

# Home Counselling Handbook



## HOME COUNSELLING HANDBOOK

### Preface

The Home Counselling Handbook is intended to assist Rural and Native Housing Agents whose responsibility it is to provide counselling services to clients of the RNH program.

The Handbook is written in parts that correspond to the stages in the fee-for-service schedule.

The first segment is an information section followed by the Stage 1 segment. At the beginning, only basic information is provided. This information is repeated and expanded upon as the stages progress until all topics have been discussed with the client at the time of occupancy.

No attempt has been made to suggest "how to" counsel, but rather "what to" counsel, the ultimate objective being to ensure that clients are given the information necessary to enable them to cope with homeownership.

Every attempt has been made to have this handbook reflect national considerations and definitions. As there may be provincial variations in the program, it is incumbent on the agent to provide the client with the information pertinent to the province or territory.

It is presumed that given adequate counselling, the need for prolonged counselling assistance will diminish as the new homeowner adjusts to meet the obligations of a mortgage debt and learns how to manage and maintain a new home independently. Every effort should be directed towards this independence, at the same time assuring the client that advice can be obtained if and when it is required.

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## INTRODUCTION

CMHC and this province have acknowledged the responsibility of counselling new Rural and Native Homeownership clients in three areas. You, the agents, are the individuals who will prepare the housing recipients for the adjustment they will experience when moving to a new home, and the effect this transition will have upon their accustomed lifestyle.

Counselling will:

- assist prospective homeowners to understand and accept their rights and responsibilities with CMHC and the community.
- assist prospective homeowners to develop an awareness of the economic and personal investment in homeownership.
- assist RNH homeowners in preventing foreclosure and eviction by making them aware of their responsibilities as homeowners. In your meetings or discussions with prospective clients, you may have to advise the client of the other programs besides homeownership available in rural communities, namely the Residential Rehabilitation Assistance Program and the Emergency Repair Program. The objectives of each of these programs is:

### RNH Homeownership/Rental Program

Objective - To assist Native and non-Native households in core housing need in rural areas to obtain new or existing, affordable, adequate and suitable homeownership or rental housing.

### Residential Rehabilitation Assistance Program - Homeowner

Objective - To assist households in core housing need who own and occupy existing substandard housing to repair or improve their dwellings to a minimum level of health and safety.

### Emergency Repair Program

Objective - To assist disadvantaged persons and households in core housing need in rural areas by providing assistance for the urgent repair of existing housing that is a threat to occupant's health and/or safety.

This counselling book is designed only for the Homeownership Program.

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### CLIENT IDENTIFICATION AND APPROVAL

#### 1. IDENTIFICATION OF THE CLIENTS

The Active Party will meet with community leaders in targeted communities prior to identification of clients to outline the RNH program and explore the implications that the program may have for the community. The community is targeted for RNH housing by the Planning & Monitoring Committee in conjunction with Tripartite Management Committee. The Planning and Monitoring Committee is composed of senior representatives from the Province and CMHC. This Committee develops and monitors delivery of the 3 year plan in the Province. The Tripartite Management Committee is a committee consisting of senior representatives from the Province/Territory, the Provincial/Territorial Native Organization and CMHC. The Committee provides a forum for planning and monitoring of Native housing programs. CMHC chairs the Committee.

Prospective clients may be identified by contacting:

- . Local Native Organizations;
- . Social agencies;
- . Municipal representatives;
- . Department of Indian and Northern Affairs (if living off-reserve).

Another way of identifying potential clients would be to initiate a community meeting inviting families who are interested in improving their housing conditions. Municipal representatives may also be invited with a view to obtaining their support at an early stage. Alternatively, clients may be interviewed in their homes.

Points to be raised at the initial meeting:

- . Rural and Native Housing Program;
- . Program delivery strategy;
- . Condition of the home;
- . Housing needs of the family;
- . Core housing need, core housing income thresholds.

The first meeting should be an information-giving, fact-finding meeting.

Clients should be advised that maximum house prices exist for units being built or bought under the RNH program. The maximum unit price (MUP) includes:

- . land costs;
- . consulting and survey fees;
- . servicing costs;
- . building costs;
- . legal fees;
- . other directly related costs.

**It is important not to create unrealistic expectations.**

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### 2. CLIENT ELIGIBILITY

For purposes of the RNH Homeownership and Rental program, client eligibility is assessed on the basis of the following criteria:

- . Both families and individuals can qualify.
- . Both Native and non-Native clients can qualify.
- . Welfare recipients may be considered for program eligibility only if prior assurance is obtained from the provincial authorities concerned that recipients' welfare payments will not be reduced as a consequence of purchasing a housing unit and in homeownership, welfare payments will be sufficient for home maintenance.
- . Assets are to be considered in the determination of eligibility. A client who is "income poor" but "asset rich" should be given a low priority for the purchase of an RNH unit.
- . The client shall have an extensive interview by the agent to explain the responsibilities of homeownership/rental.

