinancing – Reviewing Terms and Conditions of Loans

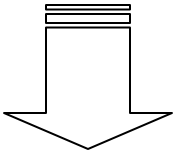
Note:

Any increase in the total amortization of the existing loan or of the outstanding principal balance, under the terms of the existing Guarantee Agreement, will require an application for a new Ministerial Loan Guarantee. Any costs associated with refinancing will be the responsibility of the borrower. Loans made with respect to CMHC's On Reserve Section 95 Non-Profit Housing Program cannot be refinanced. The lender shall collect any costs related to the refinancing of the loan (penalties, administration fees; etc) from the borrower.

Step 1: The Lender Reports Each Refinanced Loan

Step 1:
The lender
submits loan
refinancing
information to
AANDC.

- ✓ Within 60 days of the loan being refinanced, the lender must submit a completed Guaranteed Loans Terms and Conditions Report to the borrower(s), First Nation and AANDC.



Step 2: The Regional Officer Responsible for MLGs Updates GLMM based on Lender Information Related to a Loan Refinancing

**Step 2:
Regional
officer
responsible
for MLGs
updates**

- ✓ Upon receipt of the Guaranteed Loans Terms and Conditions Report, the regional officer responsible for MLGs updates GLMM as to the status of the loan.

4.2.3 Transferring or Assignment of a Guaranteed Loan

Note:

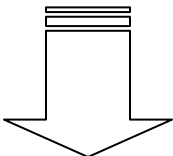
Any increase in the total amortization of the existing loan or of the outstanding principal balance, under the terms of the existing Guarantee Agreement, will require an application for a new Ministerial Loan Guarantee and not a transfer or assignment. The borrower must be prepared to cover any costs (penalties, administration fees; etc) arising from the borrower's decision to transfer the loan

All loans transferred or assigned against existing MLGs are to be reported to the department. All management information related to an MLG is to be recorded in GLMM.

Step 1: The Existing Lender Provides New Lender with a copy of the Guarantee Agreement for Each Loan Transferred or Assigned

**Step 1:
The lender
provides a
new lender
with a copy of
the Guarantee
Agreement.**

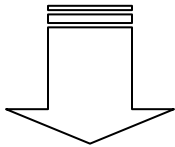
- ✓ Within 60 days of the transfer or assignment of an existing loan, the existing lender shall provide the new lender with a copy of the Guarantee Agreement including the Guarantee Certificate number.



Step 2: The New Lender Reports New Loan Transferred or Assigned

**Step 2:
The new
lender
submits a
completed
Guaranteed
Loans Terms
and
Conditions
Report to
AANDC.**

- ✓ Within 60 days of receipt of the transferred or assigned loan, the new lender forwards a completed Guaranteed Loans Terms and Conditions Report form to AANDC; and
- ✓ Sends a letter certifying that the lender assumes the obligations of the loan and Guarantee Agreement transferred or assigned to him.



Step 3: The Regional Officer Responsible for MLGs Updates GLMM based on New Lender Information Related to Loan Transferred or Assigned

**Step 3:
Regional
officer
responsible
for MLGs
updates the
status of the
loan.**

- ✓ The regional officer responsible for MLGs acknowledges the transfer or assignment of the MLG to the new lender in writing; and
- ✓ The regional officer responsible for MLGs updates GLMM as to the status of the loan.

4.3 Notification of Loan Default

Note:

The lender shall monitor the arrears situation with due diligence and, if possible, negotiate alternative arrangements with the borrower, to avoid requesting payment(s) under the Guarantee Agreement.

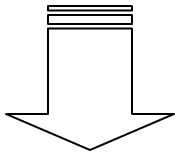
The lender shall exercise reasonable care and prudence in the administration of the loan. This should include notifying the borrower(s), the First Nation and AANDC and initiating discussions on potential options which could be put into place to assist the borrower in resolving delinquent payments. In the case of individual loans, the lender is required to provide the First Nation as well as AANDC with copies of these notifications and may approach the First Nation in assisting with the resolution of the situation.

In the management of arrears and defaults of MLGs, the following processes are required:

- Notification of loans in arrears;
- Claim request;
- Review of claim request;
- Processing of claim; and
- Debt recovery:
 - Negotiating repayment schedule,
 - Tracking repayment schedule.

Step 1: The Lender Submits a Notification of Loan Default if a Borrower is in Arrears

Step 1:
The lender
submits a
notification
to the
borrower(s),
First Nation
and AANDC.



