YÄNONHCHIA’

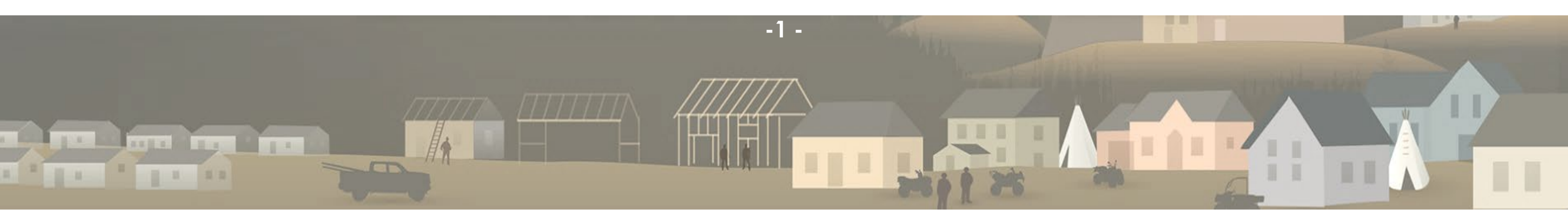
INDIGENOUS HOUSING FINANCE (YIHF) NETWORK

BUSINESS CASE AND FINANCIAL MODEL

FOR AN INDIGENOUS DESIGNED, LED, AND MANAGED INSTITUTIONAL SOLUTION
TO ENGAGE MARKET FINANCE FOR INDIGENOUS HOUSING

NETWORK IMPLEMENTATION PHASE (2023-2028)

JANUARY 2023 V.2



Yänonhchia' (yah-NON-shee-ya), the Huron-Wendat term for "home," stresses the organic connection between family space, community life, and territory. It suggests personal responsibility for shelter; communal responsibility to ensure no one is left behind; and sustainable use of land and resources. The choice of name is a reminder that Indigenous housing efforts need to navigate the tensions between the private, the communal, and the environment, under the stewardship of Indigenous institutions informed by Indigenous values.

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TABLE OF CONTENTS

PRINCIPLES

Yänonhchia' is an Indigenous-designed and -led institutional solution to the housing crisis, built on the principle that all stakeholders take their legitimate share of responsibility for housing outcomes.

1. **Indigenous community member responsibility**, first and foremost, with the quality of homes reflecting the personal level of investment, effort, maintenance, and input of individual developers, owners, or tenants.

2. **Indigenous government responsibility** for care and control of housing. This involves the modernization of land, property, and housing policies, practices, incentives, and systems to create the conditions for members with the means to take responsibility for their housing; and, for as long as it takes, responsibility for the design and delivery of remedial and transition housing for those in need, to the extent of their needs.

3. **Lender and borrower responsibility for housing finance** with shared risk for lenders and borrower responsibility for loan repayment and for consequences of nonpayment.

4. **Indigenous financial leader responsibility** to design and manage sustainable institutional market housing finance solutions that connect market capital with Indigenous housing needs and opportunities.

5. **Indigenous community and non-profit responsibility** to design and deliver appropriate housing solutions such as non-political housing authorities, cooperatives, or associations; to design and deliver housing solutions for special needs demographics; to develop and design culturally relevant housing solutions; and to ensure active civil society participation in housing decisions.

6. **Government of Canada responsibility** to create a level playing field in terms of infrastructure, affordability of housing, and access to housing finance for Indigenous Peoples who choose to live in their communities and territories, with the objective that no additional or undue effort should be required of Indigenous governments, communities, or their members that is not required of their Canadians counterparts for comparable benefits. And, for a transition period, support for the implementation and growth of Indigenous-designed institutional solutions to achieve these aims.

EXECUTIVE SUMMARY

This proposal calling for the implementation of an Indigenous-designed, -led, and -managed institutional response to the Indigenous housing finance crisis is presented by the Aboriginal Savings Corporation of Canada (ABSCAN) in collaboration with the National Aboriginal Capital Corporation Association (NACCA). The network of Indigenous Financial Institutions (IFIs) represented by NACCA has been involved in business finance throughout Canada since the mid-80s and has invested more than $3B to date into Indigenous economies.

The need for an Indigenous institutional response to Indigenous housing finance requirements has never been more urgent than today. In First Nations, access to housing loans is capped by the capacity of individual First Nations to guarantee housing finance; a capacity that is stretched to the breaking point in most communities, with access to capital insufficient to meet the most pressing needs. Mass exodus of First Nations, Inuit, and Métis members away from their communities for lack of adequate housing only displaces the problem, which is now reaching crisis proportions in urban, rural, and, most critically, northern contexts. The math is simple: barring innovative solutions, there is no relief in sight for the health, safety, and overcrowding consequences of the housing crisis.

Yet, replicable solutions have been identified, tried, and shown to work in several communities, including Wendake, ABSCAN's home, where the proportion of homeownership and the quality of homes are comparable to that of the rest of Canada. Almost all Indigenous communities today have a stronger and faster-growing number of creditworthy employed members, successful entrepreneurs, and creative non-profits ready and willing to take increased responsibility for housing outcomes than Wendake had fifty years ago when it turned its housing crisis into economic opportunity. But these energies remain largely untapped, sidelined, disempowered, and disincentivized by dysfunctional housing ecosystems set in motion by the Indian Act and reinforced by generations of government-centred housing programming.

Yänonhchia' is proposing a once-in-a-generation effort to release this pent-up energy and reinvigorate Indigenous housing with a combination of early adopter finance to create momentum and housing ecosystems modernization support to remove obstacles to their engagement. In a way, the Yänonhchia' Housing Finance Network is proposing to do for housing what the IFI network has achieved for Indigenous business in Canada—to provide the support and the seed investment needed to release the creative and entrepreneurial strengths of Indigenous Peoples to find solutions on their own terms.

Yänonhchia' is inspired by the success and lessons learned from the experience of Wendake and similar communities, and it builds on the institutional strength of an established Indigenous lender network with local knowledge, presence, and relationship capital built over more than thirty years of Indigenous lending experience. Two of its members have been active in housing finance since 2005. ABSCAN, in Quebec, has invested over $25M, much of it raised from personal First Nations savings, into housing loans with no defaults or losses since inception in 2005. All Nations Trust Co. (ANTCO) has been managing Canada Mortgage and Housing Corporation (CMHC) Section 95 loans since 2005 with a current housing portfolio of more than $175M.

Yänonhchia' proposes to initially take this activity to scale nationally in willing First Nations, and then in all interested Indigenous communities, with an approach based on four pillars:

1. Early adopter housing finance for individuals, entrepreneurs, non-profits, and communities with loans based on merit, creditworthiness, and asset value rather than community guarantees. The proposed model provides for close to $6B in loans over twenty years, delivered by twelve to fifteen IFIs with construction, acquisition, and renovation loans for private homeownership, private housing development, privatization of community rentals, densified public rentals, purpose-built non-profit housing solutions addressing the "niche" housing challenges of demographics with special needs, and business loans secured by home equity value.

