



**Kwanlin Dün First Nation  
Market Based Housing  
Policy and Procedures**

**June 6, 2016**

## OBJECTIVE

The Kwanlin Dün First Nation Market Based Housing Program is designed to:

- a. Provide loans to qualified Kwanlin Dün First Nation (“KDFN”) citizens that wish to construct, purchase, or renovate a residential house on KDFN settlement lands with those loans secured by mortgage of the leasehold interest of the property; and
- b. Provide loans (mortgages) to qualified KDFN citizens or a KDFN owned entity to construct or purchase housing unit(s) for market rental purposes on KDFN settlement lands.

KDFN Credit Enhancement approval by the First Nations Market Housing Fund is Thirteen Million (\$13,000,000.00) Dollars.

## SCOPE

KDFN citizens who are interested in home ownership or market rental housing on settlement lands and who meet the criteria set out in this policy

## DEFINITIONS

Applicant	A Kwanlin Dün First Nation (KDFN) citizen who is interested in home ownership and applies for a loan under the home ownership or rental programs.
Citizen	A citizen is: (i) A person who is entitled to Citizenship under Chapter 2 and who has been enrolled as a Citizen under Chapter 2 of the KDFN Constitution and KDFN law; or  (ii) A person whose application has been approved by the Kwanlin Dün Citizenship Committee in accordance with the Kwanlin Dün Citizenship Act and whose name has been placed on the Kwanlin Dün citizenship list by the Registrar.
CMHC Mortgage Insurance	Insurance to protect the lender in event of default by the borrower.
Eligible borrower	A KDFN Citizen and any a spouse that has met the mortgage underwriting criteria of the lender and the terms of this policy.
FNMHF	The First Nation Market Housing Fund;
Gross Debt Service	The percentage of the borrower’s income that is needed to pay all required monthly housing costs (mortgage payments, property taxes, heat, insurance etc.).

Lease	An authorization to use settlement land issued by KDFN or an authorized KDFN department.
Lender	A financial institution that has entered into a Credit Enhancement Agreement with the FNMHF.
Mortgage	A home loan for a single-family dwelling on KDFN settlement lands to an eligible borrower.
New Construction	The construction of a new house on KDFN settlement lands.
Purchase a home	The acquisition of an existing house on KDFN settlement lands by a KDFN citizen.
Renovations	Improvements of an existing home on KDFN settlement lands.
Rental housing mortgage	A home loan for a unit(s) on KDFN settlement lands provided to a KDFN owned entity for market rental purposes.
Total Debt Service	The percentage of the borrower's income that is needed to cover housing costs (GDS) plus any other monthly obligations that an individual has, such as credit card payments and car payments.

## **PROGRAM OVERVIEW**

An eligible borrower that has obtained mortgage approval from a lender will be required to meet the loan and program terms and conditions herein to obtain the funds required to build, purchase, or renovate a home on KDFN settlement lands for residential or rental purposes.

KDFN will provide a 100% guarantee (without CMHC mortgage insurance) or 70% guarantee (with CMHC mortgage insurance) to the lender for the amortization period of the mortgage.

The eligible borrower will be required to enter into a lease agreement with KDFN for the amortization period of the mortgage. Such lease agreement will provide the KDFN home lot allocation to the eligible borrower and his/her beneficiaries and shall be in a form acceptable to both KDFN and the lender. Should KDFN be required to provide payout funds to the lender due to a mortgage default, KDFN, under the terms of the lease agreement will exercise the right of ownership of the home or lot. The eligible borrower may lose his/her equity contribution to the home upon re-sale (similar to foreclosure) of the home. Nonetheless, KDFN will make all efforts to recognize the eligible borrowers equity position by way of but not limited to home inspection/evaluation.

KDFN guaranteed mortgages and FNMHF backed mortgages under this program can not be used for the following reasons:

- a. Equity borrowing
- b. 2<sup>nd</sup> mortgage borrowing (other than for home renovations)
- c. Debt consolidation

d. Vehicles

**I. NEW CONSTRUCTION**

**Policy:** Citizens who are interested in building a new home on KDFN settlement land, may be eligible to apply for home ownership loans under this program.