- ✓ After 90 days of the borrower defaulting on loan payments, the lender shall forward a Notification of Loan Default to the borrower(s) and the First Nation and AANDC;
- ✓ Every 30 days thereafter that the loan remains in arrears, the lender to send a Notification of Loan Default to the borrower(s), the First Nation and AANDC (not to exceed 120 days);
- ✓ Failure by the lender to provide notification as per this repayment schedule requires the notification process to start over; and
- ✓ The lender is required to notify AANDC if the First Nation has assumed the responsibilities of an individual borrower by making the loan payments on his/her/their behalf.

Step 2: The Regional Officer Responsible for MLGs Undertakes the Following to Assist in Resolving a Potential Default by:

Step 2:
Regional
officer
responsible
for MLGs
undertakes
to follow up
with the First
Nation
opportunities to
resolve a
potential
default.

- ✓ Upon receiving a notification of loan default in the GLMM system, the regional officer responsible for MLGs contacts the First Nation by phone and in writing and the regional officer responsible for monitoring the First Nation financial situation;
- ✓ Where the borrower is the First Nation and the financial difficulty seems temporary, AANDC may make loan payments, including arrears, to the lender, on behalf of the First Nation following assessment of the situation;

- ✓ The regional officer responsible for MLGs should ensure copies of all correspondence from the lender are saved in GLMM to demonstrate due diligence;
- ✓ The responsible officer must record in the GLMM system a justification indicating why it is in the public interest to make payments on behalf of the First Nation's. Every loan payment made by AANDC on behalf of the First Nation should be documented and included with the record of the Guarantee in GLMM; and
- ✓ Where interim payments have been made by AANDC to the lender on behalf of the borrower, recover the full amount from the First Nation by payment or set off, to reimburse the Consolidated Revenue Fund.

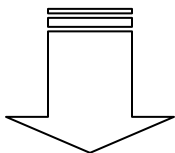
4.4 Claim to DIAND for Payment

Note:

Where it is determined that the lender has not followed prudent lending practices as outlined in the terms and conditions of the Guarantee Agreement, the Minister may reduce the payment to the lender of the accrued interest or other reasonable costs included in the amount set out in the claim. Where a Certificate of Insurance has been issued under the National Housing Act (NHA), CMHC must be consulted regarding any such reduction.

Step 1: The Lender Submits a Claim

**Step 1:
The lender
submits a
claim.**

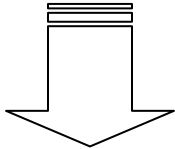


- ✓ If the loan remains in default for 120 days from the date indicated on the first Notification of loan default, or for such other period of time as may be agreed upon by AANDC and the lender, the lender shall submit to AANDC a Claim to DIAND for Payment form along with the necessary supporting documentation (including justification of any reasonable charges (such as penalties, administration fees, etc.) incurred by the lender in accordance with prudent lending practices to safeguard the interest of the lender), to AANDC.

Step 2: The Regional Officer Responsible for MLGs Verifies the Claim

- ✓ The regional officer responsible for MLGs verifies that the claim is in order and notifies the First Nation and the lender.

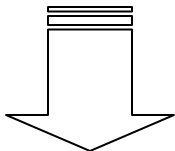
Step 2:
The regional officer responsible for MLGs verifies the claim.



- ✓ The regional officer responsible for MLGs forwards the Claim to DIAND for Payment file to Finance.

Step 3: The Regional Officer Responsible for MLGs or Finance Officer Verifies the Claim

Step 3:
Regional officer verifies the claim.

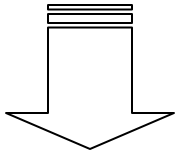


- ✓ Verifies that the amount requested in the claim submitted by the lender includes the unpaid balance of the principal and accrued interest up to the date that the claim is paid and any reasonable charges incurred to safeguard the interest of the lender;
- ✓ Ensures that the maximum period of accrued interest being claimed / paid does not exceed 270 days;
- ✓ Informs the lender of the approval, adjustment or refusal of the claim;
- ✓ Informs the First Nation that it is no longer eligible for MLGs unless the lender releases AANDC from the claim; and
- ✓ The lender must provide to AANDC, an absolute assignment of its rights under the Loan Agreement, including any judgements and/or interests in insurance policies issued under the terms of the Loan Agreement.