**NOTE: If a client has previously owned/rented/occupied an RNH unit and has outstanding arrears on that unit, the client is ineligible for a new unit until the arrears are paid in full.**

### 3. HOW THE RNH HOMEOWNERSHIP PROGRAM WORKS

A house is sold to the client. The client gives a mortgage as security for the loan given by the Active Party. The client assumes the following obligations:

- . Regular payments will be made for the amortization period (generally 25 years) of the mortgage. Incomes will be reviewed annually, and the payments will be adjusted according to the Payment-to-Income scale in effect in the province/territory.
- . A down payment is to be provided by a homeownership client in the form of cash, labour, materials or land, in an amount equal to ten percent (10%) of the average of the client's current and previous two years' adjusted household income. Where a homeownership client cannot make the required down payment, the Active Party may waive all or part of the down payment.

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**NOTE:** Where sweat equity will constitute all or part of the down payment a sweat equity contract must be executed. The contract will include a complete spec of work to be done, refer to appropriate standards and include agreed upon time frame for completion.

- . Fire insurance equal to the replacement value of the house must be put in place by the client and kept up for the life of the mortgage. It is recommended that the client obtain contents insurance.

### 4. MORTGAGES

#### What is a Mortgage?

A mortgage is the security for a long-term loan for the purpose of buying property or houses.

#### How does a Mortgage work?

The client signs a mortgage document which shows:

- Principal (the amount borrowed)
- Interest (the charge for using the money)
- Amortization period (the period of time over which repayments of principal and interest for the loan are made - usually 25 years)
- Term (the interval between the interest adjustment date and the interest review date - generally every 5 years but may also be done annually)
- Payments (the amount of the payments, usually monthly, required to pay off the full amount of the loan)

Attached to the mortgage document is an Amending Agreement. This agreement is between the purchaser and CMHC or the province and provides for the purchaser to make monthly payments in accordance with the Purchase-to-Income Scale, based upon the purchaser's declared family income. The difference between the client's payment and the full amount required to pay off the loan is called a "SUBSIDY" which may be paid by the federal and provincial governments or solely by the federal government.

Tax payments are included in the payments shown in the amending agreement.

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5. RESPONSIBILITIES OF HOMEOWNERSHIP

a) Mortgage Payment Calculations

Client's will want to know the payments they will be required to make when buying a new home.

The first exercise will be to calculate the family's income based upon the following definition:

b) Definition of Adjusted Income

For purposes of establishing the monthly payment to be paid, the active party will assess the annual "adjusted income" of the household in the following manner:

- . Assess the income, in whatever form received, of each member of the household; gross income includes for example:
  - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
  - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
  - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
  - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- . Exclude from income the following, for each household member, if applicable:
  - family allowances, if they were included previously;
  - living-out or travelling allowances of any household member;
  - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
  - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
  - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;



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- for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- . Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

Once the income has been established, mortgage payments can be determined by applying the adjusted income to the Payment-to-Income scale. See worksheet attached.

Clients are required to make regular payments as set out in the Mortgage Agreement. Failure to do so will provide cause for collection action by the Active Party. Repeated default will result in legal action and eventual foreclosure and loss of the house by the client.

In no case will a client be required to pay more than 25% of the family adjusted annual income for principal, interest, taxes and eligible heating costs, or more than the total amount required to repay the loan where there is no subsidy assistance.

Homeowner Heat Allowance - The heating allowance is calculated based on the following criteria: (Refer to Heating Cost Table NHA 5865)

- . unit size;
- . unit type;
- . applicable construction standards;\*
- . area;
- . fuel type (where wood or other combination heating system is utilized, the most cost-efficient type is used for calculation. If a wood only system is employed, the most commonly used heating type in the area is used for calculating the eligible heating cost).

In a rental situation, clients pay up to 25% of adjusted annual household income for serviced accommodation. The difference between project rent revenue and economic rent is subsidized and may be shared by Canada and the Province/Territory.

### Income Review - Payment Adjustments:

- Income is reviewed annually and monthly payments are raised or lowered to ensure that they do not exceed the amount shown on the Payment-to-Income scale.
- In cases of hardship caused by reduced income, incomes may be reviewed at the time the hardship occurs and payments adjusted accordingly.

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\* Units are categorized in either 1978-1981 or 1981 Construction Standards.

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### c) Down Payment

A down payment is the amount of the client's contribution towards the purchase of a new home.

Down payments can be in the form of cash, labour, materials or land, in an amount equal to ten percent (10%) of the average of the client's current and previous two years' adjusted household income and is made by the purchaser when the Offer to Purchase is signed.

Down payments can be in the form of:

- . cash,
- . labour; credit earned through the performance of sweat equity,
- . land; the market value of the purchaser's own land if the unit is built on such land, or
- . material
- . any combination of all four above.

### d) Fire Insurance

The purchaser is responsible for obtaining insurance on an individual basis equal to the replacement value of the house.

Clients should be advised that additional insurance on the contents of the house may be desirable as part of an insurance plan.

### e) Utilities

Homeowner clients are responsible for paying the heating and utility costs associated with living in a house.

Renters get fully serviced accommodation less electricity, which is the renter's responsibility. Lease/Purchasers get fully serviced accommodation less electricity which is their responsibility.

### f) Maintenance and Lease Purchase

Homeowner and Lease Purchase clients are responsible for maintenance repairs on the houses. In circumstances where damage may be caused by structural defects when the house was being built, repairs may be the responsibility of the contractor. Clients should be advised of the Home Warranty Program. Renters are not responsible for major maintenance repairs such as roofs, flooring.

