

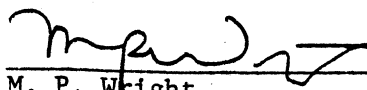
A Review of the
Department of Northern
Saskatchewan's
Delivery of the RNH
Residential
Rehabilitation
Assistance
Program
(Section 34.1, NHA)

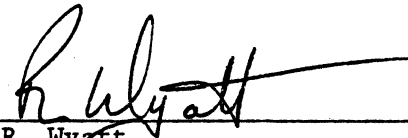
A REVIEW OF THE DEPARTMENT OF
NORTHERN SASKATCHEWAN'S DELIVERY
OF THE RNH RESIDENTIAL REHABILITATION
ASSISTANCE PROGRAM (SECTION 34.1, NHA)


as prepared by a
Joint CMHC-DNS Committee

January 31, 1978

Committee


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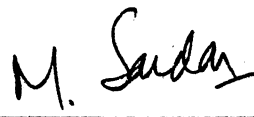

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December 28, 1977

I - INTRODUCTION

As agreed to in a meeting held in Prince Albert on September 28th, a committee has been formed to examine the Residential Rehabilitation Assistance Program (RRAP) as delivered in Northern Saskatchewan by the Department of Northern Saskatchewan (DNS). This systems review has been carried out by representatives of both CMHC and DNS - for CMHC Michael P. Wright (National Office) and Everett Dunham (Saskatoon Branch Office); for DNS R. Wyatt and Muhamed Sardar. This report is the result of the systems review.

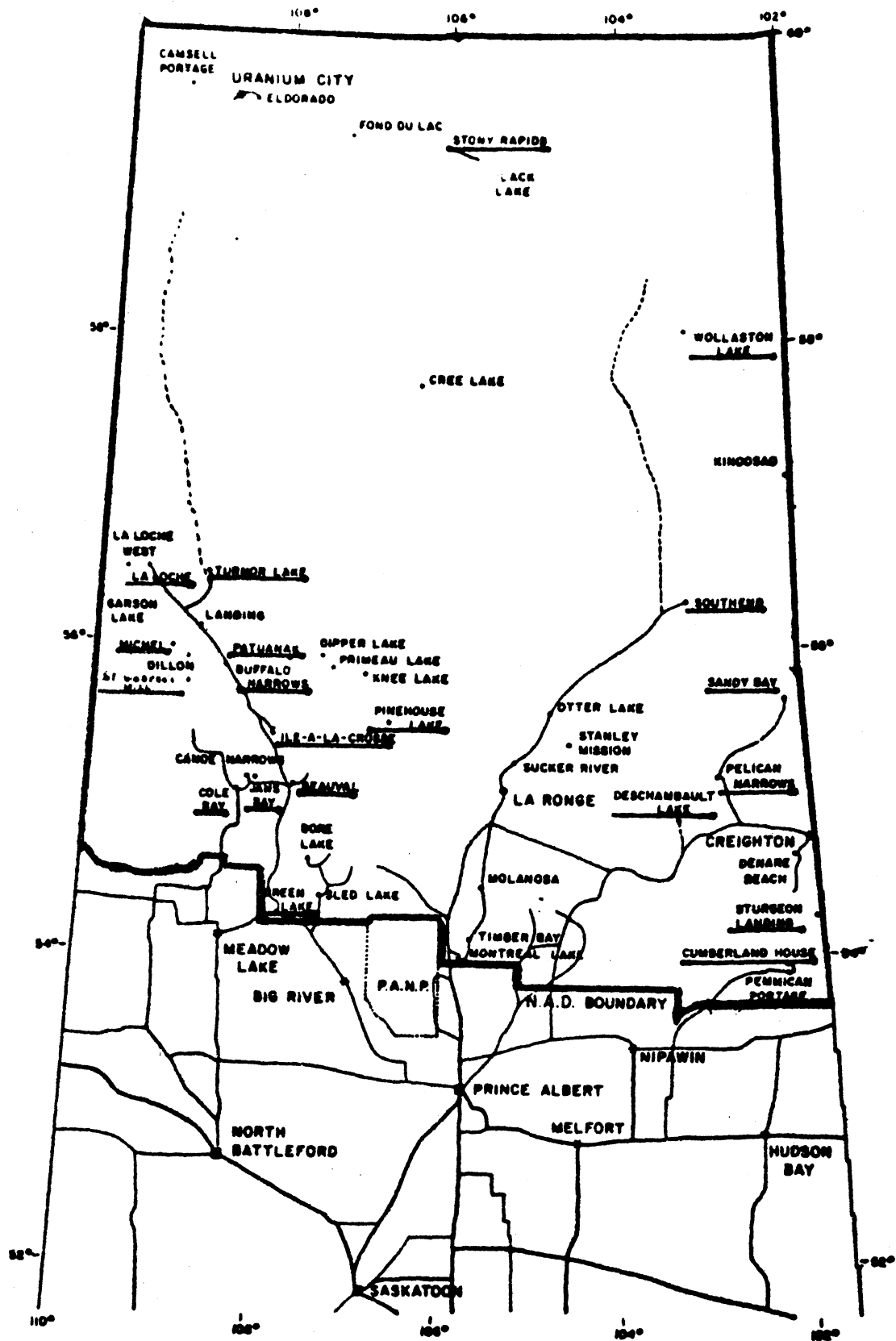
II - BACKGROUND

The Residential Rehabilitation Assistance Program (Section 34.1, NHA) is a major component of the federal government's Rural and Native Housing Program. The program came into existence with the 1973 amendments to the National Housing Act and has been delivered in Northern Saskatchewan since 1975. That area of Saskatchewan serviced by DNS was designated as an area eligible for Rural RRAP by Order-in-Council on 31 June 1975 (PC 1975-1278) and redesignated for a 5 year period on 30 June 1977 (PC 1977-1884).

In order to have an effective delivery mechanism and to relieve local CMHC offices from the pressures of providing RRAP delivery, CMHC Senior Management decided to secure agents, wherever possible, to deliver the program. It was felt that local agents would have a superior knowledge of the client group and thus be able to meet the RNH Program's objectives of assisting the lowest income, worst housed families first.

The Department of Northern Saskatchewan was set up in 1972 to provide services to the developing northern area of the Province. The general area served by DNS is shown on the accompanying map (Figure 1). DNS provides a wide range of governmental services to the entire area including the three incorporated urban centres, Uranium City, La Ronge and Creighton. DNS, in addition to delivering

FIGURE I - AREA SERVICED BY DEPARTMENT OF NORTHERN SASKATCHEWAN



RRAP also is the active partner in the Section 40 RNH program, building new housing in the north.

The annual commitments for RRAP to date by DNS in units and dollars is as follows:

<u>Year</u>	<u>Units</u>	<u>\$ Committed</u>
1975	146	392,010
1976	210	843,990
1977	106	484,000(Approx.)

Under the terms of the existing agency agreement, the RRAP delivery agent is responsible for the following:

- (a) completion of the application and assessing the suitability of the borrower;
- (b) inspection of the unit to determine and specify the required rehabilitation work;
- (c) producing for the Corporation all completed applications along with recommendation for making of the loan;
- (d) inspections during the carrying out of the rehabilitation work to ensure compliance with the specified rehabilitation work;
- (e) recommending to the Corporation the making of progress advances;
- (f) where the amount of a loan does not exceed \$5,000, preparing a promissory note in a form prescribed by the Corporation, and arranging for the signing thereof;
- (g) where the amount of loan is in excess of \$5,000, preparing a mortgage in a form prescribed by the Corporation and arranging for the signing and registration thereof;

- (h) prepare and recommend each application for an increase or decrease in loan amount;
- (i) preparing a contract to be entered into by the Corporation with the owner, and arranging for the signing thereof by the owner.

In May 1977, a series of meetings was held between senior officials of DNS and CMHC in Saskatchewan. At that time, the possibility was raised that irregularities in program administration might exist relative to RRAP in four communities in the DNS area; namely, Cumberland House, Sandy Bay, Stanley Mission and the Town of La Ronge.

On 24 May 1977 DNS requested that CMHC and DNS carry out a program audit in the communities in question, this audit to consist of:

- (1) a physical evaluation of the work described on each RRAP application assessed against the cost estimates or bids accepted for the work to determine the reasonableness of cost estimates.
- (2) a physical evaluation of the work described on each RRAP application in order to determine if work described and paid for has been carried out in each instance;
- (3) detailed procedural review of the administration of the program to determine whether correct and adequate program procedures and methods were used and whether the homeowner interest was adequately represented;
- (4) a specific review of the procedures and methods used in the work approval/fund release mechanism involving DNS Grant Officers, the contractor, the homeowner, and the bank in order to determine whether correct program procedures have been followed.

Mr. G.R. Day, the Manager of the Saskatoon Branch office replied, on 13 June 1977, that it would be inappropriate for CMHC to participate in an audit at that time since CMHC was not a disinterested party. Day recommended that the Attorney General of Saskatchewan investigate the operations of RRAP in the areas in question.

Subsequently, Mr. J.B. Stobbs, the assistant Deputy Minister for DNS wrote Mr. Day on 14 July 1977, agreed that the Attorney General should be involved and reiterated the request for a full program audit.

The Commercial Frauds Division of the RCMP subsequently commenced investigation of certain elements of RRAP in the four previously mentioned communities. This investigation is still ongoing.

Copies of the correspondence referred to above is contained in Appendix "A".

Under continuing pressure from DNS, CMHC agreed to a September meeting of personnel from both organizations to discuss possible joint action. CMHC presented the following proposal:

- (1) CMHC & DNS would conduct a system review for the DNS RRAP delivery system.