2. Support to Indigenous communities, non-profits, and members for the modernization of housing ecosystems, addressing complex and interrelated factors from housing incentives and policies to land and property systems reform. Instruments to assist community debate over policy options, such as a community housing finance sustainability diagnostic instrument, will be fine-tuned and made available to community leaders through a center of excellence.

3. Securitization of performing early adopter housing loans to ensure ongoing access to affordable market sources of capital in proportion to the volume of quality loans rather than the guarantee capacity of Indigenous communities. This feature addresses the main limitation of the large and successful revolving housing loan funds that fueled the success of Wendake and similar communities—their inability to keep up with the demand they set in motion. The securitization feature is expected to begin operations in 2028, once a diversified portfolio of $150M in performing loans has been built up.

4. Housing Growth Support Instruments to accelerate housing infrastructure finance to ensure housing cost affordability and to provide an alternative to current guarantee instruments.

The initiative is projected to continue to grow slowly and in phases, adjusting to circumstances and needs. A pilot, carried out by ABSCAN from 2016 to 2018, validated the concept, confirmed interest, demonstrated demand, and provided a clear sense of the housing ecosystems challenges that needed to be overcome. A demonstration phase, now completed, expanded activities to fifteen First Nations, road-tested the housing systems modernization approach, confirmed viability projections, and further documented loan risk and demand.

The business case and financial model presented here addresses the upcoming five to seven year "network implementation" phase during which five additional IFIs are projected to commence activity and collectively generate a $150M housing loan portfolio. Once this milestone is reached, the initiative will enter its final and ongoing "securitization" phase.

When fully implemented, the Yänonhchia' Indigenous Finance Network will be comprised of twelve to fifteen participating IFIs ensuring full national coverage and a Network Central with coordination responsibility. A Capital Facility with a $150M warehousing line of credit, replenished through securitization, will support ongoing loan activity.

The financial model assumes a cost of capital enabling loans to Indigenous clients at a rate equal to the best-posted commercial five-year fixed rates. Loan deployment and performance are based on ABSCAN loan demand, metrics, and activity. The model provides for six IFIs to engage over the next five to 7seven years—a conservative scenario reflecting post-COVID uncertainty in housing markets. Projections suggest individual IFIs achieve break-even on loan activity within five years, with a portfolio of about $30M and the Network Central reaches self-sufficiency on its loan operations within six years, with a consolidated IFI portfolio in the $125M range. Surpluses generated by the loan activity are reinvested in housing systems modernization support activity and, once these become self-sufficient within a year or two, are reinvested into Credit Enhancement Reserves that form the first recourse in a cascade of investor protection mechanisms supporting securitization operations.

The main benefit of the initiative is the activation of an Indigenous designed and managed institutional solution to correct dysfunctional housing systems and access market capital for housing finance. During the network implementation phase, it will establish a cohort of early adopters that will serve as role models to generate support for change from within communities and it will develop and tailor instruments, tools, and models to support housing ecosystems change by Indigenous communities and make them available nationally. It will release and activate the largely untapped potential of personal, entrepreneurial, and non-profit responsibility for Indigenous housing outcomes. It will provide a conduit for market capital; for socially responsible investment focused on environmental, social, and governance outcomes (ESG); and impact investments driven by economic reconciliation objectives to address quality Indigenous housing loan demand at affordable rates. It will document the performance of Indigenous housing loans to build the track record to support ongoing access to market capital based on real, as opposed to perceived, risk. And, finally, it will bring Yänonhchia' to the level of activity required for securitization solutions that will ensure ongoing access to capital.

This will result in significant, game-changing outcomes:

- Profound transformation of housing systems at an accelerated rate, enabling a transition from basic government-provided and -managed shelter to a full continuum of quality public and private housing solutions;
- Access to finance for densified social housing projects for homeowners and private developers active in communities that are in financial difficulty or unable to guarantee the volume of housing finance required to resolve their housing crisis;
- The removal of caps on the amount capital available for Indigenous housing with merit and quality of demand driving access to capital rather than guarantee instruments;
- Improvement of community finances, freed from housing deficits and from contingent liabilities against housing loans, enabling First Nations to focus their resources on social housing, infrastructure, and economic participation;
- Increased ability of First Nation governments to focus housing efforts and finance on those most in need
- Access to finance for non-profit solutions tailored to the needs of specific at-risk demographics;
- Increased home longevity and family wealth creation through homeownership;
- Decreased health and safety impacts of overcrowding and poor housing;

- Access to business loans backed by home equity, an important benefit of homeownership not accessible to First Nations homeowners on reserve; and
- Improved economic prospects for communities due to the combination of housing activity and the ability for First Nations to invest into economic participation resources now directed to housing deficits.

ABSCAN and NACCA believe that no other institution, or group of institutions, in Canada is currently in a position to achieve the outcomes described above. The ability to access market capital for housing through an Indigenous financial intermediation mechanism like the securitization solution Yänonhchia’ is proposing is one of the key conditions to reach the objectives agreed on by Canada and the Assembly of First Nations (AFN) in the agreement to transition to First Nations care, control, and management of housing and infrastructure, especially with respect to the commitment to ensure access for First Nations members to the same housing finance tools and mechanisms that are available off reserve. In addition, the Yänonhchia’ initiative holds the promise of extending similar benefits to other Indigenous groups in Canada.

BACKGROUND

Indigenous, and especially First Nations, housing is in crisis. Health and safety issues, overcrowding, and community deficits are out of control. Simply building more the way things are done now won't do. First, there is the sheer size of the challenge: 130,000 homes to build and 80,000 to renovate, requiring an investment of $60B, of which $44B is for the backlog alone, according to the AFN[1] for the on-reserve First Nations segment of needs. Second, housing ecosystems and practices are unsustainable in all but a few First Nations, even at the current insufficient rate of housing activity. In many First Nations—especially those where needs are highest—each new home further increases the community's financial deficit and eats into its capacity to invest in economic participation.[2]

It's crucial to realize that the Indigenous housing crisis is not just an extreme version of the current Canadian housing crisis, caused by a lack of land or supply and exacerbated by poverty or remoteness. It's a chronic, ongoing crisis with root causes that go back to the very creation of reserves and Indigenous settlements.

It involves dysfunctional housing ecosystems[3] inadvertently set in motion by emergency government responses that became the norm and that now need to be overhauled and modernized. Their main feature is the concentration of all control, levers, decision, and responsibility over housing outcomes in governments, with little or no space for personal and market initiative. To resolve the housing crisis, we believe that individuals, families, suppliers, and lenders need to be empowered and incentivized to assume their legitimate share of responsibility for housing outcomes alongside governments. And that market capital needs to be engaged to fuel the process on a fair risk/return basis.

This is what YÄNONHCHIA' is about.