## 6. BENEFITS OF HOMEOWNERSHIP

The benefits of homeownership should be stressed as well as the responsibilities.

## STAGE 1

Some of the benefits include:

- . homes, if well cared for, are a good, long-term investment and generally increase in value;
- . owning a home provides privacy and space for families to grow;
- . a good repayment pattern builds a sound credit rating;
- . being a homeowner makes a client part of a community (all homeowners pay taxes and have a say in the community affairs);
- . there is no dependency upon a landlord or worry of sudden rent increases;
- . a home provides permanency, eliminating the worry of having to move - if the mortgage payments are made on time.

### 7. CLIENT AFFORDABILITY

Once a client has indicated a willingness to assume the responsibilities of homeownership, the Agent discusses with the client the question of affordability.

- a) Definition of AFFORDABILITY: For all intents and purposes, a unit is considered affordable if, after all fixed monthly payments are made, there are sufficient funds left over each month for food, clothing, medical care, transportation, maintenance, etc. Fixed monthly payments can be fairly accurately estimated and include:

- . the mortgage payment (up to 25% of adjusted income);
- . utility costs (heat, light, water, sewage pump-out, etc.);
- . fire insurance, if applicable;
- . telephone, if applicable;
- . maintenance allowance;
- . other debt payments.

(A sample worksheet is attached page 23.) This will help the client to compare pre- and post-purchase costs and decide if the purchase of a new home is feasible.

### 8. DETERMINATION OF ELIGIBILITY

In the ongoing relationship with the prospective client you have been preparing them to make a decision on whether to apply for a mortgage or rental home from the Active Party.

At this phase the prospective client has considered the implications for ownership and has an understanding of the costs that will be involved. However, the review of the prospective client by the Active Party is their

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way of ensuring that the criteria for eligibility has been met and that the prospective client can have a reasonable opportunity of being able to manage the home financially.

A prospective client is informed of eligibility when:

- 1) The client meets the eligibility criteria ie. core need, income thresholds.
- 2) The client does not have outstanding arrears on their current accommodation or a previous RNH unit.
- 3) A credit check has been carried out on the client. The check shows a satisfactory management of debt and money.
- 4) The appropriate program to be used as per client income has been determined.
- 5) The client mortgage payments or rental payments can be considered affordable in comparison to the debt load.
- 6) A completed Stage 1 fee-for-service package is submitted to the Active Party who will accept/reject each client's application. Remember a fee is payable only for accepted clients.

### a) Acceptance for Eligibility

ELIGIBLE CLIENTS shall be informed of their acceptance by the agent.

### b) Rejection for Ineligibility

INELIGIBLE CLIENTS shall be given the reasons for their ineligibility. The Agent shall be asked to counsel the client on what the client must do to become eligible (if possible) or on what alternatives exist to meet the client's housing needs.

## 9. PRIORITIZATION OF CLIENTS

Because of the time required to identify land and acquire or build housing, it is important that once a client is informed of eligibility he/she be given some idea of how long a wait will be involved. The number of clients eligible in a given community may take many months to house, depending upon local circumstances. However, there are always some families whose situation is quite desperate.

### STAGE 1

Prioritizing of clients generally is not easy. The basis of need is as follows:

- . worst housing conditions;
- . largest families;
- . lowest income.

Once a list is drawn up, housing sources (new or existing) can be discussed to meet the needs of those who are currently eligible. Also more time can be devoted to counselling clients at the top of the list who may have shown signs that homeownership will be difficult for them.

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### PRE-OCCUPANCY COUNSELLING AND PROJECT IMPLEMENTATION

The clients who are eligible are prioritized. Use this time to inform the client(s) of what steps are going to be taken in the process of providing a house.

#### 1. THERE ARE TWO WAYS TO GET A HOUSE IN THIS PROGRAM

One, the Active Party can acquire an existing house. Two, the Active Party will acquire land for the purpose of building a house(s). In either case the clients should carefully consider the type of house they need and its location, since these aspects can affect the long-term value of the property.

##### a) Existing Housing

If there are houses available in the community which meet the needs of the client and are within the allowable unit price, and needs minimal repairs, the Active Party will buy the unit, fix it up and sell it to the individual on the same basis as if he were having a house built. The client must be assured that the Active Party will inspect the unit before purchase to appraise the value and ensure that it can be brought up to an acceptable standard. The advantages of buying an existing unit are:

- . the client knows precisely what he is getting for his money;
- . the cost is usually less than building a new house;
- . the house will usually be available faster.

When the client is looking over a house it may be worthwhile for them to use the checklist attached (see pages 26-30).

##### b) New Housing - Investigation and Acquisition of Land:

Explain to clients that the process of obtaining land for their houses may involve lengthy delays. If lots are not for sale or available at reasonable prices, then land for severances or a subdivision must be found. Depending on your province the procedures to get approvals for land as building lots may take many months.

In deciding a course of action for land acquisition, the client's preferences relative to family composition and lifestyle should be considered along the lines of the following:

- . Proximity to school - particularly where there is a number of small children.
- . Accessibility of stores/shops - where a client has no car or means of transporting purchases.