**PROGRAM DETAILS & CRITERIA**

Maximum Loan	\$300,000.00
Maximum Amortization	25 years
Down Payment	5.00% cash equity
KDFN Fee	1.00% (paid by the KDFN citizen to KDFN, can be included in home loan costs)
Life Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
Home Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
CMHC Mortgage Insurance	Mandatory if equity contribution is under 25%
Collateral held by KDFN	KDFN to hold an option to purchase/terminate the lease upon default by the borrower by payment in accordance with Part VII below, along with any other security that KDFN deems prudent at the time of issuance of the loan.
Gross Debt Service Ratio	Not to exceed 32%
Total Debt Service Ratio	Not to exceed 40%
Debts owed to KDFN	Any debt in arrears owed to KDFN must be repaid in full six months prior to KDFN guaranteeing a home loan for the applicant,
Building Permit	Mandatory, provided by Yukon Government or City of Whitehorse (whichever is applicable).
Hold back on construction	10% is held back by lender until final inspection report is provided showing 100% complete.

**PROCESS DETAILS**

**A. Pre-Qualification**

1. KDFN Citizen requests the application/orientation package from KDFN Finance.

2. Citizen (now referred as the applicant) makes application to the KDFN Finance.
3. KDFN Finance conducts an internal credit check to ensure there are no accounts, such as loans, rental payments or other debts that are in arrears and are owed to KDFN.
4. KDFN Finance reviews submission of applicants' documents. KDFN Finance will confirm that the applicant submits the following documents.
  - KDFN Market Housing Application forms to be fully completed
  - Photo identification
  - Proof of KDFN citizenship
  - Confirmation and/or evidence of equity contribution
5. KDFN Lands Department has identified serviced lots for citizen residential use . Lease agreement confirmation or application for lease, KDFN Citizen qualification and lands registry confirmation with land titles will form part of the .
6. Upon meeting initial criteria, KDFN Finance will issue a conditional letter of support to the applicant and will assist the applicant in making loan application to the Lender.

**B. Pre-approval of Home Loan**

1. Applicant makes application to the lender
2. Lender complete assessment, should there be any further submission requirements by the Lender, KDFN Finance (at request of the applicant) will assist the applicant.
3. Lender advises applicant of amount they qualify to borrow and any terms and conditions they must meet. (e.g. submission of construction documents) within a specified period of time (usually 90 days).
4. Lender provides pre-approval loan documents to the applicant. Applicant and/or lender will advise KDFN Finance of pre-approval.

**C. General Contractor Selection**

1. The applicant to submit six sets of drawings to the City of Whitehorse or the Yukon Government for a development permit and a review of the building plans. A copy of the plans will be submitted to KDFN Community Services for their records and one shall be forwarded to the lender. As a minimum, engineered plans will only be accepted. Plans from local hardware stores may also be acceptable, provided they are engineered stamped.
2. The City of Whitehorse or the Yukon Government reviews plans to ensure they meet, at minimum, the current versions of the National Building Code (NBC).

3. Applicant is responsible to ensure contractors are reputable, qualified, has insurance and references. Contractors must meet building standards of all applicable regulatory bodies. Contractors must be in good standing with Yukon Workers Compensation Health and Safety Board. Contractors must be willing to enter into fixed price contracts and must be capable of meeting construction costs prior to qualified loan advances. Loan advances prior to construction are prohibited. Applicant provides proof of all of the above to KDFN Community Services and Lender.
5. Applicant ensures that contractor costs include installation of all utility services plus road access. These costs must be included in the final quote. This will be reviewed by KDFN Community Services on a case by case basis.
6. Applicant submits final quote, budget and contract to KDFN Community Services and the Lender. At the discretion of KDFN Community Services and Finance, review of the contract will be done and reported back to the Applicant to confirm it meets budget requirements. Total project costs including permit and mortgage loan insurance fees less equity contribution must be equal to or less than the maximum loan amount of \$300,000.