LACK OF ACCESS TO FINANCING AND DYSFUNCTIONAL HOUSING ECOSYSTEMS

[1] (2021) Cost analysis of current housing gaps and future housing needs in First Nations, an Institute of Fiscal Studies and Democracy report to the Assembly of First Nations

[2] 2020 Paving the Way to a new way of financing a range of First Nations housing solutions; First Nations of Quebec and Labrador Economic Development Commission report to the Quebec Tripartite Housing Committee (AFN/ISC/CMHC)

[3] *Housing ecosystems*, as used in this paper, refers to the complex and interrelated sets of values, expectations, motivations, roles, responsibilities, incentives, policies, practices, institutions, regulations, and laws that determine how homes are built, owned, and financed in a given society.

Reserves were initially created as temporary, transitional settlements with the expectation that exposure to Western education through residential schools or Indian day schools would result in the rapid assimilation of Indigenous populations into the mainstream.[4] The last wave of settlement, from 1945 to 1960, involved the resettlement of groups and individuals evicted from homes they had built on their territories or, often, on reserves that were being closed. The move came with the promise of better homes. Better homes were not provided, but basic shelter—and rudimentary infrastructure—were, at no cost, in the new reserves. This validated a perception that is still widely shared in many First Nations: that free homes provided by the government are compensation for homes and land left behind.

But, against expectations, the First Nations population did not disperse and integrate. Instead, reserve populations grew. The architects of the Indian Act had not anticipated this. As a result, the Indian Act did not provide for the complex land and title systems, registries, regulations, instruments, incentives, guarantees, infrastructure, and financial instruments that make it possible for Canadian individuals, suppliers, lenders, and investors to take responsibility for housing in the mainstream.

By default, the provision of shelter continued to be the exclusive responsibility of governments as refugee housing programs evolved into community housing programs. In the mid-1960s, Indian Affairs remodeled its housing subsidy programs to include a broader range of housing activity. In 1966, Ministerial Loan Guarantees (MLGs) for both communal homes and homeownership were introduced to leverage government subsidies with National Housing Act-approved commercial lender loans.[5] In the mid-1970s, the Canada Mortgage and Housing Corporation (CMHC) introduced programs designed on the model of mainstream remedial housing solutions.

In the mainstream, subsidies, incentives, and remedial housing programs aim to correct market inefficiencies and to provide for individuals in difficulty—not to replace market, lender, and personal risk or effort. They represent a very small share of the total housing effort. But in First Nations, they have been the main—and often the only—tool available for housing. This has resulted in a culture of skewed values, roles, incentives, and expectations. Chief among these is the conviction that housing is a government responsibility with little or no room for personal initiative.

Round after round of housing budget cuts in the 1980s and, more importantly, in 1993, resulted in increasing housing deficits in communities that did not have sufficient own-source revenues to compensate. Overcrowding, unsanitary living conditions, the exodus of community members, and lack of resources for maintenance increased to crisis levels. In-house professional and technical housing expertise were available to First Nations through regional Indian Affairs offices until the late ’90s. The fragmentation and devolution of housing budgets to individual First Nations preempted the formation of regional First

[4] Enfranchisement—the individual or collective termination of Indian status and access to full Canadian citizenship—was the goal pursued by the Indian Act of 1876; it remained an active policy of Canada, applied among others to veterans, university graduates, and Indigenous women married to non-Indians. This policy was only abandoned in the face of widespread First Nations opposition to its last formulation, the 1969 White Paper on Indian Policy.

[5] MLGs are only available to First Nations in good financial standing and backed by community guarantees. Historical loss rates of 0.6% are reported (2003 report of the Auditor General of Canada on Federal Government Support to First Nations – Housing on Reserves). The MLG authority was last increased in 2008 from $1.7 to $2.2 billion.

Nations institutions with the critical mass to retain equivalent engineering, capital project, and technical expertise. Over the following decades, special federal infrastructure and housing budgets have proven to be unable to halt the increasing housing backlog in all but a few communities. At the same time, housing cost increases have pushed the objective of adequate housing further out of reach, from an estimate of $30B just over a decade ago to $60B today.

MANY NATIONS, MANY PATHS, SOME REPLICABLE SOLUTIONS

No two First Nations or Indigenous communities have the same story and circumstances. Different paths were taken at different points in time. In many First Nations, the norm is still free housing, funded and managed by the community. In others, submarket rents were introduced in the face of strong resistance, and rent collection remains a challenge. Some First Nations resisted the idea of private ownership of land and homes altogether; others embraced it and implemented customary or Indian Act property titles (certificates of possession).

And yet, even in communities with land and property regimes that make it possible, powerful deterrents continue to limit homeownership or private development efforts. Construction costs are much above Canadian averages, especially in northern and remote communities. Home values do not appreciate for a lack of resale markets; and loans against home equity are not available. Private homeownership costs are twice—sometimes three times—as high as the heavily subsidized rents for community homes financed with CMHC and ISC programs. Conventional mortgages for creditworthy individuals are not available unless guaranteed by individual First Nations. But most communities are small and revenue-poor and struggle to provide the guarantees needed to finance social housing for those most in need. Even the more prosperous First Nations cannot guarantee the level of public and private debt needed to eliminate housing backlogs.

Yet, despite these structural obstacles, some First Nations have found solutions.

Some of these solutions were made possible by significant revenues from claim settlements, leasing, resource royalties or economic participation. But they are not easily replicable. However, some First Nations without significant external income sources have developed and implemented replicable solutions to revitalize their housing ecosystems, programs, and policies. In each case, success can be traced back to locally owned and managed financial instruments, such as revolving housing loan funds (RLF) or credit unions under community member control and management. Like commercial lenders, these local lenders made loans based on home value and borrower credit strengths. They instilled loan discipline, controlled lending losses, promoted financial literacy, and established a cohort of early adopter homeowners. These early adopters, in turn, became role models and generated broad community support for far-reaching changes to housing policies and land regimes. The result has been local housing markets and homeownership rates comparable to those in Canada. These First Nations have eliminated their housing deficits, provided quality social housing for those in need, and implemented community infrastructure relative to neighbouring towns and cities. Construction activity supported business expansion and increased income for members.

These proven solutions were designed and implemented by First Nations themselves in the late 1960s and early 1970s. Wendake, Mashteuiatsh, Kahnawake, Six Nations, and Tyendinaga Mohawk Territory have been among the more successful. It was a long process with much trial and error. Activating personal and market initiatives required breaking old habits and ways of thinking. And it required reconnecting with cultural values of individual autonomy that colonial dependency and the legacy of residential schools had eroded. In some communities, “wrap around” services are provided to assist vulnerable individuals on the road to increased housing autonomy.

The transition was made possible by difficult decisions, such as the adjustment of community housing rents to income or the replacement of housing subsidies with interest-bearing loans for homeowners,[6] often in the face of strong resistance. The pace of change only began to accelerate when early adopters became successful role models, generating community support to modify housing policies and a rethink of land and property regimes.

What does success look like? A picture is worth a thousand words. Consult our four-minute clip on the story of Wendake, the home community of ABSCAN, and Yänonhchia’ at https://youtu.be/ZkkxplxPnl8.