- (2) The location of the review would be Prince Albert (DNS Program Management headquarters) and various communities in Northern Saskatchewan excluding the four communities under investigation by the RCMP.
- (3) Pending the results of the RCMP investigation and the systems review, a decision would be made as to the necessity of a formal transaction audit.

Appendix "B" contains a copy of the proposal made by CMHC to DNS at the September 28th meeting. The proposal was accepted by DNS with the addition of certain parameters to the terms of reference.

III - TERMS OF REFERENCE OF THE SYSTEMS REVIEW

The terms of reference; that is, the goals and the parameters, of the systems review as agreed to by CMHC and DNS are as follows:

- (1) CMHC and DNS would carry out a systems review of the present DNS delivery system of Rural RRAP.
- (2) Each participant would provide 2 resource persons for the exercise and would call upon other departments as needed.
- (3) The time for completion of the review would be 2 months after the formation of the review team. Estimated time spent in the field would be 2-3 weeks.
- (4) The location of the systems review would be Prince Albert (DNS Project Management headquarters) and various communities in Northern Saskatchewan but not including the four communities currently the focus of the RCMP investigation including Cumberland House, Sandy Bay, Stanley Mission, La Ronge.
- (5) The review would consist of indepth interviews of applicants and delivery personnel.
- (6) The review committee would produce a joint report for both DNS and CMHC management. The report would be presented to the Minister responsible for DNS and the President of CMHC. Distribution of the report would be up to each department.
- (7) The RCMP would be kept informed of the activity of the review committee as well as the names of those persons assigned to the committee.
- (8) The blue form from the CMHC Rural RRAP delivery handbook (Appendix "D") would be the basis for examining the system.
- (9) The co-ordination of all travel by the review committee would be handled by DNS since the area under study is its geographical area of expertise and DNS is most familiar with the transportation network.
- (10) The systems review does not constitute a financial audit.
- (11) The systems review will not deal with quality of rehabilitation work.
- (12) The RCMP investigation should not be hindered by a parallel review.

- (13) The review committee will examine the existing delivery system to identify the checks and balances and to make recommendations for improvement.

IV - SYSTEM ANALYSIS

A. Introduction

It became clear at the beginning that neither the DNS delivery system (nor CMHC's) has been static; indeed, since the program's inception in Northern Saskatchewan, change has been constant and many shortcomings which led to possible irregularities in delivery have been changed to prevent a reoccurrence. It became obvious from the outset of the review that to look at the system only in the present situation would be misleading and that the past, present and proposed delivery system should be examined.

The Northern Housing Branch has recently appointed a new Director and has begun a reorganization of the branch including the RRAP delivery sector. It is estimated that this reorganization will take 6-12 months to complete.

Organization charts for various divisions of the Northern Housing Branch including the Building Division and the Rehabilitation and Grants Division are included in Appendix "E". Clear lines of authority have been established throughout the Branch. They represent a radical

departure from the previous reporting structure in which there were cases of one individual reporting to two persons and receiving instructions from both - sometimes conflicting instructions. This was an especially difficult problem in terms of resource allocation between new construction and rehabilitation and priority setting. The new organization draws personnel for new and rehabilitation from the same house but now co-ordination is by one person. The new system has been in effect since July 1, 1977.

B. Delivery - DNS

Delivery of Rural RRAP by DNS is fairly widespread in the Northern area of the Province. The criteria for participation by the various communities for involvement in the program are closely connected to the provision by DNS of water and sewer facilities in various communities. When a community is designated the local community authority (LCA) is approached in order to generate interest and provide some program input. Generally participation is limited to provision of a few priority names and maintaining a list of persons who will need an interpreter.

RRAP is introduced to a new community through a general town meeting which is attended by the Grant Officer (G.O.), the

local governmental body and the town populace. Attendance is generally poor. The G.O. provides RRAP pamphlets (from CMHC) for distribution but there is no standard presentation to either the LCA or the general population. It is thus up to the G.O. to look for applicants by knocking on doors.

To interview three of the four Grant Officers at DNS, a short questionnaire was developed by the review committee. The use of the questionnaire was an attempt to standardize the type of information received concerning each step in the Delivery process. A copy of the questions asked each G.O. is contained in Appendix "F".

1. Preliminary Application

In Step 1, the model system developed at CMHC states that in interviewing the applicant the program should be outlined and a preliminary application form (CMHC 1852) should be filled in. A 60 day B.F. system should also be in place and the application put into the system to ensure that the application moves forward.

The DNS Grant Officer, in the applicant's home, explains the program and takes a CMHC 1852. In the past, the G.O. has also taken blank final application forms and a blank

promissory note and had the applicant sign both at the preliminary application stage. This was done as a time saving device and as an effort to reduce travel costs. In the vast majority of the RRAP loans, DNS tradespeople would be giving the only bids and performing the work; therefore, all the loan forms could be filled out at once and the applicant contacted later to inform him of his "loan amount". This system has been suspended, at least by the Senior Grant Officer, although there has been no written direction either to him or the other officers on this matter.

At the preliminary application stage the G.O. counsels the applicant and gives a general description of various aspects of RRAP including the financing terms, eligible items, and a rough idea of the forgiveness for which the applicant may be eligible. The G.O. always fills in the form, due in part to a low literacy rate. At least one G.O. explains the section of the 1852 whereby the applicant swears to certain requirements under Section 34.1.

There is no B.F. system at DNS headquarters to ensure action on an application. The G.O's rely on their knowledge of a community and its residents to ensure that applications move along. The system appears to work, however, there have been cases of stalled loans.

The Grant Officers have the major involvement with RRAP. The CMHC Rural RRAP Handbook is available in a very limited quantity (one copy in the office) and there are no written DNS policy directions; some policy is verbal, much is left to the Grant Officer.

The case may arise where the application will be rejected. In the past, the G.O. could, with the approval of the Manager of the Rehabilitation and Grants Division, reject an application for structural reasons, because of a lack of clear title to the land by the applicant or because the house, even after rehabilitation, would not have 15 years of useful life. The application was rejected verbally. While the opinion of the G.O. is still accepted, he is now required to take a photograph of the unit being rejected, to obtain a second opinion if it is being rejected for structural reasons, and to notify the applicant in writing.

2. Initial Inspection

The CMHC model system lists four steps in this part: arranging for an inspection, performing the inspection, reviewing findings with the property owner and preparing line drawings and taking photographs. Program policy currently in use states that the CMHC Standards For the Rehabilitation of Residential Dwellings

will be used to determine work that is eligible under the RRAP program. Program policy also dictates that all work that is necessary shall be written up; that is, partial rehabilitation of the dwelling unit should not be allowed. Input from the applicant as to extra work to be done is also to be encouraged.

The DNS delivery system uses the Grant Officers as inspectors of the units. In all cases, the inspection is carried out as soon as the application has been taken. In all cases, homeowner input is encouraged and the homeowner usually accompanies the G.O. on the inspection. It is not clear, however, that the CMHC standards are used as the sole criteria for determining what shall and shall not be repaired. There is a reliance on "common sense" as well as a tendency to place priority on plumbing and heating. None of the Grant Officers have formal training as housing inspectors although some have experience in the construction industry. It is standard procedure that a line drawing of the unit be made and placed on the DNS file.

3. Work Write-Up and Cost Estimate

The model system at this step involves the preparation of a general description of the work, preparation of the specifications and derivation of cost estimates.

This work at DNS was done by the Grant Officers. Because of the concentration on plumbing and heating packages, this estimating may not be as difficult as in other areas since the "packages" have fairly standard prices. The system proposed by the Director of the Northern Housing Branch will have estimates for plumbing, electrical and heating work done by the Construction Supervisor from the photographs, line drawings or a visit to the unit.

There is a tendency among the Grant Officers to consider the applicant's income and the necessary work to be done and make tradeoffs. Installation of plumbing and heating packages are stressed over other work. This is closely connected to the fact that applicants for RRAP in Northern Saskatchewan have generally very low incomes and cannot afford a repayable component of any size. December monitoring figures show that 73% of all RRAP applicants in Saskatchewan have a Gross Annual Income of less than \$6,000, compared to a national figure of 62%. This figure is surpassed only by applicants from Nova Scotia, (79% less than \$6,000.). The average forgiveness component is the highest in the country (\$3,450 compared to a national average of \$3,087.). It should be noted the majority of RRAP loans made to date in Saskatchewan are in the area serviced by DNS.

It is not the intention of the review committee to debate the issue of partial versus complete rehabilitation except to point out that CMHC policy requires all necessary work to be carried out.

4. Bid Packaging

This step in the model delivery system contains a review of the bid package with the owner, counselling the applicant on how to obtain bids as well as the giving of instructions on obtaining building permits. Verification of income and information on housing loans, taxes, etc. are also completed.

In this step, consideration must be given to the geography of the area under study. Most communities that are served by DNS are isolated and very small and do not have the economic base to support a rehabilitation industry. Consequently, in most communities, DNS performs all the rehabilitation work specified by the inspection. If a private contractor is available the applicant may request a bid for all or part of the work to be done. In this case, the Grant Officer will inform the contractor that the bid to do the work may be offered and DNS in this case, will not provide a bid. In most cases, if the Grant Officer thinks the private bid is too high, he will request a rebid. If

the bid is still considered too high, DNS will provide a bid. This bid was usually done by the Grant Officer who also is responsible for seeking approval of the package. The feeling at DNS is that the G.O. does not have enough expertise to perform the bidding function; consequently, the trades-people will now give bids. Owner labour is usually considered in order to reduce the total loan; however, it is only used if, in the opinion of the G.O., the applicant has the expertise to do the work.