**D. Approval of Loan and Execution of Documents**

1. Applicants enter into lease agreement with KDFN Lands and Resources Department. Lease term will be not less than the amortization of the home loan, and will identify clauses if default of home loan occurs. If deemed a requirement, KDFN Lands and Resources Department will direct the Applicant to appoint legal counsel to register title with YG Land Titles office. Applicant will provide confirmation to KDFN Finance and the Lender of the completed registration.
2. Lender reviews construction documents, lease and pricing information and advises KDFN of loan amount to be approved.
3. KDFN executes resolution for loan guarantee. This will be requested by KDFN Finance. Copy to be provided to the lender.
4. Lender applies and obtains CMHC Mortgage Insurance.
5. Lender applies to the FNMHF and obtains the Credit Enhancement Certificate.
6. Lender confirms to the applicant and KDFN if the loan has been approved.
7. Lender confirms to KDFN Finance that applicant has met all applicable insurance requirements (life, home, and construction). Lender or applicant provides copies to KDFN Finance.
8. Lender provides loan documents to Applicant for execution. Copies of executed loan agreement is provided to KDFN Finance.
9. Lender provides Guarantee document to KDFN Finance. KDFN Finance arranges for execution by authorized signatory and provides copy to lender.

10. Lender and KDFN Finance confirms to applicant that all security documentation is in order.

**E. Construction and Loan Advances**

1. Applicant and contractor commence construction.
2. KDFN Community Services or Finance will have authorization for any site visits throughout construction.
3. Lender is to ensure that applicants equity is applied to construction costs prior to loan disbursements.
4. Applicant is responsible for ensuring the timely completion of progress and compliance inspections. The maximum number of progress advances is four. Photographs of housing project is to be submitted to the lender and KDFN Finance per advance. Applicant is responsible to pay for progress and compliance inspections.
5. If applicable, applicant submits photographs of installation of well and septic work. Additionally, well log and percolation test reports are required to be submitted to KDFN Finance.
6. Lender proceeds with disbursements. Holdback of 10% until confirmation that project is 100% complete along with confirmation that sub-onractors have been paid will be required and enforced by the lender. Project is verified complete by way of issuance of final inspection report by the City of Whitehorse or Yukon Government, a copy of which is to be forwarded to KDFN Finance.
7. Applicant is responsible to ensure that interest payments are made to the lender throughout construction period. Upon 100% completion of construction, applicant and lender sets interest adjustment date, and applicant is advised of when blended payments are to commence.
8. Applicant moves into home upon occupancy permit by Yukon Government or City of Whitehorse. Copy of occupancy permit is to be forwarded to KDFN Finance.

## **II. HOME PURCHASE**

**Policy:** Citizens who are interested in purchasing an existing home on KDFN settlement lands may be eligible for loans under the home purchase program.

### **PROGRAM DETAILS & CRITERIA**

Maximum Loan	\$300,000.00
Maximum Amortization	25 years
Down Payment	5.00% cash equity
KDFN Fee	1.00% (paid by the KDFN citizen to KDFN, can be included in home loan costs)
Life Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
Home Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
CMHC Mortgage Insurance	Mandatory if equity contribution is under 25%
Construction Insurance	- Mandatory, if renovations exceed \$20,000.00 - Mandatory, if renovations are less than \$20,000 and deemed a requirement by the Community Services.
Collateral held by KDFN	KDFN to hold an option to purchase/terminate the lease upon default by the borrower by payment in accordance with Part VII below, along with any other security that KDFN deems prudent at the time of issuance of the loan.
Gross Debt Service Ratio	Not to exceed 32%
Total Debt Service Ratio	Not to exceed 40%
Debts owed to KDFN	Any debt in arrears owed to KDFN must be repaid in full before loans will be guaranteed by KDFN. Repayment of any arrears debt will result in a minimum six (6) month probation prior to qualification.
Building Permit	Mandatory, provided by Yukon Government or City of Whitehorse (whichever is applicable).
Hold back on construction	10% is held back by Lender until final inspection report is provided showing 100% complete.