[6] It is worth noting that the revolving loan funds used by many of these communities were essentially capitalized by the redirection by Chiefs and Councils of Indian Affairs housing budgets earmarked for subsidies.

GROWING PROVEN SOLUTIONS TO SCALE

THE ABSCAN EXPERIENCE

ABSCAN was established as a non-profit to raise and invest First Nations savings in First Nations. Since 2005, it has raised close to $50M with some thirty bond issues compliant with Quebec Financial Market Authority regulations. Underwriting policies, procedures, and loan management systems that fully meet industry standards, financial statements are produced in conformity with International Financial Reporting Standards. Proceeds of the bond issues were invested, with no losses to date, in community infrastructure, business, and housing.

Why housing? In 1969, Wendake First Nation created a $30M Huron-Wendat Revolving Housing Loan Fund. By 2005, the Fund had become unable to respond to the exploding demand for homeownership loans it had generated. ABSCAN funded an increasing portion of this excess demand and, in 2012, provided the Fund itself with a $6.595M facility to extend its reach. In response to pressing demand from other First Nations, ABSCAN expanded its housing loan activity, with loans for well-managed densified social housing in communities with some of the highest overcrowding rates in Quebec. In one of these communities, housing activity had been on hold for ten years due to community deficits—mainly caused by housing deficits—that barred them from accessing Ministerial Loan Guarantees.[7]

In 2012, responding to First Nations with acute housing challenges, ABSCAN decided to test whether its approach could be replicated in remote communities without housing markets. A $1.2M pilot project combined First Nations savings, a social finance investment by the McConnell Family Foundation, and a contribution from Indigenous Services Canada (ISC). The project demonstrated interest, demand, and traction for a program that combined early adopter homeownership loans and support to address housing ecosystem change. The pilot also enabled ABSCAN to identify barriers and disincentives to market housing and test potential solutions. A fully subscribed $4 M bond issue for corporate investors confirmed an appetite for social finance to participate in this effort.

In 2018, ABSCAN initiated a demonstration project in an extended group of First Nations with a combination of First Nations savings, a CMHC Innovation Fund investment, and an MLG-backed commercial loan. Now completed, the project confirmed interest, demand, feasibility, and the ability to control risk, even through COVID-19 circumstances.

By March 2022, ABSCAN had funded a total of 244 units for $22M.[8] None involved First Nations guarantees or MLGs; no losses have been recorded since inception.

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[7] These loans continue to perform without arrears to this day.

[8] The low average loan size ($90K) reflects the significant proportion of mini homes, privatization of community homes, and renovations in the portfolio, as well as the impact on the otherwise strong demand for larger loans of ABSCAN's uncompetitive interest rates, in the 4.5% to 6% range, driven by ABSCAN cost of capital.

ABSCAN housing finance activity has been successful. Risk mitigation has been shown to work, demand, confirmed, and ABSCAN's approach to addressing needs in communities without housing markets has been validated. But it was clear from the start that First Nations savings and ad hoc impact investments would not suffice to grow the effort to scale. ABSCAN began to explore options to raise market capital and approached the Casgrain group to document options to securitize First Nations housing loans. This seemed possible but only with a critical mass of standardized, geographically diversified loans. But how to achieve that?

TOWARDS A NATIONAL APPROACH – NACCA INVOLVEMENT

ABSCAN is aware that its success rests on the depth of its roots in the First Nations it serves. Its sister corporation, the Native Commercial Credit Corporation (NCCC, but better known by its French name, Société de Crédit Commercial Autochtone, and acronym SOCCA), with which ABSCAN shares board, management, staff, and offices, has successfully offered business loans in Quebec First Nations since 1992. ABSCAN has no desire to extend beyond the territory it knows and understands well so it reached out to other IFIs. Like ABSCAN and SOCCA, they have a long and successful history of managing business loans in communities they have deep roots in. Like SOCCA, they are members of the National Aboriginal Capital Corporations Association (NACCA), an association of fifty-eight Indigenous lending institutions across Canada. NACCA manages capital and support services for the network, including a $150M Indigenous Growth Fund.[9]

Several NACCA members have manifested interest in housing finance. Among them is All Nations Trust (ANTCO) in British Columbia. ANTCO has managed CMHC Section 95 loans since 2005, with a current portfolio of 461 loans with a total value of $177M. ANTCO manages the Urban Indigenous Housing Mortgage program on behalf of the Province of BC (BC Housing). It has piloted a direct housing loan program with its own funds, with forty-eight homes funded and a current portfolio of thirty-two loans with an outstanding balance of $2.3M. ANTCO loans are administered through an industry-compliant Loan Management System. The Trust itself is regulated by the BC Financial Services Authority (BCFSA), the provincial Crown agency responsible for BC's financial service sector supervision and regulation.

NACCA convened a roundtable on housing in 2019 and produced a concept paper to explore options in 2020.[10] The paper concluded that IFIs could do for housing what they did for business, with over $3B in developmental lending since their inception in the late 1980s. It proposed a coalition of IFI housing lenders, each responding to regional needs, circumstances, and priorities in their own way but agreeing on common discipline and standards to share best practices and access market finance together. Essential to the effort would be access to affordable sources of capital and support to bring about housing ecosystem change.

Yänonhchia' is the outcome of this process.

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[9] See Appendix C for a description of NACCA, the IFI network and the Indigenous Growth Fund.

[10] NACCA 2020 Indigenous Financial Institutions and Housing Finance concept paper, Waterstone Strategies and ATC Innovators

THE FOUR PILLARS OF THE YÄNONHCHIA’ APPROACH

Yänonhchia’ brings together into one coordinated institutional response the two mutually reinforcing strategies that ABSCAN developed to reproduce and accelerate the process behind the success of communities like Wendake:

1. Early Adopter Housing Finance for public and private Indigenous borrowers without the requirement for community guarantees that is currently the single most important obstacle to access financing. And

2. Housing Ecosystems Modernization to release and activate pent-up capacities and forces in the community.

To this, Yänonhchia’ adds two additional features that will be developed for implementation by the third year of activity:

3. Securitization of performing early adopter housing loans to ensure ongoing access to market sources of capital. This feature addresses the main limitation of the large and successful revolving housing loan funds: their inability to keep up with the demand they have set in motion.

4. Housing Growth Support Instruments to accelerate housing infrastructure development, ensure housing cost affordability, and provide an alternative to current guarantee instruments.

The following section describes these four pillars of Yänonhchia’.

1. EARLY ADOPTER HOUSING FINANCE

Early Adopters

The path to a healthy, diverse continuum of quality public and private housing options requires many tough and far-reaching decisions at every step. The issues are complex and not always well understood. There is little trust in solutions proposed from the outside and local resistance to change can be strong, especially when it involves immediate sacrifices for uncertain future gains. Chiefs and Councils are reluctant to engage community mobilization around long-term housing systems reform unless early access to housing finance is available to deliver early concrete results to sustain the momentum.