Step 4: The Regional Officer Responsible for MLGs or Finance Officer Updates GLMM Based on the Claim to DIAND for Payment

Step 4:
Regional officer updates GLMM based on claim.

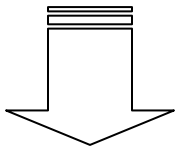
- ✓ The regional officer responsible for MLGs or finance officer updates GLMM based on information submitted by the lender in the Claim to DIAND for Payment.



Step 5: The Regional Finance Officer Processes the Claim to DIAND for Payment

**Step 5:
Regional
finance
officer
processes
the Claim to
DIAND for
Payment**

- ✓ Carry out the limited review procedures as per AANDC Account Verification Framework;
(<http://shq06100/tutor/e/html/REFFM404.htm>)
- ✓ Certifies under Section 33 of the *Financial Administration Act* the payment and paying to the lender, the approved or adjusted amount of the claim; and
- ✓ Payment is issued.



Step 6: Corporate Accounting and Reporting Directorate Monitors Reserve

**Step 6:
CARD
monitors
reserve.**

- ✓ Monitoring the reserve for defaulted guaranteed loans.

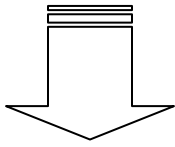
4.5 Default and Repayment Management

AANDC is required to recover the amounts paid on a defaulted loan plus interest from the date of payment as per the MLG Terms and Conditions. There are three possible options for recovery: recover acceptable security, enter into a new repayment agreement (or continue repayment as per original loan agreement) or set off.

Step 1: The Regional Officer Responsible for MLGs shall:

**Step 1:
Regional
officer
responsible
for MLGs
manages the
repayment
plan with the
First Nation.**

- ✓ Recover from the First Nation the amounts paid on a defaulted loan plus interest from the date of payment. The process of recovery will be done through the following process, in ranked order:
- ✓ **(1) Recover acceptable security:** The first recourse by AANDC must be to recover acceptable security pledged by the First Nation.



- ✓ **(2) Establish a repayment agreement:** A repayment agreement can only be established if all reasonable efforts have been made by AANDC to recover acceptable security against payment. Regions may wish to consult their regional Justice Canada counsel on drafting of agreements.

There are two options for establishing a repayment agreement:

- a) Continue repayment as per original Loan Agreement

If this option is selected, the following rules apply: The regional officer responsible for MLGs must provide a rationale for entering into a repayment agreement and supporting documents must be attached. The rationale must include an explanation of why recovering acceptable security against payment was not an appropriate method of recovery. Interest must be charged at the same rate as established by the lender as per the original loan agreement. The term of the repayment agreement must not exceed the original loan agreement amortization date.

OR

- b) Enter into a new repayment agreement.

If this option is selected, the following rules apply: the regional officer responsible for MLGs must provide a rationale for entering into a repayment agreement and supporting documents must be attached. The rationale must include an explanation of why recovering acceptable security against payment was not an appropriate method of recovery. Interest must be charged but interest rate does not have to remain the same the original loan agreement, it may be changed. The term of the repayment agreement must not exceed the original loan agreement amortization date.

- ✓ **(3) Set off:** If the acceptable security and repayment agreement can not be recovered, AANDC must set off against payments made by Canada to the First Nation pursuant to its Funding Agreement (or other applicable funding agreement in the case of Self-governing or Comprehensive Land Claim First Nations) in effect from time to time.

NOTE: Set Off will be used where the conditions of a repayment agreement are not met.

Step 2: Corporate Accounting and Reporting Directorate shall:

- ✓ Provide policy/procedural advice on the write-off of debts;
- ✓ Prepare annually the report of Valuation of Recorded Assets; and

**Step 2:
CARD to
provide
advice and
monitor
reserve.**

- ✓ Record the allowance for doubtful accounts related to defaulted guaranteed loans.

APPENDIX A – Self-Governing and Comprehensive Land Claim First Nations

With the implementation of modern land claims, self-government or other agreements, it has become more challenging to determine whether or not First Nations operating under these agreements are eligible for MLGs. Careful consideration needs to be given to each MLG request from these First Nations.

When determining the eligibility of these First Nations for an MLG, an assessment of each agreement and the MLG Ts&Cs (see Appendix E) needs to be made to see if both the borrower and land are eligible for an MLG.

Please seek legal advice from your regional legal counsel when you are unsure or need assistance in determining whether or not the First Nation or its specific land holdings are eligible for an MLG.