## **PROCESS DETAILS**

### **A. Pre-Qualification**

1. KDFN citizen requests the application/orientation package from KDFN Finance.
2. Citizen (now referred as the applicant) makes application to the KDFN Finance.
3. KDFN Finance conducts an internal credit check to ensure there are no accounts, such as loans, rental arrears or other debts that are in arrears and are owed to KDFN.
4. KDFN Finance reviews submission of applicants' documents. KDFN Finance will confirm that the applicant submits the following documents.
  - KDFN Market Housing Application forms to be fully completed
  - Photo identification
  - Proof of KDFN citizenship
  - Confirmation and/or evidence of equity contribution
  - Purchase agreement
5. As a guideline, KDFN Community Services and/or Finance will review renovation plan (if applicable), and will direct applicant's requirement to utilize a general contractor or certified journeyman.
6. KDFN Community Services and Lands Department will proceed with lot/land review. The review will include (but is not limited to) lease agreement confirmation or application for lease, KDFN Citizen qualification, and lands registry confirmation with land titles.
7. Upon meeting initial criteria, KDFN Finance will issue a conditional letter of support to the applicant and will assist the applicant in making loan application to the Lender.

### **B. Pre-Approval of Home Loan**

1. Applicant makes application to the lender
2. Lender completes assessment, should there be any further submission requirements by the lender, KDFN Finance (at request of the applicant) will assist the applicant.
3. Lender advises applicant of amount they qualify to borrow and any terms and conditions they must meet. (e.g. submission of construction documents) within a specified period of time (usually 90 days).
4. Lender provides pre-approval documents to the applicant. Applicant and/or lender will advise KDFN Finance of pre-approval.

**C. General Contractor Selection (if deemed a requirement by KDFN Community Services)**

1. The applicant to submit six sets of drawings to the City of Whitehorse or the Yukon Government for a development permit and a review of the building plans. A copy of the plans will be submitted to KDFN Community Services for their records and one shall be forwarded to the lender. As a minimum, engineered plans will only be accepted. Plans from local hardware stores may also be acceptable, provided they are engineered stamped.
2. The City of Whitehorse or the Yukon Government reviews plans to ensure they meet, at minimum, the current versions of the National Building Code (NBC).
3. Applicant applies to Yukon Government or City of Whitehorse (whichever is applicable) for housing construction permit. Copies of permit are to be forwarded to KDFN Community Services and the Lender. Applicant is responsible to pay for required permits.
4. Applicant is responsible to ensure contractors are reputable, qualified, has insurance and references. Contractors must meet building standards of all applicable regulatory bodies. Contractors must be in good standing with Yukon Workers Compensation Health and Safety Board. Contractors must be willing to enter into fixed price contracts and must be capable of meeting construction costs prior to qualified loan advances. Loan advances prior to construction are prohibited. Applicant provides proof of all of the above to KDFN Community Services and lender. This will be reviewed by KDFN Community Services on a case by case basis.
5. Applicant submits final quote, budget and contract to KDFN Community Services and the Lender. At the discretion of KDFN Community Services and Finance review of the contract will be done and reported back to the Applicant to confirm it meets budget requirements. Total project costs less equity contribution must be equal to or less than the maximum loan amount of \$300,000.

**D. Approval of Loan and Execution of Documents**

1. Applicants enter into lease agreement with KDFN Lands and Resources Department. Lease term will be not less than the amortization of the home loan, and will identify clauses if default of home loan occurs. If deemed a requirement, KDFN Lands and Resources Department will direct the applicant to appoint legal counsel to register title with YTG Land Titles office. Applicant will provide confirmation to KDFN Finance and the lender of the completed registration.
2. Purchase agreement between Seller and Buyer (applicant) is fully executed.
3. Lender reviews construction documents, lease and pricing information and advises KDFN of loan amount to be approved.

4. KDFN executes resolution for loan guarantee. This will be requested by KDFN Finance. Copy to be provided to the lender
5. Lender applies and obtains CMHC Mortgage Insurance
6. Lender applies to the FNMHF and obtains the Credit Enhancement Certificate.
7. Lender confirms to the applicant and KDFN that the loan has been approved.
8. Lender confirms to KDFN Finance that applicant has met all applicable insurance requirements (life, home, and construction). Lender or applicant provides copies to KDFN Finance.
9. Lender provides loan documents to Applicant for execution. Copies of executed loan agreement is provided to KDFN Finance.
10. Lender provides Guarantee document to KDFN Finance. KDFN Finance arranges for execution by authorized signatory and provides copy to lender.
11. Lender and KDFN Finance confirms to applicant that all security documentation is in order.