ABSCAN quickly understood that change had to come from the inside, gradually, driven at each step by the success of highly motivated, risk-tolerant forerunners willing to try something new. ABSCAN called them “early adopters.” They include innovative community leaders, non-profits, private entrepreneurs, and private members who, over time, become respected role models that inspire community support for change from within, a critical condition for success in the face of the widespread lack of trust in First Nations for outside solutions.

Types of Loans

As ABSCAN expanded its activity to communities without housing markets, it became apparent that multiple housing needs and opportunities had to be addressed to engage community leaders, respond to local priorities, and set the stage for housing ecosystem modernization. First-time homeownership, ABSCAN’s initial focus, was an objective in most of these communities but rarely the most pressing priority for local leaders.

Based on actual demand generated by ABSCAN, Yänonhchia’ has identified five types of loans for financing under its Housing Finance program and one for parallel delivery by the IFI’s business arm:

1. Private homeownership and housing development;
2. Privatization and minor renovation of community homes[11];

[11] This is often an efficient and low-risk strategy for introducing homeownership and was the primary demand for ABSCAN loans in First Nations with no established housing markets. The loans are of small size, with repayments in the same order of magnitude as rents. This step has made homeownership affordable for many—especially for individuals who had assumed maintenance of their homes on an ongoing basis.

3. Public rentals projects, such as densified social housing or mini homes[12];

4. Private rentals[13] and non-profit purpose-built housing solutions addressing the “niche” housing challenges of demographics with special needs (e.g., transition homes, women’s shelters, returning offender lodgings, single-family complexes, etc.);

5. Major renovations; and

6. Business loans secured by home equity value.

The last category is a high-impact economic development priority, and a growing area of demand in First Nations. It represents one of the important “missing” benefits of private homeownership in the current environment. We have chosen not to include it in Yänonchia’ housing loan activity forecasts since these loans are not directly for housing purposes. They will be made available through the business lending arm of the participating IFIs rather than through the Yänonhchia’ Capital Facility.[14]

Yänonhchia’ loans to individuals and non-profits will not require Ministerial Loan Guarantees (MLG) or community guarantees. This is one of the defining features of the initiative. Lending risk will be controlled using alternative loan security arrangements consistent with Indian Act restrictions on the seizure of land that have been used successfully by Indigenous housing loan providers, including ABSCAN, since the ’80s. They involve a tripartite arrangement between a lender, a borrower, and a trustee holding the title for the duration of the loan. Yänonhchia’ is currently researching ways to optimize and standardize this type of loan security arrangement for uniform implementation across participating IFIs.

Does Yänonhchia’s primary focus on homeownership make it a solution only for the “rich”? On the contrary, in ABSCAN’s experience, opening the door to first-time homeownership for the emerging First Nations middle-class benefits the entire community in many ways. It frees up community homes currently occupied by higher earners due to a lack of alternatives. It creates role models to activate increased personal responsibility for housing outcomes. It increases the longevity of the housing stock with maintenance carried out by owners that have a stake in maintaining the value of their assets. It diversifies the housing stock and lays the foundation for internal housing markets. It enables First Nations to concentrate their efforts on social housing. And it allows Yänonhchia’ to address the higher-risk social housing needs of remote communities with lower-risk loans.

[12] The construction of densified social housing units or mini homes is perhaps the most pressing need in communities seeking to relieve overcrowding pressure, especially where access to MLGs is an issue.
[13] Private rentals owned and managed by First Nations members can play an essential role in communities where housing backlogs are out of control. However, their access to finance is limited since most First Nations have been reluctant to backstop private entrepreneurs, preferring to focus their limited guarantee capacity on social housing.
[14] ABSCAN and its business lending sister corporation, NCCC, have been offering this type of loan for over a decade on the force of their internal capacity to assess housing equity value. To our knowledge, they are currently the only two lenders in Canada offering business loans secured by home equity on reserve.

2. HOUSING ECOSYSTEM MODERNIZATION THROUGH "ACCOMPAGNEMENT"

Housing Ecosystems Modernization

By *housing ecosystems*, we mean the complex and interrelated sets of values, expectations, motivations, roles, responsibilities, incentives, policies, practices, institutions, regulations, and laws that set the stage for housing activity in a given society. The First Nations housing ecosystem evolved separately from mainstream ways of doing things, in large part because of the land and property regime created by the Indian Act. Overreliance on remedial government housing programs for lack of alternatives resulted in dysfunctional housing ecosystems providing very limited means, levers, and motivation for individuals or groups to take responsibility for their housing outcomes. Of course, no two First Nations have the same story and circumstances: the evolution of their local housing ecosystems and the path to better housing will differ for each.

Yänonhchia's housing ecosystem modernization strategy aims to assist First Nations in building their own roadmap to success and addressing the interconnected housing-related factors relevant to their circumstances in a coordinated way. Development and sharing of best practices will provide Yänonhchia' partner communities with models that can be adapted locally and will eliminate the need to "reinvent the wheel" by funding the same studies repeatedly. This approach avoids the limitations of efforts pursuing similar objectives, such as solutions designed to address one factor in isolation of the others, one-size-fits-all models that never fit well anywhere, and solutions focused on weaknesses and gaps rather than community strengths and assets.

The housing ecosystem challenges addressed are both personal and collective. The following non-exhaustive list provides a sense of issues to be addressed:

- The financial and homeownership literacy deficits of Indigenous community members;
- The tendency of credit score algorithms to penalize non-standard demographics[15];
- The lack of personal savings, especially in the absence of local financial institutions;
- The erosion of traditional values of personal autonomy and self-sufficiency after generations of colonial disempowerment of personal initiative and the transfer of all housing finance levers to local political authorities;
- The perception that housing is a government obligation, validated each time government programs result in the distribution of homes at no cost to community members;

[15] See 2015 Todd and Al, Consumer Credit on American Indian reservations, Economic Systems 39, 518-540 for a description of the impact on Indigenous groups in the US, and 2016 Forrest Green RMC Ottawa: Comparative Analysis of Consumer Credit Bureau Data for the situation in Canada

- The perception that homes are short-lived assets, rapidly losing value, validated by the rapid dilapidation of community homes and the lack of resale market;

- Powerful financial disincentives to increased personal responsibility for housing outcomes, with individual homeownership requiring a greater financial effort for fewer benefits in Indigenous communities than in the mainstream: homes cost more to build and maintain, capital gain prospects are close to nil, fiscal incentives are inoperative, and financing against home equity is unavailable;

- The financial effort is even more significant compared to the alternative in most communities: heavily subsidized community housing rents that are often less than half the homeownership costs for the same home, with little or no consequence for arrears;

- Lack of precise financial data on current community housing practices and alternative approaches to support community discussion over options; lack of information on who is paying for what and whether current housing finance strategies are sustainable;

- The difficulty of engaging the community around housing ecosystems changes for lack of solid data on needs and alternatives; and the lack of answers to serious member concerns over consequences of proposed changes such as the potential for land speculation with the introduction of private land ownership;

- The need to update land and property tenure regimes in a way that balances individual initiative with communal interests while providing lenders with certainty over security;

- The lack of critical mass and expertise to develop adapted housing solutions for demographics with specific needs, especially in small and remote communities;

- The lack of access to technical services to sustain housing planning and development, especially in smaller and remote communities; and

- The lack of access to an equivalent to the mainstream loan guarantee and first-time homeownership assistance that has been made available to other Canadian citizens.