5. Bid Review And Financial Counselling

This step in the CMHC delivery model includes a review of the bids, collection and verification of credit data, performing an underwriting analysis and providing financial counselling.

Bids are sometimes reviewed by DNS with the homeowner. The general exception seems to be when the loan consists solely of a forgivable component. Since the distances involved are great, it is not considered worthwhile to talk to the applicant in these cases. In all cases, the bids are reviewed at DNS by the G.O. In those cases where there are bids by both DNS and a private contractor, the applicant will choose who will do the work. DNS will, if chosen, sub-contract the work to a private firm.

At the present time, there are few formal bids between either DNS and the applicant or between private firms and the applicant. The bids are usually received by the G.O. and may be broken down by material costs and estimated labour costs or may be a single figure. The DNS bid usually is detailed by filling the CMHC 1855 (Contractor's Estimate).

There are no formal contracts between either the applicant and DNS or the applicant and a private firm. If there are cost overruns then DNS either absorbs the extra cost or has gone back to the applicant and increased the loan.

The DNS bids are usually within 20% of the inspectors estimate but since the same person may be performing both functions, this is to be expected. If a private firm does a bid and it exceeds 10%, a review is requested and the result is usually a lower bid.

The applicant is not often involved at this stage since it is DNS bidding on the unit or the G.O. obtaining the bid for the applicant and then putting the final package together. Since DNS does both the inspection and the bidding, results are almost always within the 20% guidelines

and the applicant need not become involved. The guideline is not followed by DNS; in fact, bids are usually the same as the inspectors estimate.

There are three verifications to be carried out during the application process: ownership, credit, income. Ownership of non-DNS houses (20% of total) are checked at the Land Titles Office either in Prince Albert or North Battleford. If it is a DNS-built house, the ownership is checked at Project Management group. This is an improvement over the previous system whereby the applicant of a non-DNS house swore that he owned the unit. Credit is verified by examining the payment record of the applicant on the DNS mortgage. If the house is not a DNS-built unit, there is no credit check. In order to check income, the applicant is asked to produce either a signed verification of income form or a current tax return (if available). In some cases, the welfare department is approached for information. All verification of ownership, credit and income is carried out by the Grant Officer, except in the case of title searches, carried out by Staff Housing Division, DNS.

6. Final Loan Application

The CMHC model system includes preparation of the Final application form (CMHC 1853), preparation of the security

instrument, seeking loan approval from CMHC and using B.F. system to ensure 90 day check on start of work and close out within one year.

The G.O. at DNS prepares the CMHC 1853 Final Application. As stated earlier, this form has often been signed by the applicant when filling in the preliminary application. The G.O. also fills in the promissory note or mortgage form. If the mortgage is necessary, a special trip to get the applicant's approval is required. The G.O. draws up the mortgage and registers it. Some G.O.'s return to talk to the applicant if a repayable component is involved, others do not.

The complete package is signed (recommended for approval) by the G.O. who gives it to the Manager, Rehabilitation and Grants Division who scans each loan. The Manager gives each loan package to the Clerk-Typist who types up a standard letter to CMHC requesting approval of the loan.

The Grant Officer is responsible for setting up a file for each loan and having a number assigned. A seven digit code is assigned, the last three digits of which specify geographical location and loan number. Thus 90-13-204 specifies the fourth

RRAP loan application taken in Buffalo Narrows. There is a filing system maintained by the Grant Officers in the office. There are no standardized procedures for checking files in or out. The files themselves contain all the necessary information and DNS has recently designed a file cover sheet specifying the information to be contained in each file. A copy of a file cover will be found in Appendix "G".

There is no B.F. system to enable the G.O. to ensure that work has started. Each Grant Officer knows his area of concern and checks visually each loan as it progresses. If work does not start, he will initiate a follow-up.

The activity at CMHC will follow the DNS section.

7./8. Meeting at the Job Site

The CMHC model system attempts to ensure complete understanding by all program participants through meeting by applicant, contractor and delivery agent at the job site. Because of the distances involved and the fact that DNS is the successful bidder so often, this meeting does not occur. The G.O. notifies the construction supervisor that

the loan is approved and that work should begin. The G.O. notifies any successful private contractors that they may begin work.

9. Construction, Progress - Final Inspections

The CMHC model calls for progress inspections to be made to ensure the work complies with acceptable standards of constructions and to approve requests for advances. All requests for advances are made to CMHC which issues the check and confirms issuance to the delivery agent. The compliance standards required by CMHC are contained in the Residential Standards (1975) and the Standards For the Rehabilitation of Residential Dwellings.

The G.O. is responsible for carrying out all compliance inspections. The Saskatchewan Department of Health inspects all plumbing and the Department of Labour should inspect all electrical installations although the latter frequently inspects up to one year later and sometimes does not inspect DNS units at all. It is a gray area among the G.O.'s as to which standards should be followed in inspecting for compliance. Standards range from the RRAP standards to the experience of the G.O. DNS has no written instructions on this matter.

The DNS foreman informs the G.O. that the work is ready to inspect (where DNS carries out the repairs). Where a private contractor is involved, he usually calls the G.O. and asks for an inspection. Normally the criteria used for recommending an advance is the amount of work in place. This criteria is used only when a private contractor is involved since DNS only requests payment upon completion of the work.

In order to obtain an advance, either progress or final, a CMHC 1854 Inspection Report is prepared, the dollar value of the work is entered by item and total. This is done by the G.O. who writes up and signs the request, shows it to the Grant Manager who sends it to CMHC with a request for issuance of a cheque. Previously the G.O. simply signed the Report and forwarded it to CMHC.

If any inspected unit does not comply with the G.O.'s expectations the DNS foreman or contractor is notified and the correction is made. In future, statements of deficiencies will be sent to the Assistant Director, Construction when DNS is the contractor.

There have been some problems in ensuring that once work commences, it is completed. Although lack of materials or

changing priorities may necessitate temporary abandonment of a project, there is a need for a follow-up system. DNS is inaugurating a form whereby, on a monthly basis, the work done by percentage complete, is listed for each unit still under rehabilitation. A copy of this form will be in Appendix "H". DNS plans to set a one month target date for the completion of each unit as it enters the actual work stage.

DNS has each applicant sign an assignment of funds form (contained in Appendix "I"), whereby each applicant agrees to have CMHC make payments to DNS and the assignee on the applicant's behalf. When a progress or final advance is made, CMHC sends the cheque to DNS who takes it to the applicant for signature. If the cheque is intended for a private contractor, it is sent to DNS who delivers it to the contractor who in turn has the applicant sign the cheque.

C. Delivery - CMHC

The delivery role of CMHC is confined to three areas:

1. Loan Approval
2. Advances
3. Monitoring Inspections

All other tasks are delegated to DNS by the Agency Agreement. Each CMHC function will be discussed in order. The tasks involved in loan processing and approval are found in CMHC General Memoranda.

1. Loan Approval

When a loan comes from DNS for approval, it immediately goes to the RRAP inspector who ensures that only eligible work is involved. If all is in order, the loan is initiated as passed to the loans clerk who:

- (a) completes an index card, file docket and advance cards;
- (b) checks for mathematical accuracy;
- (c) enters the loan in the Loans Register, CMHC 974;
- (d) assigns an eight digit CMHC Account Number;
- (e) enters the loan into a budget control book;
- (f) passes the loan to the Program Manager for approval.

The Program Officer (or Program Manager) peruses the loan, approves or rejects it, and passes it back to the clerk. The clerk types up the appropriate commitment letter to the applicant (and DNS) and splits the forms as follows:

- (a) original to the applicant;
- (b) copy of CMHC 1852, 1853, 1855 to National Office;
- (c) copy of loan to DNS;
- (d) copy to file (by Account Number).

Any errors discovered by the clerk are either corrected at CMHC or, if serious, returned to DNS via an Inter-Office Query - CMHC 1254. The entire process usually requires 2 days.

2. Advancing (Progress/Final)

A request for an advance comes from DNS via a CMHC 1854. The loans clerk checks that each item on the 1854 does not exceed the figure on the original estimate, CMHC 1855 and makes out the Advance Card CMHC 1856. The Senior clerk approves all advances. The CMHC 1856 goes to the cheque typist who prepares the cheque and fills in the bottom of the Advance Card. Upon return of the Advance Card to the Senior clerk, it is filed in a fireproof box.

All advances are prepared by junior staff. Cheques are presented to Senior officers for signing and it is not likely that each cheque is perused by the signing officer since about 70 cheques are prepared each day.

A manual system is maintained to B.F. all loans in 60 days to ensure that the rehabilitated work has started.

Upon completion of advancing, a letter is sent to the applicant outlining terms of loan. The closed out file is sent to Region.

3. Monitoring Inspections

According to General Memorandum # B-1177 (1977-06-09), it is the responsibility of each CMHC local office to carry out monitoring inspections of rehabilitation work in order to ensure the compliance of all work. To date, no monitoring inspections have been carried out by the Branch in the DNS area although it is planned to begin them shortly. There is one RRAP inspector responsible for all urban and Rural RRAP monitoring inspections.

V - ADDITIONAL ANALYSIS - DNS

It has been noted earlier that the DNS delivery system is not static but has been evolving steadily since the program's inception in Northern Saskatchewan. With the recent change in Management in the Northern Housing Branch, a more formal attitude has been adopted towards the delivery of RRAP both in DNS and in the field. The flow chart in Appendix "J" outlines the proposed revised delivery system for RRAP. The system is not complete but represents the direction in which the DNS Management team is taking RRAP delivery.