**E. Construction and Loan Advances**

1. Purchase proceeds will be the first disbursement. Lender will ensure that the applicants cash equity contribution is paid directly to the Seller, and then the lender will disburse the balance of the purchase price directly to the Seller. If project includes renovations, disbursement draws will be made by the lender as per direction of the KDFN Community Services.
2. Applicant and contractor commence construction.
3. KDFN Community Services or Finance will have authorization for any site visits throughout construction
4. Lender is to ensure that applicants equity is applied to construction costs prior to loan disbursements.
5. Applicant is responsible for ensuring the timely completion of progress and compliance inspections. The maximum number of progress advances is four. Photographs of housing project is to be submitted to the lender and KDFN Finance per advance. Applicant is responsible to pay for progress and compliance inspections.
6. If applicable, applicant submits photographs of installation of well and septic work. Additionally, well log and percolation test reports are required to be submitted to KDFN Finance.
7. Lender proceeds with disbursements. Holdback of 10% until confirmation that project is 100% complete along with confirmation that sub-contractors have been paid will be required and enforced by the Lender. Project is verified complete by way of a

final inspection report issued by Yukon Government or City of Whitehorse, a copy of which is to be forwarded to KDFN Community Services.

8. Applicant is responsible to ensure that interest payments are made to the lender throughout construction period. Upon 100% completion of construction, applicant and lender sets interest adjustment date, and applicant is advised of when blended payments are to commence.
9. Applicant moves into home upon occupancy permit by Yukon Government or City of Whitehorse. Copy of occupancy permit is to be forwarded to KDFN Finance.
10. Holdback of 10% until confirmation that project (renovations) is 100% complete along with confirmation that sub-contractors have been paid will be required and enforced by the Lender.
11. Applicant is responsible to ensure that interest payments are made to the lender throughout renovations/construction period (if required by the Lender). Upon 100% completion of construction, Applicant and lender sets interest adjustment date, and applicant is advised of when blended payments are to commence.

### **III. HOME RENOVATION**

**Policy:** Citizens who are interested in making improvements or renovating an existing home on KDFN settlement lands, maybe eligible for funding under the Home Renovation program.

#### **PROGRAM DETAILS & CRITERIA**

Maximum Loan	\$150,000.00
Amortization	Loan less than \$25,000, 5 years maximum amortization Loans \$25,001 - \$50,000, 10 years maximum amortization Loans \$50,001 - \$75,000, 15 years maximum amortization Loans \$75,001 - \$100,000, 25 years maximum amortization
Down Payment	If determined by the lender
KDFN Fee	1.00% (paid by the KDFN citizen to KDFN, can be included in home loan costs)
Life Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
Home Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
CMHC Mortgage Insurance	Mandatory if equity contribution is under 25%
Construction Insurance	- Mandatory, if renovations exceed \$20,000.00  - Mandatory, if renovations are less than \$20,000 and deemed a requirement by the Community Services.
Collateral held by KDFN	KDFN to hold an option to purchase/terminate the lease upon default by the borrower by payment in accordance with Part VII below, along with any other security that KDFN deems prudent at the time of issuance of the loan.
Gross Debt Service Ratio	Not to exceed 32%
Total Debt Service Ratio	Not to exceed 40%
Debts owed to KDFN	Any debt in arrears owed to KDFN must be repaid in full six months prior to KDFN guaranteeing a home loan for the applicant,
Building Permit	Mandatory, provided by Yukon Government or City of Whitehorse (whichever is applicable).
Hold back on construction	10% is held back by lender unit final inspection report is provided showing 100% complete.