"*Accompagnement*"

Yänonhchia' plans to deliver support for a change in housing ecosystems through an approach developed by ABSCAN. We refer to it as "accompagnement" to avoid confusion with the more common, top-down knowledge transfer of most capacity-building approaches. Accompagnement is an interactive approach focused on specific results and goals set by the community itself. Tools, instruments, and best practices—some developed by Yänonhchia', others by participating First Nations—are proposed and shared as needed. Communities are the best judges of their needs, priorities, and strengths. Funding is provided to adjust and refine what is relevant to them. In a sense, accompagnement aims at *releasing* capacity, not *building* it.

This goes to the heart of Yänonhchia's philosophy, encapsulated in the choice of its name: to *release* and *activate* traditional values of personal resilience, community care and control, and sustainable relationship to the land in connection with housing. These values were eroded by dependency on colonial housing programs and lack of access to levers of growth but nonetheless remain strong in our communities. This is in vivid contrast to solutions developed from the outside that attempt to *replace* First Nations values and attitudes with mainstream, individualistic and, often, environmentally insensitive ones.

Consistent with this approach, accompagnement starts with the community itself. As a result, housing ecosystems change initiatives will vary across communities and regions. Participating IFIs will carry out much of the development and direct delivery in partnership with First Nation communities and, where possible, specialized regional Indigenous organizations.

For example, ABSCAN is supporting the development of hands-on financial literacy and credit repair clinics in Quebec. Ulnooweg Development Corporation, an IFI active in Atlantic Canada, is building a housing finance diagnostic instrument for community leaders. ANTCO is establishing a Housing Resource Services unit to provide housing ecosystems modernization support to communities in BC.

The Network Central plays an important support role. Either directly or in partnership with other agencies, it will initiate research on instruments of change to housing ecosystems and manage a centre of excellence for best practices developed regionally or locally. It will develop and maintain linkages with mainstream corporate, university, and applied housing research and support agencies, and with national networks with an interest in supporting Indigenous housing development such as Habitat for Humanity, Social Innovation Canada, or Tech-Access Canada.

The Network Central will also provide staff training and systems support to reduce setup time, cost, and effort for onboarding IFIs.

3. SECURITIZATION OF INDIGENOUS HOUSING LOANS

Securitization is a tool that could enable Yänonhchia' to obtain cash from investors in exchange for future housing loan repayments. The fresh cash would be used to issue more loans, which could then be securitized, and so on as long as there is quality demand, investor appetite, and sufficient equity, guarantees, and recourse mechanisms to back the loans. One could think of it as a channel to flow market capital to Indigenous communities in proportion to quality housing loan demand from creditworthy borrowers. This is in sharp contrast to current practices in Indigenous communities where the amount of market capital available for housing is not determined by the quality of the demand but by the levels of available guarantees. It is in contrast also to the situation of revolving housing funds that can only lend as much capital as they have liquidities, no matter how strong the demand.

In more technical terms, securitization of housing loans is the monetization of discounted cash flows from performing housing loan payments through residential mortgage-backed securities (RMBS). It transforms a portfolio of small, non-liquid assets into a financial product that can be sold to institutional investors on capital markets. An initial survey of securitization options and credit enhancement features was prepared by the Casgrain group for ABSCAN in 2020.[16] The credit enhancement features envisaged included a waterfall of recourse mechanisms to raise market capital at affordable rates until the initiative can build a track record sufficient to document risk. This was expected to include a combination of debt-reserves, backstops, insurance, and guarantees at multiple levels, including— potentially—a role for a modernized First Nations Market Housing Fund.

Securitization activity will likely commence through point-of-sale purchasing arrangements or by “piggybacking” on existing securitization instruments. When and if sufficient volumes, quality, and diversification are achieved, the initiative will consider the creation of a dedicated Indigenous securitization vehicle.

Yänonhchia’ does not plan to securitize its loans until a portfolio of $150M has been generated, in five to seven years. However, it will enforce loan standards and metrics consistent with securitization from inception as the $150M portfolio builds up. It will immediately begin to develop mechanisms, solutions, and partnerships to support a seamless transition at the end of the implementation phase.

A provision has been built into the financial model for research, partnership development, and the drafting and applying a business plan for the securitization phase. This amount may need to be adjusted once appropriate securitization options have been identified and fully costed.

4. HOUSING GROWTH SUPPORT INSTRUMENTS

The ability of Yänonhchia’ to revitalize Indigenous housing finance over time assumes solutions will be found and implemented to sustain a significant increase in the growth of housing activity beyond the carrying capacity of current budgets and solutions to address housing-related infrastructure, housing cost affordability, and loan guarantee needs.

This is not expected to be an immediate concern as activity ramps up gradually during the upcoming $150M network implementation phase, but it will rapidly become critical past that point, especially for northern and remote housing activity. Yänonhchia’ has made it a priority to develop concrete solutions in view of implementation within three years, either by its own network or through dedicated Indigenous institutions. An R&D budget has been included in the financial forecast to that effect.

[16] Casgrain & Company Limited is the largest Canadian-owned independent investment dealer specializing in the fixed income market. Casgrain is a member of the debt underwriting syndicates of all ten Canadian provinces and a primary dealer for the Bank of Canada – roles that it shares with Canada’s largest financial institutions. The firm has been working closely with ABSCAN and NACCA on the Indigenous housing project for a decade, providing financial expertise and knowledge.

Housing-related Infrastructure in First Nations

Increase in housing activity is contingent on timely availability of accessible and serviced lots.

ISC capital program budgets, the primary source of funding available to First Nations, are hard pressed to meet current demand and, understandably, direct their limited resources to health and safety-related capital projects first. They are not equipped to deal with a rapid increase in the need for serviced lots. What would be needed is an equivalent to the low-cost loan programs that have from time to time been made available to Canadian municipalities by senior governments for the modernization of their infrastructure.

The monetization of capital budget allocations through the First Nations Finance Authority (FNFA), has been put forward as a viable, low-cost alternative for First Nations qualified under the First Nations Fiscal Management Act. Certification of compliance with appropriate standards for the planning, construction, and ongoing maintenance of facilities financed could be ensured through the First Nations Infrastructure Institute (FNII). This is the solution of choice for Yänonhchia'. In addition to the building of schools and medical centres, it could support the need for the acceleration of large public works, including the preparation and servicing of large surfaces for housing as well as the renovation, improvement, or replacement of central water and waste-water treatment facilities.