APPENDIX B – Discontinued Practices

1.0 Discontinued Practices

In the regional reviews of current practices undertaken by regions, it was found that there were a number of forms being used to access private information from individuals community members in relation to the approval of NHA Insured and Non-NHA housing loans. The collection of private information is not needed by AANDC in approving an MLG. The collection, review and verification of private information are the responsibility of CMHC in the issuance of a Certificate of Insurance or of the lender for Non-NHA Loans in terms of prudent lending practices. The following regional practices are considered unnecessary and will be discontinued:

- a) Application for Indian On-Reserve Housing Program;
- b) Undertaking Pursuant to the Indian On-Reserve Housing Regulations;
- c) Indenture (security for a loan);
- d) Affidavit of Execution;
- e) Verification of Income;
- f) Housing Plans and Specifications; and
- g) Preliminary Environmental Site Assessments.

AANDC Loan Agreements

Management and updating of AANDC Loan Agreement form will be discontinued. Lenders including CMHC may use the existing template as a sample or may develop their own Loan agreements.

APPENDIX C – Ministerial Loan Guarantee Forms and Templates

The following forms and templates can be found on the AANDC website:
<http://www.ainc-AANDC.gc.ca/ih/fnh/amm-eng.asp>

- **Guaranteed Loans Terms and Conditions Report Form;**
- **Ministerial Loan Guarantee Application Form;**
- **Notification of Loan Default Form;**
- **Claim to DIAND for Payment Form; and**
- **Band Council Resolution/Letter of Authorization Document Templates.**

The following forms can be found in the First Nations and Inuit Transfer Payment System:

- **Ministerial Loan Guarantee Certificate; and**
- **Ministerial Loan Guarantee Agreement.**

APPENDIX D – Environmental Requirements

ENVIRONMENTAL REQUIREMENTS

1.0 Environmental Requirements – Phase 1 Environmental Site Assessment – CSA Z768-01

A Phase 1 Environmental Site Assessment (ESA), as described in Canadian Standards Association (CSA) Z768-01, is a systematic process by which a qualified assessor seeks to determine whether a particular property is or may be subject to actual or potential contamination. This is critical in the establishment of baseline information to help determine whether a site is suitable for development. If a former heating fuel tank, gas station, commercial/industrial business or landfill was identified on or around the site there may be serious restrictions for development of the site as a residential area. The only way to rule out possible exposure to contamination at the site is to conduct a proper historical review of the area. Such reviews are referred to as phase one or stage one reports depending on the region. A Phase 1 ESA does not involve the investigative procedures of sampling, analyzing and measuring such as boreholes, soil tests or other intrusive types of sampling or testing unless enhancements are agreed to. Phase 1 ESA may also include a review of previously performed environmental ESAs.

The Canadian Standards Association (CSA) has developed a guideline for conducting Phase 1 environmental site assessments in Canada. The CSA Z768-01 guideline is currently used by most practitioners. The scope and components of a Phase 1 are provided below. The review process includes the following areas of investigation:

- Historical aerial photo interpretation;
- Interviews with people knowledgeable about the site history;
- Published geology and groundwater information; and
- Searches of public and private databases.

A qualified assessor can be a registered professional engineer, licensed to practice in that province or a certified member of a provincial or national association of environmental site assessors.

A certification is required that stipulates that an Environmental Site Assessment Phase 1 has been carried by a qualified assessor, in accordance with the Canadian Standards Association (CSA) Standard CSA Z768-94 for Environmental Site Assessment (or as may be revised from time to time), or in accordance with the process developed by a First Nation under the FNLMA, and that such an assessment confirms that there is no evidence of contamination that may, upon exposure, constitute an identifiable risk to

human health or the natural environment. This certification is condition of agreement included in the Band Council Resolution (member or band). The First Nation is to hold copies of the Phase 1 ESA on file for future reference.

2.0 Environmental Assessment (EA) Under Canadian Environmental Assessment Act

All MLG housing projects must comply with the *Canadian Environmental Assessment Act* or in the case of the Yukon, the *Yukon Environmental and Socio-economic Agreement Act*. Environmental Assessments are completed as a predictive planning tool to ensure that environmental effects of a project are considered and mitigated before any irrevocable decisions are made. An Environmental Assessment exercise is usually beneficial for all projects because strategies to reduce the impacts of a proposed development are planned in the layout and construction phases. The exclusion list regulations under the act however, exclude most individual houses from the Environmental Assessment process provided they meet specific criteria such as:

- House is under 500 m²;
- House is located on a serviced lot;
- It is located over 30 meters from a water body; and
- It is not within a National park.