## STAGE 2

- . Proximity to employment - whether it be regular or seasonal.
- . Siting
  - steep grades and hilly terrain could be difficult and hazardous for people with infirmities;
  - choose sites where drinking water is available;
  - choose sites that can accommodate a septic system or have access to a sewerage system;
  - where basements are being provided choose sites where house can be built without difficulty because of rock or very high water table.

Establish whether the client has considered the costs associated with living in a particular location. Explain to the client that it is important to try to find property that will hold its value if the client ever wishes to sell.

Once a course of action has been set-up for acquiring the necessary building sites and the client has realized how important the selection is, then time waiting to acquire the land can be filled with reviewing the type of house to be built for the client in that community.

## 2. UNIT INVESTIGATION - FOR HOMEOWNERSHIP, LEASE-PURCHASE

The client(s) must be advised of the options available for building in their community. The house will belong to them and they need to know what they will be getting and for what reasons a particular construction method was selected.

Choosing a house design can be a difficult undertaking, especially for a first time homeowner. To assist in the process, the following items are reviewed to ensure that the family needs are considered in the design selection and that cost-efficiency is maintained.

Size required      - Size and composition of family (adults and children) to assess bedroom needs, living area, food preparation, etc.  
                          - Larger units = higher heat and maintenance costs.  
                          - Long-term needs as family size decreases or increases and lifestyles change.

Design needs        - Open areas  
                          - Privacy areas  
                          - Unheated areas/vestibule  
                          - Storage areas (wood, winter clothes, boots, etc.)  
                          - Basements (cost to heat and maintain versus potential use)

## STAGE 2

- Siting on lot
- Getting maximum use of the sun through windows to heat living space used during the daylight hours.
  - Locating main entrance to the house away from prevailing winter winds.
  - Having good water run-off to prevent leaky basements.
  - Outdoor needs (car, garden, snowmobile, etc.).
- Maintenance
- Exterior finishes that are easy and inexpensive to maintain.
  - Considering the interior finishes of the house for ease of maintenance and low cost upkeep.
- Heat/Appliances
- Type of heat source that has low costs and is suitable for the area.
  - Use of energuides for buying appliances.

## STRESS ENERGY CONSERVATION

Reviewing this sort of material with the clients will confirm that the house is now becoming a reality and since it will be theirs, it is in their interest to know what they are getting. The client should now be considering more seriously the implications of becoming a homeowner and the additional responsibilities that this will involve.

The client should realize that the final decision of house type and design will be decided by the Active Party but will reflect the interests of the client.



## STAGE 2

### 3. THE CONSTRUCTION PROCESS - NEW AND/OR EXISTING HOUSING

At this stage, who will be building or rehabilitating houses is going to be defined in legal documents. It is the Active Party who will be advancing the money to cover the costs of a house for the client. The client in learning about these costs may find it useful to know why money is spent on items and what special maintenance or care of these materials will be required.

The Agent must emphasize the time required to coordinate the activities involved in house construction.

- purchase of lots/severance; subdivision approval
- appraisals
- purchase of existing houses; rehabilitation work
- title transfers
- design approval
- contractor selection

### 4. CLIENT INVOLVEMENT

The involvement of the client(s) may cover:

- . Participating in choice of location and design of their homes.
- . Entering into a sweat equity agreement to undertake certain tasks during the construction process to gain a down payment.

The Agent must use this time to review preparations by the client for the occupancy of their house.

- Down payment
- Ongoing mortgage payments
- Utility costs
- Obtain fire insurance/if applicable

Stressing these responsibilities and discussing how to deal with the Active Party, the fuel company, utility people and insurance companies will assist the client in recognizing what must be done and how to do it if there are questions. Often the details of how things are done are not fully realized. The expectation of the new home should make it possible to focus the client's attention on these details and emphasis on homeownership/rental requirements before a home will be turned over to the client.

Clients may also be developing expectations about how things will be in the new home. It is not uncommon for many of us to spend money unwisely at this stage. Clients should be advised to avoid any unnecessary expenditures. Having new furniture, T.V.'s and other appliances beyond a stove and fridge may make the difference of being able to keep up with the mortgage, utilities and fire insurance payments.

The other area of preparation that the clients need to be exposed to in detail is maintenance. The client should be made aware of the Home Maintenance Module 3 around the house completion stage.

## STAGE 2

### 5. SALE OF THE UNIT

The Agent will have the client sign an Offer to Purchase which will result in the sale of the land and house to the client. This is an important legal transaction. The client needs to understand that this event will lead to a record of signed papers that state the amount that the client's payments will be and the value of the amount borrowed from the Active Party. Care should be taken in explaining the meaning of the papers, and how they affect the client.

The impression conveyed to the client should be that they are the new owners and this ownership is exchanged for their agreement to abide by the terms of the mortgage that the Active Party holds.

It is important that the client understands that the signing of such papers is done to register the sale, and record the information at the Registry Office. Once the sale is processed, the owner will receive title to the property. The information recorded at the Registry Office will show that the Active Party holds the mortgage and the amount of money the purchaser has borrowed to buy the house. The Mortgage Agreement which legally binds the purchaser to pay monthly amounts of money is also registered at the Land Titles Office. The purchaser must pay the Active Party as agreed to in these papers or the Active Party can go to the courts and have the agreement for the mortgage declared in default. At this point the courts will remove the client's name from the deed and give the house and land back to the Active Party.