## **PROCESS DETAILS**

### **A. Pre-Qualification**

1. KDFN Citizen requests the application/orientation package from KDFN Finance.
2. Citizen (now referred as the applicant) makes application to the KDFN Finance.
3. KDFN Finance conducts an internal credit check to ensure there are no accounts, such as loans, rental payments or other debts that are in arrears and are owed to KDFN.
4. KDFN Finance reviews submission of applicants' documents. KDFN Finance will confirm that the applicant submits the following documents.
  - KDFN Market Housing Application forms to be fully completed
  - Photo identification
  - Proof of KDFN citizenship
  - Renovation plan/budget
5. As a guideline, KDFN Community Services or Finance will review renovation plan (if applicable), and will direct applicant's requirement to utilize a general contractor or certified journeyman.
6. KDFN Community Services and Lands Department will proceed with lot/land review. Review will include (but not limited to) lease agreement confirmation or application for lease, KDFN Citizen qualification, and lands registry confirmation with land titles.
7. Upon meeting initial criteria, KDFN Finance will issue a conditional letter of support to the applicant and will assist the applicant in making loan application to the Lender.

### **B. Pre-Approval of Home Loan**

1. Applicant makes application to the lender
2. Lender completes assessment, should there be any further submission requirements by the lender, KDFN Finance (at request of the applicant) will assist the applicant.
3. Lender advises applicant of amount they qualify to borrow and any terms and conditions they must meet. (e.g. submission of construction documents) within a specified period of time (usually 90 days).
4. Lender provides pre-approval documents to the applicant. Applicant and/or lender will advise KDFN of pre-approval.

**C. General Contractor Selection (if deemed a requirement by KDFN Community Services)**

1. The applicant to submit six sets of drawings to the City of Whitehorse or the Yukon Government for a development permit and a review of the building plans. A copy of the plans will be submitted to KDFN Community Services for their records and one shall be forwarded to the lender. As a minimum, engineered plans will only be accepted. Plans from local hardware stores may also be acceptable, provided they are engineered stamped.
2. The City of Whitehorse or the Yukon Government reviews plans to ensure they meet, at minimum, the current versions of the National Building Code (NBC).
3. Applicant applies to Yukon Government or City of Whitehorse (whichever is applicable) for housing construction permit. Copies of permit are to be forwarded to KDFN Community Services and the Lender. Applicant is responsible to pay for required permits.
4. Applicant is responsible to ensure contractors are reputable, qualified, has insurance and references. Contractors must meet all building standards of applicable regulatory authorities. Contractors must be in good standing with Yukon Workers Compensation Health and Safety Board. Contractors must be willing to enter into fixed price contracts and must be capable of meeting construction costs prior to qualified loan advances. Loan advances prior to construction are prohibited. Applicant provides proof of all of the above to KDFN Community Services and lender.
5. Applicant ensures that contractor costs include installation of all utility services plus road access. These costs must be included in the final quote. This will be reviewed by KDFN Community Services on a case by case basis.
6. Applicant submits final quote, budget and contract to KDFN Community Services and the Lender. At the discretion of KDFN Community Services and Finance, review of the contract will be done and reported back to the applicant to confirm it meets budget requirements. Total project costs less equity contribution must be equal to or less than the maximum loan amount of \$150,000.

**D. Approval of Loan and Execution of Documents**

1. Applicants enter into lease agreement with KDFN Lands and Resources Department. Lease term will be not less than the amortization of the home loan, and will identify clauses if default of home loan occurs. If deemed a requirement, KDFN Lands and Resources Department will direct the applicant to appoint legal counsel to register title with YG Land Titles office. Applicant will provide confirmation to KDFN Finance and the lender of the completed registration.

2. Lender reviews construction documents, lease and pricing information and advises KDFN of loan amount to be approved.
5. KDFN executes resolution for loan guarantee. This will be requested by KDFN Finance. Copy to be provided to the lender
4. Lender applies and obtains CMHC Mortgage Insurance
5. Lender applies to the FNMHF and obtains the Credit Enhancement Certificate.
6. Lender confirms to the applicant and KDFN that the loan has been approved.
7. Lender confirms to KDFN Finance that applicant has met all applicable insurance requirements (life, home, and construction). Lender or applicant provides copies to KDFN Finance.
8. Lender provides loan documents to Applicant for execution. Copies of executed loan agreement is provided to KDFN Finance.
9. Lender provides Guarantee document to KDFN Finance. KDFN Finance arranges for execution by authorized signatory and provides copy to lender.
10. Lender and KDFN Finance confirms to applicant that all security documentation is in order.