This list is not exhaustive. In order to verify the Environmental Assessment has been considered for a housing project it is necessary to fill in a project description form. The Environmental Assessment Procedural Guide contains a project description form that should be filled out to verify that the housing project was properly evaluated in the CEAA process. The project description form can be filled in by anyone but normally it is the proponent who fills it in as preliminary information source. However it is AANDC staffs who determine whether the act applies.

In the Yukon, projects may be subject to an Environmental Assessment under the Yukon YESAA and will require a screening and decision prior to approval of an MLG. Contact your Yukon Regional Environmental Coordinator for appropriate processes to meet this requirement.

APPENDIX E – Ministerial Loan Guarantee Terms and Conditions

1. Definitions

In these Terms and Conditions,

"**applicant**" means an individual Indian or a group of Indians (such as a Council of a Band, a Tribal Council, an authorized Band Housing Authority, a Band Housing Corporation including a Band Corporation under the *Cree/Naskapi (of Quebec) Act*, a corporation without share capital and a cooperative association, where all members of said corporations and cooperative associations are Indians) who has applied for a loan for the construction, acquisition or renovation of housing located on lands as hereinafter defined.

"**application**" means:

- (a) an application for a housing loan for which Canada Mortgage and Housing Corporation (CMHC) will provide loan insurance pursuant to the *National Housing Act* (NHA), and which will be secured by the Minister through a Ministerial Loan Guarantee; or
- (b) an application, other than an application as described in (a) above, for a housing loan, which will be secured by the Minister through a Ministerial Loan Guarantee.

"**Band**" means:

- (a) Band as defined in the *Indian Act* or the *Cree/Naskapi (of Quebec) Act*; or
- (b) a former Band or group of Bands who is/are signatory to an implemented self- government agreement with Canada, or Canada and the appropriate province/territory.

"**borrower**" means an applicant to whom a loan has been made by a lender, which loan is guaranteed by the Minister in accordance with these Terms and Conditions.

"**Council of a Band**" means:

- (a) a Council as defined in the *Indian Act*; or
- (b) a Council of a Band Corporation as defined in the *Cree/Naskapi (of Quebec) Act*; or
- (c) the governing body of a former band or group of bands who is/are signatory to an implemented self-government agreement with Canada, or Canada and the appropriate province/territory; or
- (d) groups of individuals that the Minister has authorized to be considered as an Indian Band by Order of the Governor in Council.

"**default**", for the purpose of these Terms and Conditions, means the borrower has failed to make loan payments as stipulated in the Loan Agreement.

"**environmental site assessment**" refers to an Environmental Site Assessment as prescribed by the Canadian Standards Association (CSA) Standard Z768-94 entitled: *Environmental Site Assessment*, describing a systematic process by which an assessor determines whether a particular property is or may be subject to actual or potential contamination, and does not refer to an environmental assessment as may be required pursuant to the *Canadian Environmental Assessment Act*.

"**Guarantee Agreement**" means the agreement between the Minister and the lender containing the terms and conditions for the Ministerial Loan Guarantee.

"**Indian**" means:

- (a) a person who, pursuant to the *Indian Act*, is registered as an Indian or is entitled to be registered as an Indian; or
- (b) beneficiaries as defined under the *Cree/Naskapi (of Quebec) Act*.

"lands" means:

- (a) lands which constitute "lands reserved for the Indians" under class 24 of section 91 of the *Constitution Act, 1867*, including lands, the legal title to which is vested in Her Majesty, that have been set apart as reserve for the use and benefit of a Band under subsection 2(1) of the *Indian Act*, and may also include lands so defined or similarly defined under the terms specified in implemented self-government agreements or implemented land claims agreements; or
- (b) a designated Indian settlement where groups of Indians normally reside and the federal Crown holds title to this land or has acquired the right to use and occupy this land by agreement with the appropriate provincial or territorial government; or
- (c) Category 1A or Category 1A-N lands as defined in the *Cree /Naskapi (of Quebec) Act*;
- (d) any other lands that are within the legislative authority of Parliament as contemplated by class 24 of section 91 of the *Constitution Act, 1867*;

but does not include:

- (e) lands that are held in fee simple

"lender" means Canada Mortgage and Housing Corporation or other lender approved by Canada Mortgage and Housing Corporation pursuant to the *National Housing Act* for the purpose of making loans.