### 6. OFFER TO PURCHASE

- . The offer is signed by the client and witnessed.
- . Attached to the Offer to Purchase is a document called Appendix "A". The document sets out the agreement for the loan/mortgage amount that the Active Party will provide the client to close the sale of the house and what agreements the client promises to keep for receiving this money.

### 7. EXECUTED DEED AND MORTGAGE

- . The mortgage document may take some weeks before it will be ready for the office you deal with to enable the lawyer (solicitor) to register the deed.
- . The deed/appropriate papers will be signed by the client.
- . The deed has two additional sections that are also signed.

## STAGE 2

- . The amending Agreement sets out the amount the client will pay monthly and how much subsidy will be paid.
- . The Schedule "A" that is signed with the Mortgage Agreement informs the client about the right of first refusal as a condition of resale and limitations on renting the house.
- . Where the mortgage is written up for an amount greater or less than was originally agreed to in the offer to purchase, explain the discrepancy.

### 8. REVIEW OF OTHER OBLIGATIONS

#### a) Fire Insurance

- . Check to see if insurance equal to the replacement cost of the unit is in place.

#### b) Payments

- . Review how the client wishes to pay the mortgage
  - cheques
  - money orders
  - pre-authorized payments
  - cash,and at what frequency.
- . Provide the client with the full name and address of where they send the payments.
- . Advise the client who to contact if payments will be late or if they run into some problems over making the payment.

### 9. FINAL INSPECTION

Before the unit may be occupied, a final inspection is done by the Active Party. This inspection ensures that the house is complete and ready to be turned over to the client. If there are infractions or deficiencies these will be noted and the contractor informed. The Active Party will use this inspection to determine how much of the final advance will be paid to the contractor. Not until all work is done to the Active Party's satisfaction will the contractor be able to get full payment.

The client should inspect the house at this stage to ensure he/she is satisfied with the product. In pages 26-30 is a listing of what to look for when going over the house whether new or existing. The listing is set up to draw the clients attention to the parts of the house. At this inspection the Agent should confirm that the client will be able to operate all the features of the house and be familiar with their locations.

## STAGE 2

Where possible this inspection should be done with the Agent, the client, the contractor and the Active Party going over the house together.

### 10. WARRANTIES

There are a variety of warranties that the client will be concerned about:

- . Appliances, if applicable, that are put in the house should have warranty cards that are filled out to ensure that the client knows what can be fixed by warranty on the appliances and who they should contact to get something fixed.
- . Heating units usually have a warranty and this will give the client a contact for getting the heating unit fixed should something go wrong.
- . The New Home Warranty program applies only to newly constructed houses. The contractor doing the building enrolls the house for this 5-year warranty. The forms are signed by the new homeowner when he/she is satisfied that deficiencies have been identified and will be corrected. The details of what is covered and how the client goes about getting problems fixed should be reviewed according to the terms of the CHBA Home Warranty arrangement in place in your province/territory. The client should understand that it is their responsibility to follow-up any defective aspects of their house through CHBA after occupancy.

### STAGE 3

#### POST-OCCUPANCY

The Agent must visit the client within one month of occupancy. This will reassure the client of the Agent's continuing interest and assistance as well as provide an opportunity to review topics of major importance to the new homeowner.

Areas for discussion may include:

- . information pertaining to the mortgage payments;
- . problems which may have been identified in the house;
- . information about the house;
- . maintenance/home improvements;
- . Home Care Manual;
- . money management.

#### 1. THE MORTGAGE

Discuss with the client the contents of the letter received from the Active Party pertaining to the mortgage payments.

##### a) Paying the Mortgage

- . Mortgage payments may be made by cheque or money order and should:
  - be made payable to the Active Party;
  - contain the client's account number (this is the client's identification);
  - show the client's full name on it (either printed or typed).
- . Mortgage payments may be made by sending a series of 12 post-dated cheques to the Active Party. The client's only responsibility will then be to ensure that there is enough money in the account each month to cover the mortgage cheque.
- . **Mortgage payments must arrive on or before the first day of each month at the Active Party.**

If a payment is not received on the first day of the month, the mortgage is in ARREARS. Then the Active Party has the right to implement COLLECTIONS procedures.

##### b) Consequences of Arrears:

1. Late payments will hurt a client's credit rating.
2. Consistently late payments can DEFAULT the mortgage.

Default refers to a situation where a client is seriously delinquent in making payment to the Active Party (that is, more than one month behind or frequently late).

### STAGE 3

#### c) Consequences of Default:

Under the terms of the mortgage, the Active Party is entitled to take legal action against the client to get back all the money loaned.

If satisfactory arrangements cannot be worked out, FORECLOSURE is a legal action by which the lender (Active Party) can take the house from the client and sells it to pay off the money owed. Alternatively, the client can sign a quit claim relinquishing all future rights to the property in favour of the Active Party.

Foreclosure action means a client will lose the house and his/her credit rating.