There are some additional areas which were of concern to the review committee which may have only been touched on in the more formal review. Each will be discussed in turn.

1. Position Descriptions - A number of DNS employees are unsure as to the duties, authorities and responsibilities of their positions. Senior Management has rewritten some of the descriptions for senior positions; however, those for junior staff are neither complete nor clear.
2. Line Authority - In the past, the situation has arisen where reporting responsibilities were unclear or where one person was responsible to 2 people. This also has had serious ramifications for material and personnel planning. The organization chart is finalized; however, detailed job descriptions are still required.

3. Checks and Balances - The Grant Officer is responsible for a great deal of work in dealing with RRAP applicants but is seldom asked to submit his ongoing work for perusal by a superior. There is no real system for assuring their work is accurate or complete.
4. Monitoring - There does not seem to be a complete reporting system whereby Senior Management is kept informed of such matters as units being repaired, problems being encountered, dollars being committed.
5. Policy and Procedural Information - Other than the CMHC Rural RRAP Delivery Handbook, there are no ways of detailing policy or procedural decisions or changes other than verbal. The effect of this is that decisions may not filter down to the Grant Officer or field level.
6. Staff Training - The Grant Officers are not trained inspectors and yet are being asked to conduct initial and compliance inspections on units which are coming into the program. Persons not possessing inspection skills should not be asked to perform these tasks.

The above six items are general areas of concern to Management and may be discussed further, however, given the plans of the new Management at Northern Housing Branch, and the following recommendations, it is not necessary to pursue them.

VI - SUMMARY - DELIVERY SYSTEM

It is not intended that the systems analysis paint a bleak picture of RRAP delivery in Northern Saskatchewan. The problems encountered in delivering a program such as RRAP are immense: great distances over poor or non-existent roads, a client group with a wide range of problems unique to this part of the country and limited staff resources.

The committee believes that DNS is encountering second generation Management problems in that now that the program is up and running there are other important issues to deal with such as accountability, checks and balances, improved staff training. The CMHC office in the last year has dealt with a similar set of problems through a reorganization and reassignment of responsibilities.

The original DNS delivery system placed complete authority for placing loans with the Grant Officer. This authority ranged from taking applications, to recommending loans, to requesting advances, to performing inspections. There were few if any points in the system where Senior personnel perused and approved ongoing work. This system is being replaced with a system employing other DNS Divisions and checks on work by more Senior personnel. DNS Management is already undertaking the necessary revision of other duties and responsibilities. The 33 recommendations contained in

the next section are intended to support planned changes and suggest some additional ones. Recommendations for modifications at CMHC's Saskatoon office have been included in order to make CMHC support for the program more effective.

VII - RECOMMENDATIONS

Preliminary Application

1. Consideration should be given to providing for a planned RRAP presentation to be given by a permanent team where RRAP is being introduced into a new community.
2. No forms other than the Preliminary Application - RRAP CMHC 1852 should be signed by the applicant at the initial interview.
3. DNS and CMHC should work to improve the involvement of local government in the selection and prioritization of applicants and the information dissemination to the entire community.

Inspection

1. Grant Officer should not perform initial, compliance or final inspections on units receiving assistance.
2. A qualified building inspector should carry out all inspection on units receiving assistance. The inspector should be familiar with all aspects of the RRAP program.
3. The inspector and Grant Officer shall be made aware that CMHC's Standards for the Rehabilitation of Residential Dwellings are the criteria for eligibility of work carried out under the program, and that all construction must be done in accordance with the Residential Standards - 1977.

Work Write-Up and Cost Estimate

1. The inspector should perform the work write-up and cost estimation, prepare sketch, review specifications, take photographs.
2. The inspector or Grant Officer should review the Inspector's estimate with the applicant ensuring that the latter realizes that the estimate is not a binding bid.

Bid Packaging

1. DNS should only bid on a rehabilitation job where:
 - (a) there are no available private contractors, or;
 - (b) private contractor bids are more than 10% above or below the estimate and are not subject to change;
 - (c) the applicant requests a DNS bid.
2. The bid required where DNS will perform the work should be developed by the Building Division and be the responsibility of the Assistant Director, NHB. Inspector's estimates should not be made available to Construction Division when DNS submits a bid.

Bid Review and Financing Counselling

1. All bids should be reviewed by the applicant and the Grant Officer.
2. There should be definitive policy and procedures developed for the stacking of DNS grants to applicants, and all grants must be noted on the Final Application-Loan, CMHC 1853.

Final Loan Application

1. The final application package including the Final Application-Loan (CMHC 1853) the Promissory Note (CMHC 1864) or mortgage should be reviewed by the applicant prior to detaining his signature.
2. The final loan package should be reviewed and recommended by the Manager, Rehabilitation and Grants Division prior to being forwarded to CMHC for approval.
3. On receipt of CMHC approval, a written contract should be entered into by the applicant and all successful bidders.

Start of Work

1. It is the responsibility of DNS to establish a 90 day B.F. system for the start of work. Where the work has not been started, DNS should establish the reasons for the non-start and request cancellation of the loan or an extension of the 90 day period from CMHC.
2. The Committee recommends that the meeting at the job site is an uneconomical step in the process and may be left to the discretion of the applicant.

Progress Inspections and Final Inspections

1. Progress and Final inspections should be carried out by the building inspector and not the Grant Officer.
2. Requests for progress advances (the CMHC 1854) should be reviewed and recommended by the Manager, Rehabilitation and Grants Division and forwarded to CMHC.
3. The request for advance, the advance card and CMHC loan file should be verified and initialled by someone other than the clerk typist at CMHC before the cheque is prepared.
4. Where joint payees appear on an advance cheque, the word "AND" shall be inserted between the two names.
5. All advance cheques should be forwarded to the Manager, Rehabilitation and Grants Division to be delivered to the applicant, with a copy of the CMHC letter to be retained on the DNS file.
6. Grant Officers should review the monthly progress reports on all projects in order to check for starts, ensure that unnecessary work is not being carried out and to check that work is progressing.

General

DNS

1. The RRAP filing system should be improved and maintained in the Northern Housing Branch whereby all material related to an application is in place. A check list of minimum contents should be attached to each file and strict controls must be developed for access to or removal of all files.

2. A card index should be developed and maintained for all applicants, filed alphabetically in order that a check may be made for duplicate applications.
3. Detailed job descriptions should be developed for each of the positions in the RRAP organizational structure. Included in these should be the authorities and responsibilities of the position.
4. An operations manual should be developed for the RRAP system. This manual should be divided into sections in order that each employee will have a copy of all the pertinent information for his position.
5. Consideration should be given to provide a Management Reporting System highlighting: statistical information, problems or exceptions.
6. A post-completion review of each RRAP loan should be undertaken by the Manager, Rehabilitation and Grants Division to ensure that all work has been completed within the cost estimates and to the satisfaction of the homeowner. Cost overruns should be reviewed with the Assistant Director. A copy of the report to the Director.
7. While the committee was previously charged with reviewing the accounting methods, it was apparent that separate cost accumulation accounts should be maintained for each RRAP application handled by DNS.

CMHC

1. CMHC should be responsible for establishing the criteria for RNH inspectors and provide the necessary training for those inspectors.
2. CMHC final RRAP Instruction Manuals should be made available in sufficient quantity to all pertinent DNS employees involved in the RRAP program.
3. CMHC should implement monitoring inspections of units as soon as possible (in accordance with G.M. # B-1177).

VIII - RECOMMENDATIONS - AREAS UNDER INVESTIGATION BY RCMP

In addition to the restructuring of the RRAP delivery system, the review committee has made certain recommendations concerning loans committed in the four communities: La Ronge, Sandy Bay, Stanley Mission and Cumberland House.

In order to ensure client satisfaction and maintain good public relations, all units in the above communities should be inspected and any shortcomings or deficiencies rectified.

1. Nothing should be done until the RCMP investigation has been completed.
2. Every home in the four communities should be inspected to ensure that all listed RRAP work has been completed.
3. It is the responsibility of DNS to ensure that all necessary work is completed.
4. Where it has been determined work has not been carried out, the Interest Adjustment Date should be postponed until necessary work has been completed.
5. Interest on advances and interest on arrears should, on a case by case basis, be written off by CMHC where deemed warranted by the Saskatoon branch office.

FOLLOW-UP

In order to keep all parties informed of progress, the review committee should meet within three months of the release of this report, to review any action undertaken. Follow-up outlining action taken by both parties should be in the form of a letter to the President of CMHC and the Minister responsible for DNS.

IX - APPENDICES

- A. Correspondence between DNS and CMHC regarding a program audit (1977-05-24 to 1977-07-14)
- B. CMHC Position Paper for meeting with DNS (1977-09-28)
- C. Agency Agreement between CMHC and DNS
- D. Steps in a Successful RRAP loan delivery
- E. Organization Charts
 - (a) Building Division
 - (b) Rehabilitation and Grants Division
- F. Questionnaire given to Grant Officers at DNS
- G. File Cover Form - DNS
- H. RRAP Status Report - DNS
- I. Assignment of Funds - DNS
- J. RRAP Delivery System - Proposed

A. Correspondence between DNS and CMHC regarding
a program audit (1977-05-24 to 1977-07-14)

Box 3003
Prince Albert, Saskatchewan
S6V 6G1

Mr. G.R. Day, Manager
Saskatoon Branch
Central Mortgage and
Housing Corporation
233 - 4 Avenue S.
Saskatoon, Saskatchewan
S7K 2N2

16 July 1977

SEND COPIES TO

Fred Markowsky

DATE

90-4
90-5-2

8/8/77
LS

Dear Mr. Day:

I am pleased to acknowledge your letter of June 13, 1977, which was in reply to my letter of May 24, 1977, requesting a program audit of the R.R.A.P. operations in certain communities in Northern Saskatchewan.