"loan" means:

- (a) a loan made pursuant to the *National Housing Act* by a lender and which the Minister has guaranteed for the construction, acquisition or renovation of housing on lands as defined; or
- (b) a loan not made pursuant to the *National Housing Act* by a lender and not insured by Canada Mortgage and Housing Corporation, which the Minister has guaranteed for the construction, acquisition or renovation of housing on lands as defined.

"loan agreement" means an agreement between a borrower and a lender containing the terms and conditions of the housing loan.

"loan guarantee" means a Ministerial Loan Guarantee whereby the Minister guarantees repayment of the loan to the lender in the event of default by the borrower.

"Minister" means the Minister of Aboriginal Affairs and Northern Development Canada or his/her designated representative.

2. Conditions for the Provision of Ministerial Loan Guarantees for Housing Loans

Where the Minister is assured that the applicant will obtain the loan through a lender, the Minister may agree to provide a loan guarantee where the Council of a Band has submitted to the Minister, in writing:

- (a) certification that the loan, if granted, will provide housing or housing improvements for Indians, on lands as defined;
- (b) that an environmental site assessment has been carried out on the subject property either individually or as part of a sub-division or community assessment, in accordance with the Canadian Standards Association's Standard Z768-94 for Environmental Site Assessment (or as may be revised from time to time), and that such an assessment confirms that there is no evidence of contamination that may, upon exposure, constitute an identifiable risk to human health or the natural environment;
- (c) consent, by means of a Band Council Resolution or an authorizing document from a Council of a Band under self-government legislation, to the expenditure of the Band's revenues, or the transfer of such other security deemed acceptable by the Minister, for the purposes of reimbursing the Consolidated Revenue Fund for payments made pursuant to subsection 7(c) and section 10; and, where Section 89 of the *Indian Act* is applicable, the Council of the Band shall provide Her Majesty in Right of Canada with a waiver to the application of s.89 with respect to the Band's assets other than land.

3. Additional Conditions for the Provision of Ministerial Loan Guarantees for Housing Loans to Individuals

In the case of a loan to an individual Indian, the Minister may agree to provide a loan guarantee provided that the conditions set out in Section 2 above are met and where the Council of a Band has confirmed to the Minister, in writing,

- (a) that it is satisfied with the reputation and financial responsibility of the individual for whom it takes on the risk that, should a default occur, it would have to assume responsibilities under the terms of the Loan Agreement or the loan guarantee as set out in Section 12 below; and
- (b) that it has received written consent from the individual that upon default of the loan, he/she will:
 - (i) where applicable, initiate the transfer of any certificate of possession or occupation, location ticket or other documentation held by the individual in respect of the property referred to in the loan application, to the Council of the Band; and/or
 - (ii) vacate that property, having been given reasonable notice by the Council of the Band.

4. Renewal/Refinancing of Loan

Where a borrower and an existing lender agrees to renew an existing loan for another term or to refinance an existing loan, the loan guarantee will continue to apply provided the lender forwards written notification (currently, Guaranteed Loans Terms and Conditions Report) to the Minister, within 60 days after the loan has been renewed or refinanced, indicating:

- (a) the length of the new term;
- (b) the interest rate for the new term of the loan (at a rate normally not to exceed the weekly posted closed, fixed interest rates available at the time of the renewal/refinancing);
- (c) that the outstanding principal balance under the loan is not being increased; and
- (d) that the total amortization period of the loan is not being increased.

5. Transfer of Loan/Ministerial Loan Guarantee

In the event that the borrower requests a transfer of the loan to a new lender during the original amortization period, the Loan Agreement and the loan guarantee will be assigned to the new lender, provided that the new lender will, within 60 days of receiving the loan, provide the Minister with written notification, indicating:

- (a) the name and address of the new lender, as herein defined;
- (b) the DIAND Guarantee Number;
- (c) the length of the new term;
- (d) the interest rate for the new term of the loan (at a rate normally not to exceed the weekly posted closed, fixed interest rates available at the time of transfer);
- (e) that the outstanding principal balance under the loan is not being increased;
- (f) that the total amortization period of the loan is not being increased; and
- (g) that the new lender assumes the obligations under the Loan Agreement and the loan guarantee.