#### d) Action:

When a client knows that it will not be possible to make payments on time or in the full amount, the Active Party should be contacted immediately so that arrangements can be worked out for making up the payment(s).

### 2. TAXES

All homeowners pay taxes on their land and buildings, to their village or municipality, to pay for the services they receive, e.g. streets, lighting, garbage collections, etc.

Under the Rural and Native Housing Program, taxes are included in the monthly mortgage payments, and the Active Party will make the necessary payments to the municipality for the client. The client will receive a notice in the mail showing the amount of taxes that have been paid on the property.

If the client receives a bill for the taxes, it should be sent to the Active Party immediately for payment.

### 3. UTILITIES

Water and sewer charges are separate from municipal taxes and their payment is the sole responsibility of the homeowner. Clients must advise utility companies at time of occupancy of their new address for future billings.

Water and sewer charges should be paid as quickly as possible at the municipal office since there may be a discount for early payment and a penalty for overdue payments.

### 4. INSURANCE

Fire insurance equal to the replacement value of the house must be in place at the time of occupancy.

### STAGE 3

Clients should also be encouraged to obtain insurance on the contents of their home and liability insurance.

#### 5. CLIENT INCOME REVIEW

The client's income will be reviewed at least once a year through an Income Verification Form. It is the responsibility of the client to provide accurate and current income data when requested by the Active Party.

Once the account has been placed under repayment, the Active Party will send a letter to the client outlining the following:

- the interest adjustment date;
- the first payment date;
- the amount of the monthly payments.

#### 6. EMERGENCY SITUATIONS

Emergency situations refer to those resulting from a sudden failure of a main service system in the house, e.g. heating, plumbing, or a latent construction defect.

If the house is still under the New Home Warranty program, check the Warranty Certificate to see if the item needing repair is covered.

In any case, check the Homeowner's Insurance Policy. Some repairs are covered under it (like water damage).

Other repairs, if not covered by warranty or insurance, are the responsibility of the homeowner. In a rental situation, the repairs will be the responsibility of the Active Party.

#### 7. THE HOUSE

When a client moves into a house there will likely be a number of minor problems which will need to be dealt with.

##### a) Major Defects in the House:

The builder of the client's home must be registered under the New Home Warranty Program sponsored by the Canadian Home Builders' Association (CHBA). This provides the builder's guarantee that the house does not have any major defects and that all systems work properly.

When major defects are identified within the first year of occupancy, the client should notify the builder immediately. If the builder does not respond, CHBA should be contacted. Defects occurring between year 2 and 5 should be reported to CHBA.

### STAGE 3

b) Minor problems with the house may include:

- 1) New appliances such as the stove and refrigerator may not work properly;
- 2) There may be other annoying problems like windows that jam, doors that squeak or stick, or faucets that drip.

For new appliances, the Agent should verify that warranty cards are accounted for and the guarantees have been completed and sent to the manufacturer. The manufacturer or agent should be notified immediately if equipment does not operate properly.

Solutions to minor problems identified in (2) above can be easily remedied with simple materials such as a bar of soap or a piece of sandpaper; the faucet may just need to be tightened or have a gasket replaced. Hints for minor repairs may be found in the Home Care Manual.

BE SURE TO READ THE CONDITIONS OF THE WARRANTY AGREEMENT

#### 8. MAINTENANCE

Owning a home is like owning a car - the owner is responsible for keeping it in good shape. The better it is looked after, the longer it will last and the better the resale value if it is to be sold.

Many repair jobs can be done by the owner at minimal cost.

Some repair jobs can be avoided completely by regular maintenance and servicing of equipment and systems in the house.

Emphasis should be placed on "Preventative Maintenance" as a means of reducing or eliminating costly repairs at some later date.

The Agent should try to obtain for the client any written material or design drawings which may be available to describe the house and illustrate where the internal systems are located.

#### 9. TIPS FOR HOMEOWNERS

- . New homeowners should be advised to resist the temptation to buy new furnishings, particularly on the basis of "buy now, pay later" or installment plan.
- . Installment payments carry very high interest charges and will likely put a severe strain on the homeowner's budget and could create major credit problems.



**STAGE 3**

- . New homeowners become natural targets for all kinds of salespeople.

Homeowners should be warned about door-to-door salespeople whose "sales pitch" is usually geared to the emotions.

The Department of Consumer Affairs has some good material on the subject of Consumer rights when dealing with salespeople.

A good "rule of thumb" for the homeowner is:

- Don't sign anything or agree to have any work done until they have lived in the house for a while.
- Become familiar with Consumer rights.

BUDGET WORKSHEET

THIS FORM IS DESIGNED TO HELP YOU SET UP A BUDGET AND SET SOME SPENDING GOALS FOR THE COMING YEAR.