It is noted that your agency now suggests that it is an inappropriate time to carry out such an audit. I have reviewed the content of your letter, and I am in agreement that the Attorney General should be involved in the investigation of the operations of the R.R.A.P. program, but it would be impossible for a proper investigation to be carried out with regard to this program unless there is a program audit to reconstruct the actual operation and administration of the program.

I would strongly request your assistance in establishing the need for the audit, as well as getting the program audit under way at an early date. It is my suggestion that the following alternatives are open to Central Mortgage and Housing Corporation as the principle, and the Department of Northern Saskatchewan as agent and delivery arm of the R.R.A.P. program:

1. Arrange for a joint audit by staff of Central Mortgage and Housing Corporation, and staff of the Department of Northern Saskatchewan.
2. Engage a large independent accounting firm to carry out the necessary program and transactional audits.
3. Proceed as an individual audit, either by Central Mortgage and Housing Corporation or the Department of Northern Saskatchewan.

On assessing the alternatives, it is my recommendation that we undertake a joint audit by members of Central Mortgage and Housing Corporation and staff of the Department of Northern Saskatchewan. The Department would certainly

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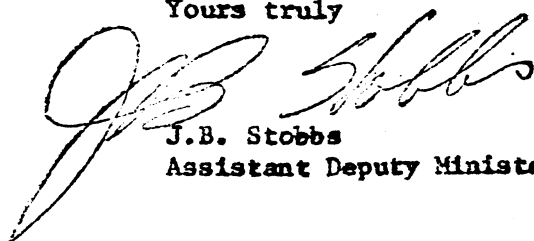
LS

14 July 1977

be prepared to supply the necessary staff to assist in the team effort that would be required to reconstruct these loans and program operation in order to identify and impose controls and program adjustments that may be necessary once the audit is completed.

I would certainly appreciate an early reply from your corporation so that I can advise our Minister of your decision.

Yours truly



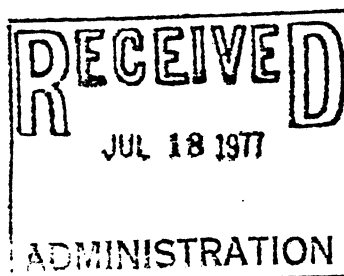
J.B. Stobbs

Assistant Deputy Minister

JBS:cmg

cc: R.D. Parkinson, Regional Director, C.M.H.C., Regina
E.A. Flichel, National Office, C.M.H.C., Ottawa
D. Murphy, Executive Director, Project Management, D.N.S. ✓

bcc: Hon. G.R. Bowerman, Minister, D.N.S.
M.O. L'Heureux, Deputy Minister, D.N.S.





Central Mortgage
and Housing Corporation

Société centrale
d'hypothèques et de logement

Saskatoon Office

Bureau de Saskatoon

June 13, 1977

90-5-2

Mr. J.B. Stobbs
Assistant Deputy Minister
Department of Northern Saskatchewan
Box 3003
Prince Albert, Saskatchewan

Dear Mr. Stobbs:

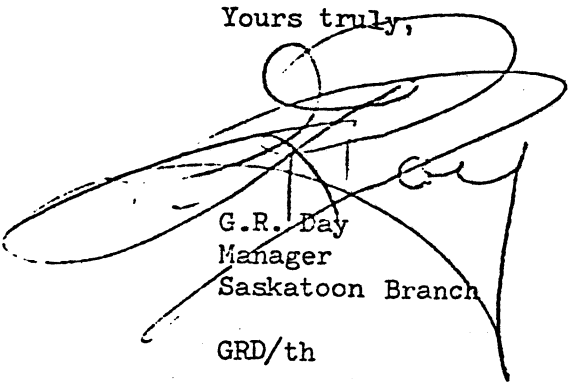
Thank you for your letter of May 24, 1977 requesting us to conduct a program audit of RRAP operations in certain communities in Northern Saskatchewan.

Following our discussions and the receipt of your letter on the desirability of our carrying out an audit we have had the opportunity to further consider the matter.

We have concluded that it would be inappropriate for the Corporation to carry out an audit of the type requested at this time. We are involved in the administration of the RRAP Program and could not be considered a disinterested party. At the same time, we share your concern that the program be operated as it should and that our funds were properly used.

For this reason, we recommend that you request the Attorney General of Saskatchewan to investigate the operations of the RRAP Program in the areas in question. We would be pleased to offer any assistance that may be requested.

Yours truly,



G.R. Day
Manager
Saskatoon Branch

GRD/th

c.c. Mr. R.D. Parkinson
Mr. E.A. Flichel
✓ Mr. D. Murphy

233-4th Ave. S.
Saskatoon, Sask.
S7K 3N2

233-sud, 4^e avenue
Saskatoon (Saskatchewan)
S7K 3N2

Project Management Group
Box 3003
Prince Albert, Saskatchewan
S6V 6G1

Our file 90-5-2

CONFIDENTIAL

May 24, 1977

Mr. Bob Day, District Manager
Central Mortgage and Housing Corporation
233 - 4th Avenue South
Saskatoon, Saskatchewan
S7K 1N1

Dear Mr. Day:

I would like to review and summarize the discussions and meetings we have had over the last two weeks with reference to the Laffrenere case and the possibilities that irregularities in program administration may exist relative to the R.R.A.P. at Cumberland House, Sandy Bay, Stanley Mission, and the Town of La Ronge.

During our initial meeting on this matter on May 9th, involving Mr. Stohhs and attended by Mr. Parkinson and yourself, there was, I believe, complete agreement on the need for further investigation of possible irregularities based on the evidence on hand. It was agreed that the specific course of action to be taken regarding the nature and extent of the investigation would be reviewed by the Department followed by further contact with you.

Subsequent to our meeting of May 9th, discussions were held with the Attorney General's Department, Province of Saskatchewan, and a decision made that the investigation would be carried out and co-ordinated by that Department. The first step in such an investigation was the requirement for a program audit of the R.R.A.P. at the four communities noted earlier in this letter. It was felt that this audit could most effectively be carried out by your Corporation because of your familiarity with your own program, the fact that C.M.H.C. funds are involved, and that this procedure would serve the very important need of having an agency other than the one administering the program (D.N.S.) carry out the audit.

In reference to our telephone conversation during the week of May 16th, I would like to confirm our Department's verbal request that your Corporation undertake a formal program audit evaluation of the R.R.A.P. administered by D.N.S. at the communities of Cumberland House, Sandy Bay, Stanley Mission, and the Town of La Ronge. I would suggest that the terms of reference of such an audit/evaluation be as follows:

- (1) Carry out a physical evaluation of the work described on each R.R.A.P. application and assess this against the cost estimates or bids

..... 2

accepted for the work to determine the reasonableness of cost estimates versus work description.

- (2) Carry out a physical evaluation of the work described on each R.R.A.P. application in order to determine if work described and paid for has been carried out in each instance.
- (3) Carry out a detailed procedural review of the administration of the program to determine whether correct or adequate program procedures and methods were used and that the homeowner interest was adequately represented.
- (4) Carry out a specific review of the procedures and methods used in the work approval/fund release mechanism involving D.N.S. Grant Officers, the contractor, the homeowner, and the bank in order to determine whether correct program procedures have been followed.

I would be pleased to have your agreement on this proposal at an early date. Should you have any problems with the wording please do not hesitate to contact me or propose changes. I am taking the liberty of furthering a copy of this letter directly to Mr. Parkinson in order to expedite this matter as quickly as possible and, in closing, may I say that the Department very much appreciates your continuing co-operation.

Yours truly,

D. J. Murphy
Executive Director

DJM/ho

c.c. J. B. Stobbs, Asst. Deputy Minister, D.N.S.
M. L'Heureux, Deputy Minister, D.N.S.
Hon. G. R. Bowerman, Minister, D.N.S.
R. D. Parkinson, C.M.H.C., Regina

B. CMHC Position Paper for meetings with
DNS (1977-09-28)

C.M.H.C. POSITION PAPER FOR
MEETING WITH D.N.S.
SEPTEMBER 28, 1977

C.M.H.C.'S POSITION

1. C.M.H.C. is willing to undertake a systems review at this time
(Parameter 4).
2. Because of the R.C.M.P. investigation, the time is not appropriate to
do a transactions audit.
3. The R.C.M.P. investigations results and our findings will determine
the need for and extent of any further action.

C.M.H.C.'S PROPOSAL TO D.N.S.

1. C.M.H.C./D.N.S. SYSTMES REVIEW
2. R.C.M.P. INVESTIGATION
3. C.M.H.C./D.N.S. FORMAL AUDIT PENDING RESULTS ON (1) AND (2) ABOVE.

PARAMETERS

1. This exercise does not constitute a financial audit.
2. This exercise will not deal with quality of rehabilitation.
3. C.M.H.C. feels that the current R.C.M.P. investigation must not be hindered by a parallel review by either C.M.H.C. or D.N.S.

The negative impact on the public could be serious in the event of a conflict arising.
4. The Review group will examine the existing system to identify any weaknesses, the checks and balances within the system and make recommendations for delivery improvement.