Yänonhchia' plans to explore solutions for a residual micro-infrastructure lending solution to address the needs of small-scale projects with quick turn-around requirements (extension of roads, lot surveys, and hook up to water, sewer, and electricity services), especially in Indigenous communities without access to FNFA, and for private housing development for which FNFA financing is not available.

Affordability

Growth of housing activity will require continued affordability support. Contributions to equity are currently provided though ISC and CMHC support and, where own-source revenues permit, by local community investments. Providing the same level of support for increased housing activity in an inflation context will be a challenge, especially for small northern and remote communities where construction and maintenance costs for homes already far exceed the Canadian average.

Yänonhchia' plans to explore strategies used over time by modern governments to support remote housing and first-time homeownership access in the mainstream for solutions applicable in the Indigenous context, and to make specific recommendations to Canada and to Indigenous governments and agencies for programming options through Yänonhchia' or other Indigenous institutions.

Loan Guarantees

At present, the limited ability of individual First Nations to provide guarantees for housing loans is the single most critical impediment to accessing housing finance in First Nations, as it is the condition to access all other government guarantees: CMHC, MLG, and even FNMHF backstops. First Nations in financial difficulty—and their members, no matter their personal creditworthiness—are currently unable to access housing finance on their own or through MLGs. The capacity of other First Nations to increase their guarantee activity to backstop increased housing activity largely rests on the strength of their own-source revenues (OSR).

A tally[17] for 2014 showed 1% of total OSR accruing to the lowest 20% First Nations tier, 5% to the second lowest, and 9% to the middle tier, suggesting that 60% may have a limited ability to support increased housing guarantees for members due to their financial situation or because their limited asset base and borrowing capacity is urgently needed for other purposes (social housing, economic participation, etc.).

MLG liabilities are now close to program authority caps of $2.2B, an amount dwarfed by the volume of needs ($60B as estimated by the AFN). Increasing these caps could provide short-term relief and may be needed as a short-term solution, but this would have no discernable impact on the housing crisis over time as commercial lenders benefiting from these guarantees have no mandate, no motivation, and no capacity to provide the housing ecosystems modernization support that Yänonhchia' is built to deliver. It must be noted that, after more than fifty years of profitable, risk-free housing finance operations, commercial lenders are no closer to providing risk-shared housing loans to First Nations communities or individuals based on merit.

Yänonhchia' proposes to explore alternative ways to deploy guarantee efforts with ISC, CMHC, and private insurers to support Yänonnhchia' financing of increased public and private housing activity on merit, irrespective of the financial situation of local governments.

Among ideas to explore are variants of the risk-management strategy developed for a CMHC pilot that offered access to CMHC's mainstream mortgage guarantee program to First Nations that accepted to post an off-reserve backstop bond. This pilot was terminated prematurely in 2010 as the FNMHF developed an alternative approach that has since failed to increase commercial loan activity. Among the variants to explore are alternatives to build and manage a waterfall of local, regional, and national "buffer" facilities to mutualize risk.

This exploration will lead to concrete proposals for the waterfall of credit enhancement, backstop, insurance, guarantee, recourse, and investor protection mechanisms that are needed for securitization of Yänonchia' housing loans to provide access to affordable market capital. Viability of the guarantee effort will be ensured through the quality of risk-mitigation and oversight measures designed with input from all concerned stakeholders.

The redeployment of guarantee efforts will provide Yänonhchia' with a competitive advantage in support of its housing ecosystems modernization activity, and is expected to decrease in proportion to capital accessed as the portfolio grows in size and a track record is built to document the real risk, as opposed to the perceived risk associated with what will initially be a small, new, and non-conventional product.

[17] 2017 Waterstone and ATC Innovators, First Nations and Inuit Access to Capital for economic development, business and infrastructure: a quantitative assessment of the access and the gaps.

NEEDS AND DEMAND FOR EARLY ADOPTER HOUSING FINANCE

The four pillars described above assume there is both demand and readiness for housing finance. Is this the case?

Recent AFN research has estimated the investments required to bring on-reserve housing to acceptable health, safety, and occupancy standards by 2040 at $60B.[18] This amount is based on a detailed community survey by the AFN, which identified the need for 130,000 new homes and 80,000 major renovations now, and 53,000 additional units by 2040.

This amount may be well below the level of investment needed to support what we think should be our objectives:

- Healthy, diverse continuums of quality public and private First Nations housing, comparable to what mainstream Canadians enjoy;
- Housing solutions adapted to Indigenous cultures, climates, geographies, and economies; and
- Housing markets with space to reintegrate a portion of the First Nation diaspora that migrated out because of a lack of housing and employment opportunities.

Demand for loans, however, is driven less by needs than by capacity.

BORROWER CAPACITY AND QUALITY DEMAND

Borrower capacity, first, is based on credit strength and income to service debt.

The growth of community own-source revenues since the '90s has dramatically increased the financial stability and the borrowing capacity of First Nations governments. The First Nations Finance Authority has borrowed over $3B based on such revenues. However, most of these revenues are concentrated in a small number of communities (67% of own-source revenues were concentrated in 20% of First Nations, according to the 2014 tally cited earlier). Own-source revenues matter for housing in two ways. They are essential to support the part of First Nations community housing finance (debt, administration, and maintenance) not covered by rent income or government subsidies. And they provide the financial stability needed for First Nations to support the heavy load of contingent liabilities arising from their obligation to guarantee all public and private housing debt in the community.

[18] (2021) Cost analysis of current housing gaps and future housing needs in First Nations, as Institute of Fiscal Studies and Democracy report to the Assembly of First Nations. Notably, this research was undertaken before the recent increases in construction cost and interest rates.

A parallel increase in individual First Nation members' employment and income levels has also occurred. Five years ago, ABSCAN attempted to project homeownership loan demand with a study[19] that examined disposable income data (based on the 2011 census) for twenty-four Quebec First Nations[20] without functional housing markets and excluding First Nations with the highest per capita income. It found 6,000 households with sufficient income to service monthly housing expenses of $750 for total potential investments in the $900M range over ten years. Continued income growth since 2011 suggests a strong likelihood that the findings would hold for an inflation-adjusted monthly amount of $957.[21] These findings, projected nationally, represent some 120,000 households and total investments in the $18B range. This is four times the number of homeowners that the First Nations Market Housing Fund expected to finance over ten years when it was announced in 2005.

ACTIVATING PENT-UP DEMAND

Are these estimates realistic?

For First Nations, CMHC and commercial loans are capped by the availability of MLGs and their guarantee capacity, not by the actual volume or quality of the demand. As such, they reveal little about achievable goals.

The First Nations Market Housing Fund (FNMHF) has financed some 500 homes over fifteen years against projections of 25,000 over ten years, with one-fifth of the total in a single community, Tyendinaga Mohawk Territory, where a successful revolving housing loan fund, in operation since 1974, had prepared the ground, but was unable to respond to the growth of demand it stimulated.[22] Nor is there any indication that FNMHF’s capacity-building investments have significantly increased the take-up rate over fifteen years of activity. One could conclude that First Nations are not ready for homeownership finance and that capacity-building investments have had little or no impact over a decade and a half.