<u>INSTRUCTIONS</u>	<u>MONTHLY AMOUNT</u>	<u>x 12 =</u>	<u>YEARLY AMOUNT</u>
<b>STEP 1</b> ENTER YOUR NET FAMILY INCOME (TAKE HOME PAY).			
° Income from employment after deductions (If you are paid every two weeks, multiply your income, after deductions, by 2.2 to get your monthly amount).	\$ _____	x 12 =	\$ _____
° Income from Social Security, Welfare, Pension Benefits, Disability Income, etc.	_____	x 12 =	_____
° Alimony or child support	_____	x 12 =	_____
° Other income (second job etc.)	_____	x 12 =	_____
TOTAL INCOME	\$ _____	x 12 =	\$ _____
<b>STEP 2</b> ENTER YOUR FIXED MONTHLY EXPENSES (WHAT YOU KNOW YOU HAVE TO SPEND).			
° Payments on the house (mortgage payments)	\$ _____	x 12 =	\$ _____
° Heat and Utilities (gas, oil, electricity, water and sewer charges, telephone, etc.)	_____	x 12 =	_____
° Other fixed house expenses (furnace contractors, septic tank clean-outs etc)	_____	x 12 =	_____
° Car expenses (car loan, insurance, gas, oil, maintenance, etc.)	_____	x 12 =	_____
° Insurance (fire, life, health, liability, contents)	_____	x 12 =	_____
° School and child-care expenses	_____	x 12 =	_____
° Alimony or child support payments	_____	x 12 =	_____
° Installment payments (all-purpose charge accounts, furniture payments, personal loans)	_____	x 12 =	_____
° Regular savings (what you set aside each month for emergencies, education, vacations, etc.)	_____	x 12 =	_____
TOTAL FIXED EXPENSES	\$ _____	x 12 =	\$ _____

BUDGET WORKSHEET (cont'd)

	<u>INSTRUCTIONS</u>	<u>MONTHLY AMOUNT</u>	x 12 =	<u>YEARLY AMOUNT</u>
<b>STEP 3</b>	SUBTRACT THE TOTAL OF STEP 2 FROM THE TOTAL IN <u>STEP 1</u> TO FIGURE OUT WHAT YOU HAVE LEFT OVER FOR DAY-TO-DAY LIVING EXPENSES	\$ _____	x 12 =	\$ _____
<b>STEP 4</b>	ENTER TOTAL FROM <u>STEP 3</u>	\$ _____	x 12 =	\$ _____
<b>STEP 5</b>	ENTER YOUR DAY-TO-DAY LIVING EXPENSES	\$ _____	x 12 =	\$ _____
°	Food (groceries, eating out, etc.)	\$ _____	x 12 =	\$ _____
°	Clothes (new clothes, laundry, dry cleaning, etc.)	_____	x 12 =	_____
°	Personal care (cosmetics, hair care, etc.)	_____	x 12 =	_____
°	Medical and dental care (prescriptions)	_____	x 12 =	_____
°	Home furnishing and expenses	_____	x 12 =	_____
°	Educational expenses (books, hobbies, lessons, etc.)	_____	x 12 =	_____
°	Recreation and gifts (movies, sports, events, vacations, birthday and holiday gifts, etc.)	_____	x 12 =	_____
°	Other day-to-day living expenses (magazines, newspapers, other expenses)	_____	x 12 =	_____
	TOTAL VARIABLE EXPENSES	\$ _____	x 12 =	\$ _____
<b>STEP 6</b>	SUBTRACT THE TOTAL IN <u>STEP 5</u> FROM THE TOTAL IN <u>STEP 4</u> TO MAKE SURE YOU'RE NOT SPENDING MORE THAN YOU HAVE EACH MONTH	\$ _____	x 12 =	\$ _____

BASIC PAYMENT

The basic payment will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following payment-to-income table, less an adjustment for heating for homeownership units.

PAYMENT-TO-INCOME TABLE

MONTHLY INCOME AND PAYMENT

Adjusted Income (\$)	Per Cent	Monthly Payment (\$)	Adjusted Income (\$)	Per Cent	Monthly Payment (\$)
192	16.7	32	303	22.4	68
201	17.4	35	312	22.8	71
210	18.1	38	321	23.1	74
220	18.6	41	330	23.3	77
229	19.2	44	340	23.5	80
238	19.7	47	349	23.8	83
247	20.2	50	358	24.0	86
256	20.7	53	367	24.3	89
266	21.1	56	376	24.5	92
275	21.5	59	386	24.6	95
284	21.8	62	395	24.8	98
293	22.2	65	404 and up	25.0	

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic payment will be the greater of the shelter component of welfare or the payment as determined on the basis of the above table, in conjunction with the household's total adjusted income.

**WHAT TO LOOK FOR IN EVERY ROOM OF NEW OR EXISTING UNITS**

**NOTE: The presence of one or more of the following defects in a new home is not necessarily reason for the new homeowner to reject the home. The Warranty Program is designed to make good these deficiencies.**

This checklist serves to highlight in the owners mind what and where all the parts of the house are. To ensure that everything is in satisfactory working order and can concur with the Active Party that they are about to accept a quality finished unit worth making payments for.