C. Agency Agreement between CMHC and DNS

THIS AGREEMENT made this *25th* day of *June*, 1976.
BETWEEN:

CENTRAL MORTGAGE AND EQUITABLE CORPORATION
(hereinafter called "the Corporation")

OF THE FIRST PART;

- and -

THE MINISTER OF NORTHERN SASKATCHEWAN
(hereinafter called "the Minister")

OF THE SECOND PART;

WHEREAS the Corporation may, pursuant to Part 17.1 of the National Housing Act (hereinafter referred to as "the Act") make a loan for the repair, rehabilitation and improvement of a family housing unit where the unit is located in an area of a province, that the Governor in Council with the concurrence of the province has, by Order, designated an area under which the Corporation may make loans under the said Part 17.1 of the Act;

AND WHEREAS the Minister, presiding over the Department of Northern Saskatchewan (hereinafter referred to as "the Agent"), may pursuant to Section 6A of the Department of Northern Saskatchewan Act, 1972, enter into arrangements with any Crown Corporation;

AND WHEREAS the Agent had adopted minimum standards for rehabilitation acceptable to the Corporation;

AND WHEREAS pursuant to an Order of the Governor in Council under sub-paragraph 34.1 (1) (a) (ii) of the Act all of that area outlined in red in the attached Schedule "B", (hereinafter called "the Area") has been designated for the purposes of loans under Part 17.1 of the Act;

AND WHEREAS the Corporation and the Minister have agreed that the Department will act as agent for the Corporation in the processing of loans for the repair, rehabilitation and improvement of family housing units in the manner and to the extent hereinafter set forth.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants herein contained, the parties hereto undertake and agree as follows:

DEFINITIONS

1.

In this agreement

- (a) "owner" means the person who owns the family housing unit for the repair, rehabilitation or improvement of which the proceeds of the loan are to be expended and includes
 - i) the executors, administrators or other legal representatives of the estate of such person;
 - ii) any one of two or more persons who own the family housing unit as joint tenants or as tenants in common,
 - iii) a mortgagor who has an equity of redemption in the family housing unit under a mortgage, trust agreement or contract,
 - iv) a purchaser of property under an agreement for sale,
 - v) a lessee of property under a lease expiring not less than three years after the maturity of any loan made to the lessee under the Act;
 - vi) a lessee of land under a lease from the Crown or from any municipality or from any corporation when the lessee owns a home located thereon.
- (b) "cost of rehabilitation" of the unit means the estimated aggregate of
 - i) the cost of doing the rehabilitation work,
 - ii) the costs of legal services (including disbursements) paid to third parties, if such services are directly related to the making, and where required, the registration of the loans security, and
 - iii) interest on advances made in respect of the loan.
- (c) "family housing unit" means a unit providing therein living, sleeping, eating, food preparation and sanitary facilities for one family, with or without other essential facilities shared with other family housing units.

(d) "gross debt service ratio" means the ratio of the annual charges

- i) for principal and interest for the loan in respect of the rehabilitation work,
- ii) for other loans the proceeds of which have been expended on the purchase, rehabilitation, repair or improvement of the property, and
- iii) for taxes

to the aggregate gross income in whatever form received of the principal wage earner and the spouse.

(e) "rehabilitation work" means the work of rehabilitation repair or improvement required to bring the housing unit up to the occupancy and building maintenance guidelines in Schedule A.

(f) "adjusted income" means the aggregate gross income in whatever form received of the principal wage earner and the spouse, less

- i) living out or travelling allowances of a family head
- ii) capital gains, such as insurance settlements, inheritances, disability awards, sales of effects,
- iii) family allowances,
- iv) earnings of the spouse up to \$1,000.
- v) income from any source other than social assistance payments of a one-parent family up to \$1,000 per annum, and
- vi) \$300 for each dependent child.

SCOPE OF AGREEMENT

2. The Provincial Minister agrees to have the Department process applications for loans and to carry out inspection duties on behalf of and as agent for the Corporation in accordance with the authority of the Corporation to make loans pursuant to Part IV.1 of the Act, and subject to the limitations contained therein.

3. (a) Loans pursuant to this agreement will be made in Areas that has been designated by Order of the Governor in Council pursuant to sub-section 34.1 (1) of the Act as an area within which loans may be made for the repair, rehabilitation and improvement of family housing units.
- (b) Loans pursuant to this agreement will be made only in respect of family housing units for which rehabilitation work is required in order to bring the unit up to minimum standards of rehabilitation that are acceptable to the Corporation and the Provincial Authority and to ensure a further useful life of the unit of at least fifteen years.

RESPONSIBILITY OF AGENT

4. For the purpose of clause 2, the processing of applications for loans and the carrying out of inspection duties shall be in accordance with this agreement, and the Minister agrees to have the designated Agent exercise reasonable care in the processing of such applications and in the carrying out of such inspection duties.

5. The processing of each loan application and the inspection of each unit shall include:

- (a) Completion of the application and assessing the suitability of the borrower;
- (b) inspection of the unit to determine and specify the required rehabilitation work;
- (c) Producing to the Corporation all completed applications along with recommendation for making of the loan;
- (d) inspections during the carrying out of the rehabilitation work to ensure compliance with the specified rehabilitation work;

- (e) recommending to the Corporation the making of progress advances;
 - (f) where the amount of a loan does not exceed \$5,000 preparing a promissory note in a form prescribed by the Corporation, and arranging for the signing thereof;
 - (g) where the amount of loan is in excess of \$5,000, preparing a mortgage in a form prescribed by the Corporation and arranging for the signing and registration thereof;
 - (h) prepare and recommend each application for an increase in loan amount;
 - (i) preparing a contract to be entered into by the Corporation with the owner, and arranging for the signing thereof by that owner.
6. (a) An application for a loan shall be made on a form prescribed and supplied by the Corporation, and
- (b) The Agent agrees to comply with reasonable directions given to it from time to time by the Corporation with respect to the matters covered by this agreement.
7. Where the Agent is prepared to recommend that a loan be made to a borrower, the Agent shall forward to the Corporation four copies of the borrower's preliminary application for a loan and four copies of the borrower's final application for a loan which shall have annexed thereto a description of the rehabilitation work, and where applicable, the contract referred to in paragraph (3) of clause 5, in duplicate for loan applications not recommended by the Agent. The Agent need provide the Corporation with one copy only of the borrower's preliminary application for loan.
8. Where the Corporation has approved a loan to a borrower, the Corporation will forward to each of the borrower and the Agent a signed, approved copy of the borrower's final application.
9. When the Agent has received from the Corporation notification of approval of the loan, the Agent shall obtain and forward to the Corporation a signed promissory note or such other security as may be from time to time agreed upon.

TERMS AND CONDITIONS OF LOANS

10. Loans pursuant to this agreement
- (a) shall bear such rates of interest as shall be specified from time to time in writing by the Corporation.
 - (b) shall be for a term not exceeding the useful life of the housing unit as determined by the Corporation and in any case not exceeding twenty years from the date on which the repair, rehabilitation or improvement of the unit commenced;
 - (c) shall be repayable by monthly, quarterly, semi-annual or annual payments of principal and interest; or as otherwise agreed to between the Corporation and the borrower.
 - (d) shall be secured
 - i) by a promissory note or mortgage in favour of the Corporation; or
 - ii) by such other security as may be approved by the Corporation and the Agent.
11. The maximum loan in respect of a family housing unit shall not exceed \$10,000. and the maximum amount of loan the payment of which may be forgiven shall not exceed \$3,750.
12. Subject to clause 11, and the requirements in respect of the adjusted income of the borrower set forth in clause 13, the borrower shall be eligible for a forgiveness of the loan.
- (a) at the rate of \$750. per annum in respect of a family housing unit in which the borrower resides, for the period of time in which the borrower remains in occupancy thereof, calculated from the interest adjustment date in respect of the loan, and

PROVIDED, however, that where

- (b) in respect of a family housing unit referred to in paragraph (a) hereof, the borrower ceases to own or occupy the unit during the period of time in which that part of the loan which may be forgiven is being earned by the Borrower, the borrower shall be required to repay forthwith the balance of the loan in accordance with the terms of the loan security, including that part of the loan the payment of which would have been earned by the borrower following the date on which the borrower ceased to own or occupy the unit as aforesaid, except that where the borrower leases his unit to a lessee subject to terms and conditions satisfactory to the Corporation, the Corporation may waive the foregoing requirements for payment of the said balance of the loan and continue to grant the forgiveness of part of the loan to the borrower.

13. The amount of forgiveness of each loan in respect of a unit in which the borrower resides shall be determined in relation to the eligibility criteria of the borrower.

Eligibility Criteria

- i) Family Income - It is proposed that family homeowners whose adjusted annual income is not more than \$1,000. per capita be given priority in 1976. The lower the adjusted annual income is, under this guidelines the higher its priority;
- ii) Unit Condition - Eligible units must be substandard and capable of rehabilitation which will result in a further 15 years economic life for the unit. Within this context, priority is to be assigned to the units whose condition is a demonstrable threat to the safety and health of the occupants. See Appendix "A" for examples of repairs.
- iii) Household Size - The largest families, meeting all eligibility criteria, are to be given priority.

14. (a) The Agent shall require a borrower in respect of a family housing unit in which the borrower resides to furnish a statement of adjusted income as defined in paragraph (f) of clause 1, and
- (b) The Application for Loan shall provide that it is a condition of the loan that if the statement referred to in paragraph (a) was false at the time of the said statement the whole of the monies remaining unpaid on the loan together with the amounts which have been and may become forgiven under the loan shall forthwith become due and payable.
15. The Agent shall use its best efforts to ensure, when considering an application for a loan in respect of a family housing unit in which the owner resides, that the gross debt service ratio where the loan is in respect of a one-family dwelling shall not exceed 30% of the aggregate gross income in whatever form received of the principal wage earner and the spouse.