6. Assignment of Loan/Ministerial Loan Guarantee

In the event a lender wishes to assign the loan to another lender, the Loan Agreement and the loan guarantee will be assigned to the new lender, provided that the new lender will, within 60 days of receiving the loan, provide the Minister with written notification, indicating:

- (a) the name and address of the new lender, as herein defined;
- (b) the DIAND Guarantee Number;
- (c) the outstanding principal balance under the loan being assigned to the new lender; and
- (d) that the new lender assumes the obligations under the Loan Agreement and the loan guarantee.

7. Notification of Loan Default

- (a) In the event a borrower fails to make loan payments as stipulated in the Loan Agreement, the lender shall inform the Minister of the default situation, by submitting a Notification of Loan Default (formerly Arrears Report) within 90 days of the borrower being in default in making payments under the loan, and every 30 days thereafter while the default continues.
- (b) Where the Minister receives notice from the lender that a borrower is in default in making payments under the terms of the Loan Agreement, the Minister, in conjunction with the lender, shall cause every reasonable effort to be made to have the borrower make the payments required under the terms of the Loan Agreement.
- (c) The Minister may, if he or she considers it desirable, make loan payments, including the arrears, to the lender, and take any other steps which may be deemed appropriate in the circumstances. Any loan payments made on behalf of the borrower will be recovered from the Band.

8. Claim to Minister for Payment

- (a) Where the loan remains in default for 120 days from the date on which the lender gave the notice referred to in subsection 7(a) above, or for such other period of time as may be agreed upon by the Minister and the lender, the lender shall submit to the Minister a claim for payment of the unpaid balance of principal and accrued interest at the contract rate up to the date that the claim is paid by the Minister, due under the loan pursuant to the terms of the Guarantee Agreement. Any reasonable charges incurred by the lender in accordance with prudent lending practices to safeguard the interest of the lender, such as insurance premiums against fire and other insured risks or hazards, hydro, water/sewer, inspection or management fee, property protection, property maintenance, property repairs and expenses, heating, are recoverable.
- (b) The claim referred to in subsection 8(a) shall be in a form prescribed by the Minister (Claim to DIAND for Payment of On-Reserve Housing Guarantee) and, along with supporting documentation, shall confirm that:
 - (i) in the case of an NHA-insured loan, the loan was made and administered in accordance with the Loan Agreement, the applicable provisions of the *National Housing Act*, the National Housing Loan Regulations, the terms and conditions of the insurance, the guidelines, the Guarantee Agreement, and any special conditions relating to the loan; or
 - (ii) in the case of a non-NHA insured loan, the loan was made and administered in accordance with the Loan Agreement, the Guarantee Agreement, and prudent lending practices as outlined in Annex A or as may be prescribed by the Minister as and when may be agreed to, from time to time, by the parties; and
 - (iii) the loan is in default and the unpaid balance of principal and accrued interest, plus other reasonable costs, are specified and included in the amount set out in the claim and are due under the terms of the Guarantee Agreement. The maximum period of accrued interest being paid shall not exceed 270 days unless agreed to, in advance and in writing, between the lender and the Minister.

9. Lender Performance

The Minister may, at his/her discretion, review the file to determine whether the lender is in compliance with the terms of the Guarantee Agreement and has followed prudent lending practices, including those set out in Annex

A. If the lender has not followed prudent lending practices, the Minister may reduce the payment of the accrued interest or other reasonable costs included in the amount set out in the claim referred to in subsection 8(a).

10. Payment on Loan Guarantees

The Minister shall pay to the lender the amount set out in the claim referred to in subsection 8(a), less any amount that may be determined in accordance with section 9, within 60 days from the receipt by the Minister of the claim or within such further period of time as may be agreed upon by the Minister and the lender.

11. Lender Assignment to the Minister

Where a payment to the lender has been made pursuant to section 10, the lender shall give the Minister an absolute assignment of its rights under the loan and under any judgment obtained by the lender in respect to the loan, and its interest in any insurance policies issued under the terms of the loan.

12. Recovery of Defaulted Loans

- (a) Pursuant to the Band Council Resolution or an authorizing document from a Council of a Band under self-government legislation referred to in subsection 2(c), and subsequent to a lender's claim being paid by the Minister, the Minister will recover amounts paid on defaulted loans:

(i) by entering into repayment agreements with the Council of a Band, for the repayment by the Council of a Band of the amount paid by the Minister under section 10, plus interest from the date of payment by the Minister which interest may include an adjustment of the original contract interest rates; or

(ii) by taking necessary measures to reimburse the Consolidated Revenue Fund from the security in instances where another form of security, such as trust money or land claim monies, has been used as collateral for the loan guarantee.