1. Check the ceiling and walls for:
  - large cracks indicating uneven settlement;
  - 'spalling, warping of drywall, "nail pops" (small wind bumps, sometimes discoloured) which may indicate a water leak or a vapour problem;
  - any physical damage which will need to be corrected before repainting or damage to existing paint due to hanging pictures with scotch tape, etc.
2. Check the baseboard, window trim and door trim for physical damage and condition of paint.
3. Check all windows to ensure that:
  - all glass is intact;
  - sashes move easily;
  - all components are present, particularly screen and storms;
  - wood sashes are well painted and free from rot or obvious moisture problems;
  - that all window hardware, particularly locks are in operating condition. All windows accessible from the outside must be able to be securely locked, even if "protected" by a storm window or screen.
4. Check all interior entrance doors to make sure that:
  - all hardware, including locks, work well;
  - the door opens and closes smoothly without jamming;
  - the frame is not cracked or split.
5. Check closets to see that:
  - the plaster is in good condition;
  - the paint is in good condition;
  - the appropriate closet bars and shelves are there.

6. Check the electrical fixtures:

- all fixtures should have working bulbs;
- all switches work properly without sparking or crackling;
- cover plates that have been painted should be replaced;
- ask occupant if all the plugs work.

7. Check the floors.

Check hardwood floors for deep scratches, burns, heaving and excessive wearing (indicated by grey discoloration).

Vinyl asbestos and vinyl floors should be inspected for deep scratches or tears, uneven wearing, tiles curling at the corners, discolorations and burns.

Broadloom should be examined for excessive wear in traffic areas, stains and burns.

8. Check wells and septic systems.

In a house with a well, check to see that there is a water potability certificate to ensure the quality of the drinking water.

If there is a septic system that an approval certificate for use has been done by local health authorities.

IN THE BATHROOM

- Try all the taps and flush the toilet a couple to times to make sure everything is working and where possible check soldered plumbing connections for leaks.
- Check under the sink to make sure the drain pipe does not leak.
- Check the operation of the toilet and look for leaks in the supply pipe under the tank.
- Check the floor near toilet for signs of deterioration because of leaks or excessive sweating.
- Check around bathtub area to make sure caulking or sealing compound is in place along seams exposed to make sure there will be no water penetration.
- Look for mold or discoloration of the grouting between the tiles.

- If there is a window in the bathroom, make sure it opens freely; if there is no window there must be an exhaust fan, make sure it works properly. Either is necessary for removing warm moist air when using the shower or bathtub.
- Note types of cleaning (i.e. low or non-abrasives) compounds appropriate to the surface areas and caution the mixing of cleaning compounds that may create dangerous gases.

#### KITCHEN

Things to check in the kitchen are:

- run water in the sink and check underneath to see that the pipes leading to taps or the drain pipe do not leak;
- check to see if appliances are working and if there is a copy of the guarantee and manual on operation and care of stove and fridge;
- determine where the fuses in the stove are;
- open all cupdoors and close them to make sure they open and shut properly;
- make sure the surface areas are satisfactory without scratches or marks;
- if there is an exhaust fan over the range turn it on to make sure it works, it will be useful during cooking to exhaust moisture.

#### STAIRS AND STAIRWELLS

Finish should be checked for plaster damage and paint conditions as described in the inspections common to every room. In addition, the stairs should be checked for:

- . presence and condition of handrails and/or balustrades;
- . loose or excessively worn treads or stair runners.

## BASEMENT

### Heating Unit

- Check location of furnace unit, find out if there is a manual or warranty paper for the unit.
- Set thermostat to have it go on and make sure it runs. Discuss thermostat settings.
- If oil, check oil tank to see that it is full and there are no leaks on the visible pipes connecting it to the blower unit of the furnace.
- Check the air filters to make sure they are clean.
- Check the humidifier on the furnace if there is one and see that water can run into the evaporating dish drum.
- Check the basement for storage of flammables, accumulation of garbage and debris and storage and remove anything close to the furnace.

### Electrical

- Panel box, determine where the meter is, how the panel box can be shut off completely, which circuit breakers or fuses operate which outlets and which affect the hot water tank, furnace and stove.
- Check the fuse panel to make sure all the fuses are of the proper amperage (all screw-in fuses should be 15 amp). Fusitron fuses (delayed action uses) of the proper amperage are permissible.
- Check for defective wiring and electrical fixtures, especially in older basements.
- Check to see if there is a ground fault interrupter in the panel box. If there is one it requires resetting monthly.

### Plumbing

- all drains have drain covers;
- check all plumbing pipes for leaks and sweating. Also check laundry tubs for cracks and laundry faucets. Check laundry equipment, if any;
- check location of hot water tank;



- check to see if sump pump works;
- check the water pump or piped water intake for a shut-off;
- with a water pump consider the maintenance of the unit. Less water used less energy needed to run it, decreased likelihood of its wearing out.

#### Structural

- the masonry walls show no signs of spalling, cracking or deterioration of mortar due to moisture or uneven settling;
- the floor slab has no serious cracks and shows no recent signs of flooding;
- particularly check basement windows to make sure that they are intact, that they have screens to prevent rodents and small animals from invading, that they are free from rot, that no wood touches the soil outside and that they have a good coat of paint;
- check the sill plate on older houses (the piece of wood that lies on top of the masonry walls) for deterioration (usually because of outside soil contact). If there is a gap showing between the sill and the masonry wall, it should be caulked for this is a frequent cause of cold draughts and consequent heat loss.
- Note the location of teleposts for support of upper floor. The teleposts may require adjusting over the years as settling of the unit occurs.