In computing the ratio referred to in paragraph (15), where the Agent considers that an owner would be a satisfactory borrower, notwithstanding a gross debt service ratio exceeding the gross debt service ratio set out in respect of such owner in paragraph (15), the Agent may recommend that the loan be made to such owner.

PROGRESS OF WORK

16. During the period of effecting the rehabilitation work the Agent shall make such inspections as will ensure the rehabilitation work as specified by the Agent, is carried out in reasonable conformity with minimum standards of rehabilitation, satisfactory to the Corporation (attached), but the Agent shall not be required to provide supervision of the said work; and subject to such inspections, the Agent shall recommend to the Corporation the making of advances with respect to the loan;
17. (a) If the rehabilitation work specified by the Agent is carried out in a manner which does not reasonably comply with minimum standards for rehabilitation, (attached) the Agent shall inform the owner of such non-compliance and request that the rehabilitation work be corrected first;
- (b) If the non-compliance is not corrected as required by the Corporation, the Agent may recommend to the Corporation such reduction in the amount of the loan as the Agent may determine.

18.

18. In respect of loans for family housing units in areas referred to in Clause 3(a);

- (a) For the services carried out pursuant to Clause 5, the Corporation shall, at the time the final advance is made with respect to each loan, pay to the Agent a fee of One Hundred and Fifty (\$150) Dollars, for all services of the Agent under this Agreement. Where the total cost of the Agent of rendering the services pursuant to Clause 5 exceeds the amount of the said fee, the excess shall be borne by the Agent.
- (b) Where an application does not proceed through to completion of the rehabilitation work, the Corporation shall, pay to the Agent a fee in accordance with the following:
 - i) for receipt of the preliminary application and transmittal to the Corporation, the sum of Twenty (\$20) Dollars;
 - ii) for carrying out the initial inspection and specifying the eligible work, the sum of Forty-five (\$45) Dollars; and
 - iii) for processing the final loan application, including applicant interviews; for obtaining the documentation required by the Corporation and recommending the approval or rejection of the application to the Corporation, the sum of Fifty-five (\$55) Dollars.

19.

19. This agreement may be terminated by the Corporation giving the Agent six (6) Calendar month's notice in writing that its services will no longer be required or by the Agent giving the Corporation six (6) Calendar month's notice in writing that its services will no longer be continued.

20.
mail

Notice of termination shall be sent by prepaid registered

- (a) to the Agent c/o The Deputy Minister of the Department of Northern Saskatchewan;
- (b) to the Corporation, address to its National Office in Ottawa, Ontario K1A 0P7.

EVALUATION

21. The parties to this agreement acknowledge the need to carry out a process of evaluation of the rehabilitation program. For such purposes, the Agent agrees to provide the Corporation with information or the means of access to such information to the fullest extent as may reasonably be possible in respect of all matters arising out of the administration of agreement.

PUBLICITY

22. The Agent will ensure that any literature or other information and material published by the Agent with respect to this agreement will contain reference to the assistance provided by the Corporation with respect to its program of residential rehabilitation assistance.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their corporate seals duly attested to by their proper signing officers in that behalf.

APPROVED APPROVE	
1	2
3	4
5	6
7	8
9	10

CENTRAL MORTGAGE AND HOUSING CORPORATION

John Macdonald
For President

W. J. ...
For Vice-President

THE MINISTER OF NORTHERN SASKATCHEWAN

... ..

D. Steps in a Successful RRAP loan delivery.



STEPS IN A SUCCESSFUL RRAP LOAN DELIVERY

START

1 PRELIMINARY APPLICATION

- 1 Interview applicant outlining program and completing application form.
- 2 Record application in B.F. system for 60 day check on application stage.

2 INITIAL INSPECTION

- 1 Arrange for inspection.
- 2 Perform inspection with property owner.
- 3 Review above with owner and discuss specifications.
- 4 Prepare line drawings and take photographs.

3 WORK WRITE-UP AND COST ESTIMATE

- 1 Prepare general description of work.
- 2 Prepare specifications & bid package.
- 3 Make revisions if necessary.
- 4 Prepare cost estimates.

4 REVIEW WITH PROPERTY OWNER BID PACKAGE AND COUNSEL OWNER ON CONTRACTORS

- 1 Review bid package with owner and check completeness of work listed.
- 2 Counsel on process of obtaining bids and locating contractors.
- 3 Give instruction on obtaining building permits, verification of income and information on mortgages, house loans and municipal taxes.
- 4 Instruct landlords on rental verification.

5 BID REVIEW AND FINANCIAL COUNSELLING

- 1 Review bids.
- 2 Collect and verify credit data.
- 3 Perform underwriting analysis covering RRAP loan, municipal taxes, house loans, mortgages, household income and credit rating.
- 4 For landlord loans, review rental analysis.
- 5 Provide financial counselling.

6 FINAL LOAN APPLICATION

- 1 Prepare and recommend CMHC 1853 Application-Loan (Final).
- 2 Prepare CMHC 1864 Promissory Note.
- 3 For landlord loans prepare CMHC 1865 Agreement Non-resident Owner
- 4 Forward documentation to CMHC for authorization.
- 5 Receive same from CMHC.
- 6 Record loan commitment in B.F. system for a 90 day check on start of work.
- 7 Record loan commitment in B.F. system for a 1 year check on work competition and loan close out.

7 MEETING JOB SITE

Conduct meeting at job site with property owner and contractor before construction starts.

8 START WORK

9 CONSTRUCTION AND PROGRESS INSPECTIONS (INCLUDING FINAL INSPECTION)

- 1 Inspect to determine if work is proceeding according to contract.
- 2 Prepare progress reports for advance purposes.
- 3 Supervisory inspection (spot check and co-ordination by supervising inspector).
- 4 Forward request for progress payment to CMHC.
- 5 Receive confirmation of cheque issuance.

10 FINISH LOAN CLOSED OUT

LOAN
INCREASE/DECREASE

AGENCY FEES HOMEOWNER LOANS

1	\$20
2	\$40
3	\$80
4	
5	\$75
6	
7	\$85 including steps for loan increases or decreases when required
8	
9	
10	