**E. Construction and Loan Advances**

1. Applicant and contractor commence construction.
2. KDFN Community Services or Finance will have authorization for any site visits throughout construction.
3. Lender is to ensure that Applicants equity is applied to construction costs prior to loan disbursements.
4. Applicant is responsible for ensuring the timely completion of progress and compliance inspections. The maximum number of progress advances is four. Photographs of housing project is to be submitted to the lender and KDFN Finance per advance. Applicant is responsible to pay for progress and compliance inspections.
5. If applicable, applicant submits photographs of installation of well and septic work. Additionally, well log and percolation test reports are required to be submitted to KDFN Finance.
6. Lender proceeds with disbursements. Holdback of 10% until confirmation that project is 100% complete along with confirmation that sub contractors have been paid will be required and enforced by the lender. Project is verified complete by way of a final inspection report issued by the City of Whitehorse or Yukon Government, a copy of which is to be forwarded to KDFN Finance.



7. Applicant is responsible to ensure that interest payments are made to the lender throughout construction period. Upon 100% completion of construction, Applicant and lender sets interest adjustment date, and applicant is advised of when blended payments are to commence.

**V. NEW CONSTRUCTION FOR RENTAL OR RENT TO OWN PURPOSES**

**Policy:** A KDFN owned entity or a KDFN citizen who is interested in the construction of new rental units or rent to own units on KDFN settlement lands, may be eligible for loans under the new rental units or rent to own units.

**PROGRAM DETAILS & CRITERIA**

Borrower	KDFN owned entity
Maximum Loan	\$300,000.00 per unit
Maximum Amortization	25 years
Down Payment	5.00% cash equity
KDFN Fee	1.00% (paid by the applicant to KDFN, can be included in home loan costs)
Life Insurance	Not applicable
Home Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
CMHC Mortgage Insurance	Mandatory if equity contribution is under 25%
Construction Insurance	Mandatory
Collateral held by KDFN	KDFN to hold an option to purchase/terminate the lease upon default by the borrower by payment in accordance with Part VII below, along with any other security that KDFN deems prudent at the time of issuance of the loan. .
Gross Debt Service Ratio	Not applicable
Total Debt Service Ratio	Not applicable
Debts owed to KDFN	Any debt in arrears owed to KDFN must be repaid in full six months prior to KDFN guaranteeing a home loan for the applicant,
Hold back on construction	Lender to withhold 10% of all disbursements until final inspection report is issued.
Business Rental Feasibility	A Feasibility Report is required to be submitted to KDFN and the lender to support the viability of a rental project.

## PROCESS DETAILS

(See I. New Construction – Process Details)

### VI. PURCHASE FOR RENTAL OR RENT TO OWN PURPOSES

**Policy** A KDFN owned entity or a KDFN citizen who is interested in the purchase of a unit(s) on KDFN settlement lands for market rental purposes, may be eligible for loans under the purchase rental units or rent to own units. This may include renovations, but must not exceed maximum loan amount.

### PROGRAM DETAILS & CRITERIA

Borrower	KDFN owned entity
Maximum Loan	\$200,000.00
Maximum Amortization	25 years
Down Payment	5.00% cash equity
KDFN Fee	1.00% (paid by the applicant to KDFN, can be included in home loan costs)
Life Insurance	Not applicable
Home Insurance	Mandatory, loss payable firstly to lender, loss payable secondly to KDFN.
CMHC Mortgage Insurance	Mandatory if equity contribution is under 25%
Construction Insurance	- Mandatory, if renovations exceed \$20,000.00 - Mandatory, if renovations are less than \$20,000 and deemed a requirement by the Community Services.
Collateral held by KDFN	KDFN to hold an option to purchase/terminate the lease upon default by the borrower by payment in accordance with Part VII below, along with any other security that KDFN deems prudent at the time of issuance of the loan.
Gross Debt Ratio	Not applicable
Total Debt Ratio	Not applicable
Debts owed to KDFN	Any debt in arrears owed to KDFN must be repaid in full six months prior to KDFN guaranteeing a home loan for the applicant.

Hold back on construction	Lender to withhold 10% of all disbursements until final inspection report is issued.
Business Rental Feasibility	A Feasibility report is required to be submitted to KDFN and the lender to support the viability of a rental project.