- (b) In the case of loans made to individuals and pursuant to the written consent from the individual referred to in subsection 3(b) for recovery on defaulted loans, the Minister may, where applicable, apply Section 24 of the *Indian Act* whereby the Minister approves the transfer of the borrower's right to possession of the lands to the Council of the Band.
- (c) Subsequent to the transfer of the certificate of possession or occupation, location ticket or other documentation held by the individual in respect of the property, from the individual to the Council of the Band, the Council of the Band will commence such proceedings as may be necessary against the borrower to take physical possession of the property related to the certificate of possession.

13. Reporting Requirements

- (a) The Minister may, in consultation with the lenders, prescribe such security forms and reporting requirements as may be required for the purpose of these Terms and Conditions. Annex B provides a list of reports which are currently required.
- (b) Lenders shall provide reports which may be prescribed by the Minister as and when may be agreed to, from time to time, by the parties.

APPENDIX - ANNEX A

Prudent lending practices to be used when approving a non-NHA insured loan for use on-reserve

1. For loans taken out for housing purposes by the borrower, lenders are expected to manage the loan and any potential default as if it was a conventional loan made to an individual living off-reserve, and as follows:
- (i) verify the borrower's credit worthiness prior to lending the funds;
- (ii) in the case of an individual, verify his/her employment history, income levels and stability, assessing that there is sufficient revenue to repay the loan;

(iii) confirm that the borrower's equity is available and in place at the time of lending the funds;

(iv) should the loan go into default, the lender is expected to notify the borrower of the delinquent account, as soon as possible. The lender will also attempt to implement remedial actions to assist the borrower in meeting their obligation. This may include implementation of a special repayment plan which meets the borrower's circumstances and enables the repayment of the loan and arrears. In the event that the borrower refuses to agree to such a repayment plan or does not fulfill the conditions of such an agreed upon plan, the lender could then request payment through the Ministerial Guarantee; and

(v) in every manner, the lender will make and administer a loan subject to a Ministerial Loan Guarantee with the same degree of diligence as would be expected for a non-guaranteed loan, except for matters particular to on-reserve such as recovery and disposal of the property.

2. The lender will not lend more than the reasonable construction, acquisition or renovation cost of the project. The borrower shall provide an estimate of the construction, acquisition or renovation cost along with any required plans and construction information. The lender shall ensure the reasonableness of cost estimates through an appraisal or a comparison with similar projects in the community/area. All new construction and renovation work must meet or exceed National Building Code standards or equivalent standards.
3. Lenders shall submit reports to the Department of Indian Affairs and Northern Development as stipulated in Annex B of these Terms and Conditions. Such reports will be provided to the appropriate INAC Regional Office as stipulated in the Guarantee Agreement.

APPENDIX - ANNEX B

Reporting Requirements

Lenders are required to submit the following reports to the appropriate INAC Regional Office as stipulated in the Guarantee Agreement:

1. **Guaranteed Loans Terms and Conditions Report**
 - (a) Within 60 days following the renewal, refinancing, transfer or assignment of a loan, the existing lender and/or new lender must provide written notification to the Minister detailing the applicable information requested in sections 4, 5 and 6 of these Terms and Conditions.
 - (b) When a new loan is issued, the lender must provide written notification to the Minister, within 60 days of issuing a new guaranteed loan, providing the related information.
2. **Notification of Loan Default**

In accordance with subsection 7(a), within 90 days of a loan default, the lender will provide a Notification of Loan Default (formerly Arrears Report) to the Minister giving the status of the default situation, the outstanding arrears and principal. Such notification is to be provided every 30 days thereafter that the loan remains in default.
3. **Claim to DIAND for Payment of On-Reserve Housing Guarantee**

In accordance with subsection 8(a), within 120 days of initial Notification of Loan Default, the lender will submit to the Minister a claim for payment of the unpaid balance of principal, accrued interest, and any reasonable charges due under the loan pursuant to the terms of the loan guarantee.
4. **Yearly Status Report of Guaranteed Loans**

This report is to be submitted by the lender for each guaranteed loan, identifying the outstanding balance, principal and interest at March 31st of any given year.