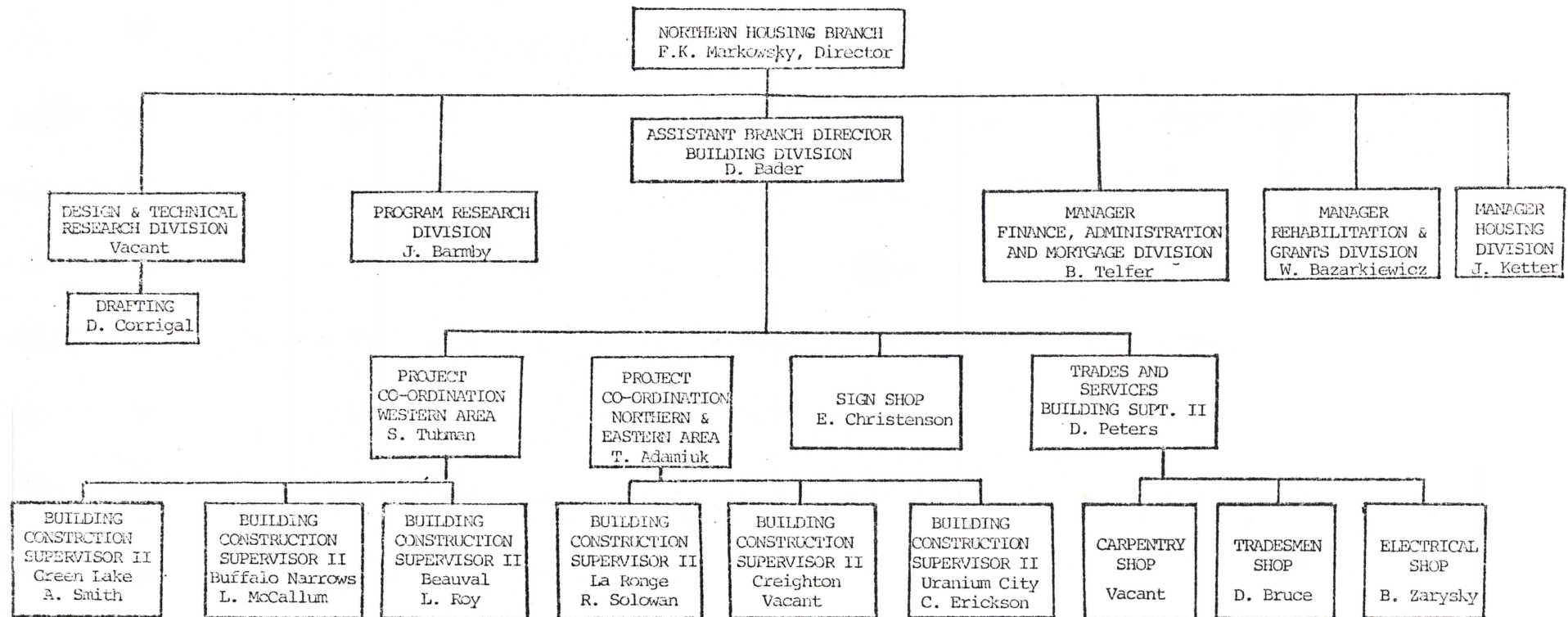
LANDLORD LOANS

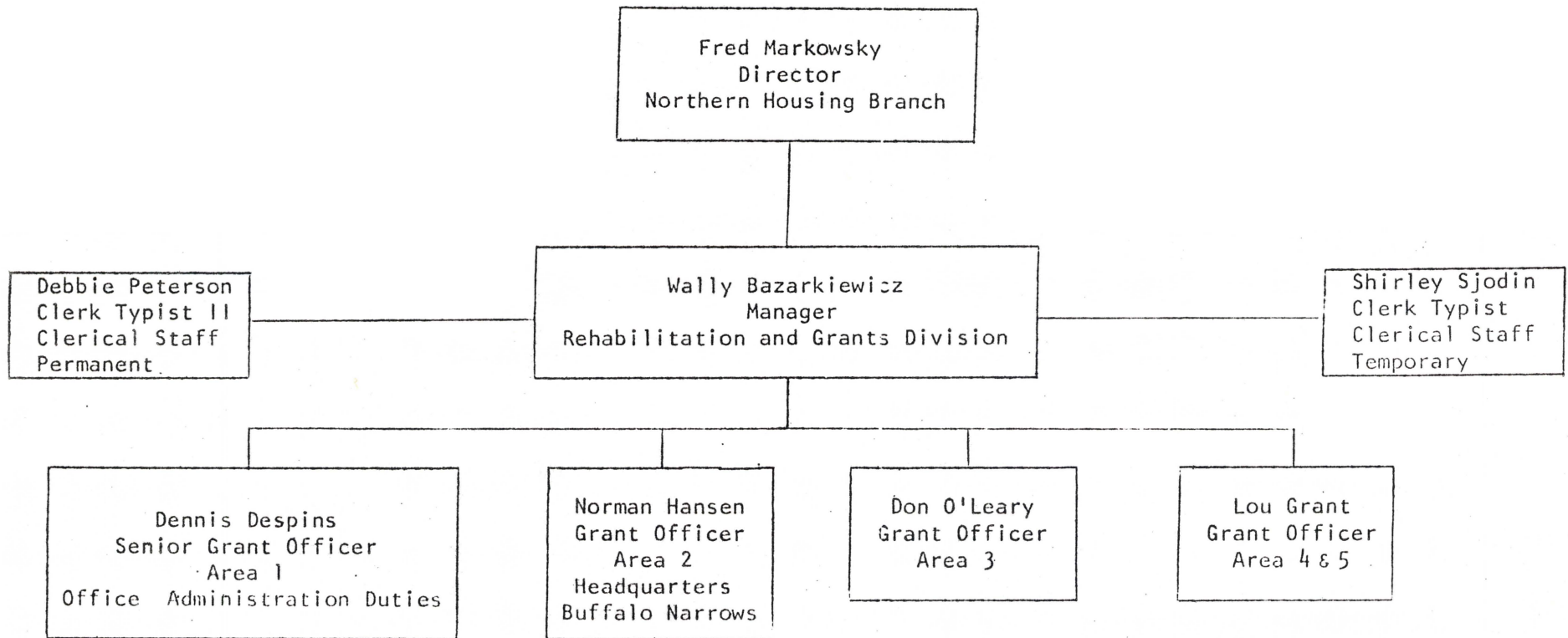
1	\$20
2	\$40 first unit \$10 each additional
3	
4	\$80 first unit \$15 each additional
5	
6	\$75 first unit \$10 each additional
7	
8	\$85 first unit \$15 each additional
9	
10	

E. Organizational Charts

(a) Building Division

(b) Rehabilitation and Grants Division





F. Questionnaire given to Grant Officers at DNS

QUESTIONNAIREIntroduction

- Who decides that a community should receive Rural RRAP?
 - What are the criteria for participation by a community and how are the criteria projected to the G.O.?
 - What is the role of the LCA or LAC?
 - Is any list received from above generally complete or is it brased in any way?
 - How was RRAP introduced into new communities?
- 1.- How does G.O. receive a preliminary application?
 - Does G.O. have discretion to review and reject/accept applications?
 - Does G.O. make out a preliminary application for everyone he goes to see or does he get some appls. from somewhere else?
 - Does G.O. explain pgm. to applicant?
 - Does G.O. ever fill out forms for applicant?
 - Are following verifications carried out:
 - (a) ownership - how obtained?
 - (b) credit - how obtained, who does it?
 - (c) income - how obtained, who does it?
 - 2.- Is the inspection carried out as soon as the application is taken?
 - What are criteria/guidelines used for inspections?
 - What expertise does G.O. have to carry out inspections?
 - Does applicant accompany inspector on inspection?
 - Does applicant make suggestions/additions?
 - Are there applicants who do not speak English? If so, how does G.O. communitate with them.
 - 3.- Who does the work writeup and cost estimate?
 - Does G.O. have the expertise to do so?
 - Are there tradeoffs; do some things get deleted from writeup in order that others may be done or because of lack of skilled resources or material or money?
 - 4.- Who decides who will do the work, what criteria are used?
 - Is owner labour always considered?
 - Why does applicant generally choose contractor that he chooses?
 - Is bid package reviewed with applicant?
 - Is bid package reviewed by other DNS personnel?
 - Is total debt load considered, if so, when?
 - Who submits the DNS bid?
 - 5.- Are received bids reviewed with the homeowner?
 - Are bids usually within 10% of the cost estimate?
 - Who reviews the bids at DNS?
 - Is DNS only considered if a private contractor not available?
 - Does applicant receive financial counselling?
 - Is the DNS bid presented in a bid format?
 - Is there a contract between the applicant and DNS?
 - Is there a contract between the applicant and the contractor?

- 6.- Who prepares the final application form?
 - Who recommends loan for rejection or approval at DNS?
 - Is there a final application review with the homeowner?
 - How long does it usually take to get to this point?
 - How long does it usually take to get application back from CMHC?
 - Who prepares the promissory note, is it explained to the applicant?
 - Who prepares the mortgage?
 - Is G.O. confident when he goes through the process?
 - Does G.O. feel he has up to date information on the program?
 - What happens to completed application forms?
- 7./8.- How does G.O. know that work is ready to start, has started?
 - Is there a meeting at the job site before work commences?
 - Who notifies successful bidder?
 - What happens if successful bidder is DNS?
- 9.- Who carries out compliance inspections?
 - What happens if work does not meet standards?
 - How is inspector informed that work is ready to inspect?
 - When inspection form is completed, how is it sent to DNS and CMHC?
 - What are criteria for recommending advances?
 - How are recommendations made for advances?
 - How is cheque disbursed?
 - Is the advance approved at DNS?
 - Does G.O. recommend two names appear on cheque?
 - What standards are used to judge compliance?
 - Who approved the final advance?
 - Are spot checks of any type carried out?
 - Are any type of monitoring inspections carried out?

G. File Cover Form - DNS

H. RRAP Status Report - DNS

RAP STATUS REPORT AS OF November 15, 1977, RAP # 452

COMMUNITY: LA ROCHE
LOT 4 BLOCK 13 PLAN #
NAME OF OWNER: Aimee Janvier

APPLICATION TAKEN BY: *Aimee Janvier*
DATE OF APPROVAL: NOV. 76
DATE OF INITIAL CONSTRUCTION START _____
DATE OF LAST REPORT _____

DESCRIPTION OF WORK	% COMPLETE		COMMENTS
	Last Report	This Report	
Foundation or basement			
Comments			
XXXXXXXXXXXX Build cupboard (lower section only) to install kitchen sink.		100%	<i>He wanted a top cupboard as well.</i>
Comments			
Doors and Windows			
Comments			
Roof (Structural and roofing)			
Comments			
Chimney			
Comments			
Walls and Ceilings (Structural and finish) Paint ceilings.			
Comments			
XXXXXXXXXXXX Build 6" wall in bathroom; install 3 interior doors complete with frames and LS			
Comments <i>No interior doors installed</i>		20%	

Heating Install oil space heater with 200 gal. tank.			THEY INSTALLED A FURNACE INSTEAD OF A SPACE HEATER.
Comments <i>FURNACE NOT HOOKED UP.</i>		90%	
Electrical Rewire house including most and service panel. Hook-up hot water heater and heat tapes.			
Comments ELECTRICAL NOT COMPLETED IN BATHROOM <i>FURNACE NOT HOOKED UP.</i>		75%	
Plumbing INSTALL PLUMBING PKG. INCLUDING H.W. HEATER AND HEAT TAPES.			NOT WATER HEATER NOT BOILED IN.
Comments KITCHEN SINK NOT ROUGHED IN. BATHROOM FIXTURES NOT INSTALLED Toilet and Basin. NOT HOOKED UP TO MAIN LINE		50%	
XXXXXXXXXXXXXXXXXXXXXXX Install exhaust fan in bathroom.			
Comments <i>No screen on fan!</i>	90%	90%	
Miscellaneous			
Comments			

[illegible]

Dated

13/1/22

I. Assignment of Funds - DNS

ASSIGNMENT OF FUNDS

D.N.S. R.R.A.P. # _____

C.M.H.C. R.R.A.P. # _____

I/WE hereby assign any loan payable under the Residential Rehabilitation Assistance Program to the Department of Northern Saskatchewan, Box 3003, Prince Albert, Saskatchewan, in account with _____, and I authorize Central Mortgage and Housing Corporation to make payments of the loan to such assignee on my behalf.

Dated this _____ day of _____, 1977.

WITNESS: _____ SIGNED: _____

LEGAL DESCRIPTION: _____

SETTLEMENT: _____

J. RRAP Delivery System - Proposed

R.R.A.P. FLOW CHART