## PROCESS DETAILS

(See II. Purchase – Process Details)

### VII. DEFAULT SCENARIOS

**If in event that an Applicant defaults on their loan, the following will occur:**

- A. Scenario 1 – Lender and KDFN applicant (client) works together to bring account current within 90 days. Note that the lender is required to submit monthly reports to KDFN Finance.
1. Lender takes action immediately, by phoning and/or writing a letter to the client.
  2. Client and lender work together to bring loan account current.
  3. Client continues to maintain loan account in good standing.
- B. Scenario 2 – Lender, KDFN Finance, and KDFN applicant (client) bring account current after 90 days.
1. Lender takes action immediately, by phoning and/or writing a letter to the client.
  2. Client is unable to catch up on missed payment and 90 days lapses.
  3. Lender advises client and KDFN that further action is required.
  4. Client, lender, and KDFN work together to determine successful process to bringing account current. All three parties must agree to one of the following:
    - a. Special payment plan
    - b. Capitalize loan arrears
    - c. Re-amortize loan account
  5. Client continues to maintain loan account in good standing.

C. Scenario 3 – At 120 days, Lender, KDFN Finance, and KDFN Applicant (Client) determine account cannot be saved with current applicant.

1. Lender takes action immediately, by phoning and/or writing a letter to the client.
2. Client is unable to catch up on missed payments.
3. Lender advises KDFN that further action is required.
4. Client, lender, and KDFN work together, and it is determined that loan account cannot be maintained and /or restructured.
5. Lender formally advises client and KDFN of default, and calls upon the KDFN guarantee.
6. KDFN Finance advises client that KDFN is exercising its option to purchase or terminate the lease and that KDFN will take possession after payment (if any) as calculated by section 7 below.
7. KDFN Finance determines equity value in home on a specified date (value of home less mortgage payout and other costs) and will advise client accordingly. KDFN will recover costs incurred during this default process plus any overhead fees and such fees will be deducted from net sale or recovery proceeds. Net equity amount (if any) would be forwarded to the client (defaulted borrower) as equity value. In some cases, the client may not have an equity position in the home due to but not limited to house condition, determined value, amount required to payout the lender and KDFN's costs.
8. KDFN determines eviction process.
9. KDFN and the Lender mutually agree on whether loan account to be brought up to date and loan assumed by KDFN or paid out by KDFN.

VIII. APPENDIX

A. **GDS/TDS Calculations**

**Gross Debt Service (GDS) Ratio** - The percentage of gross income required to cover monthly payments associated with housing costs. Most lenders require that the GDS ratio be no more than 32% of your gross (before tax) monthly income.

Example: 
$$\frac{\text{Monthly Mortgage Payment plus general heating costs} = \$1,300}{\text{Monthly Gross Income} = \$5,000} = .32 \text{ or } 32\%$$

Note: General heating costs is estimated at \$300 per month

**Total Debt Service (TDS) Ratio** - The percentage of gross income needed to cover monthly payments for housing and all other debts and financing obligations. Most lenders require that the TDS ratio be no more than 40% of your gross (before tax) monthly income.

Example: 
$$\frac{\text{All monthly payments (including mortgage \& heating)} = \$1,750}{\text{Monthly Gross Income} = \$5,000} = .40 \text{ or } 40\%$$

B. **Mortgage Qualification Example**

Using similar figures as above.

Income

KDFN Citizen generates \$60,000 per year, this equals to \$5,000 per month (gross income).

KDFN Citizen has \$420 in other debt (such as truck payment and credit card).

### Project Details

KDFN Citizen would like to build a home that will cost \$250,000

KDFN Citizen will have to contribute \$12,500 as cash equity. These funds must not be borrowed.

KDFN Citizen is obligated to pay 1% (\$2,500) to KDFN. These funds could be included in mortgage amount.

CMHC premium is \$7,560 and also can be included in mortgage amount.

Therefore loan requirement is \$247,560

### Loan Details

Loan Amount	\$247,560.00
Interest Rate	3.99% (discounted from 4.74%)
Amortization	25 years
Monthly Payment	\$1,300.87