Of course, FNMHF performance is less indicative of the potential for quality demand than it is of the relevance of its only solution: the provision of an additional backstop for community guarantees to entice increased commercial lender activity in financially successful communities—the only ones with access to FNMHF backstops.

FNMHF’s very design eliminated a significant part of the projected Yänonhchia’ demand: housing loans for creditworthy First Nations members living in communities in financial distress, in communities without substantial own-source revenues, or in thriving communities, such as Wendake, that are unwilling to guarantee the borrowing activity of their members because they choose to focus their financial strengths

[19] 2017 Guy Latouche, Gaston St-Pierre et associés, pour la Société d'épargne des Autochtones du Canada, Évaluation du potentiel d'expansion du logement privé dans les communautés des Premières Nations au Québec

[20] This groups represents just above 50% of Quebec First Nations population, roughly 5% of Canada’s.

[21] Based on Statistics Canada consumer price index variation (V41690973 series) used by the Bank of Canada’s online inflation calculator, revealing a 27.58% increase in CPI over the 11 years

[22] FNMHF 2021 Annual Report

on social housing, economic development, or other objectives. The strength of that demand was demonstrated by ABSCAN as it loaned out the totality of its available capital (at rates much above commercial bank rates) at no loss, and with no marketing effort,[23] suggesting that there is an untapped pool of quality demand not addressed by other actors. In addition, ABSCAN's contribution to improving housing ecosystems had a noticeable short-term impact on the take-up rate, especially in communities such as Wemotaci or Pikogan, where homeownership was being introduced.

More revealing is the size of housing loan portfolios in communities that do not use MLGs or the FNMHF. In two communities alone, the Kahnawake and the Pekuakami (Mashteuiatsh) Caisse Populaires had $83M in housing loans between them.[24] Six Nations and Wendake have fully engaged their $30M revolving housing loan funds in two communities, for a combined total of $60M. ABSCAN has engaged close to $25M, most of it concentrated in five First Nations. The order of magnitude projected by Yänonhchia' over five years for six regions of Canada has already been surpassed by these five lenders in less than ten communities.

A first conclusion is that pent-up quality demand, difficult as it may be to measure, does exist at levels much above forecast Yänonhchia' activity. A second conclusion is that this pent-up demand needs to be actively released.

This is confirmed by a second study carried out by ABSCAN[25] for two partner communities based on a thorough survey of needs and interests paired with locally collected housing statistics. They confirmed the debt service capacity estimates based on 2011 census income data but revealed that immediate interest for homeownership represented less than a third of that potential.

Actual ABSCAN experience in these communities confirmed capacity and interest numbers and suggests that the pent-up quality demand potential will only be released gradually, with a significant investment in housing ecosystems change. In 2020, ABSCAN prepared an inventory of the main obstacles and disincentives[26] that will guide Yänonhchia's research activity into housing systems change.

[23] Increases in building costs and the unavailability of materials and contractors did slow down ABSCAN take-up following COVID as approved projects were postponed or abandoned.

[24] Source: 2019 financial statements, quoted by 2020 Headwater Capital, Review of Financial Solutions for Northern Indigenous Housing

[25] 2017 Guy Latouche, Gaston St-Pierre et associés, pour la Société d'épargne des Autochtones du Canada, Évaluation du potentiel d'expansion du logement privé dans les communautés de Manawan, et Pikogan

[26] 2020 ABSCAN Désincitatifs à l'accès à la propriété chez les adopteurs précoces de Premières Nations desservies par le programme Habitation Premières Nations de la SÉDAC

THE BUSINESS MODEL

A PHASED APPROACH

The business model for Yänonhchia' provides for a sequence of growth phases, with a progressive engagement of IFIs, and a gradual deployment of loans. This reduces implementation risks, allows for in-course adjustments, and provides for the progressive testing of the approach in increasingly diverse regional and community settings.

A pilot phase carried out by ABSCAN in 2016 to 2018 examined and tested solutions to activate and replicate the process that enabled Wendake and similar communities to resolve their housing crisis. It focused on five remote First Nations without homeownership and without housing markets, two of them without access to MLGs, and all of them facing some of the most important overcrowding issues in Quebec.

The pilot helped define and fine-tune the ABSCAN approach and permitted the identification of the main obstacles and disincentives to personal responsibility for housing outcomes. The pilot also confirmed the demand and the potential viability of the project. It led to a three-year demonstration phase described below, now completed.

1. Demonstration Phase (2019–2022)

The objectives of the demonstration phase, undertaken by ABSCAN in 2019, with a group of fifteen First Nations were to:

1. Continue to build market knowledge and understanding
   - Generate more specific metrics of demand, risk, and performance
   - Explore market growth prospects in a variety of circumstances

2. Develop and test lending products for an increasing diversity of needs
   - Assess impact on reducing housing demand pressures and address community priorities
   - Support the diversification of housing options (densified social housing, non-profit housing solutions for specific demographics, private rentals, etc.) in addition to home ownership
   - Assess results and determine optimal levels of loan policy flexibility to adjust to local circumstances and accelerate take-up in a broader range of communities

3. Explore options to expand ABSCAN approach to other regions in Canada with NACCA

4. Explore options for the securitization of First Nations housing loans

5. Develop a business plan and financial projections for the following network development phase

These goals have now been met, despite important challenges resulting from COVID, with the help of low-interest capital from CMHC's Innovation Fund and bank financing backed by an ISC MLG.

2. Network Implementation Phase (2023–2027/9)

The network implementation phase is the phase covered by this business plan.

It will expand operations nationally and grow the network to the scale where loan securitization, the following phase, comes into effect. This $150M phase is expected to last between five to seven years, depending on economic circumstances and factors affecting take-up. The attached financial scenario provides for this milestone to be reached in mid-2028, in the sixth year of operation.

The objectives for this phase are to:

1. Build a housing support and finance network of IFIs
   - Implement the $150M Capital Facility and the Network Central
   - Design and implement common risk-management and underwriting standards
   - Expand ABSCAN's early adopter housing finance and housing ecosystems modernization support activities to five additional regions, with six active IFIs by 2028
   - Grow the loan portfolio to $150M for an estimated total of 825 loans and total disbursements of just under $160M across the five categories described earlier

Projected Loans by Asset Type at $150M Milestone (mid 2028)							
	2023	2024	2025	2026	2027	2028	Total
Individual Homes	12	19	31	45	67	48	222
Densified Social Housing	12	18	30	38	58	39	195
Major Renovation	4	8	14	24	36	26	112
Niche/Private Rentals	6	10	16	24	32	26	114
Privatisation, Small Renovations	12	16	28	36	52	38	182
Total	**46**	**71**	**119**	**167**	**245**	**177**	**825**

Total Projected Loan Disbursements at $150M Milestone (mid 2028) in 000's							
	2023	2024	2025	2026	2027	2028	Total
Individual Homes	$ 3,000	$ 4,885	$ 8,196	$ 12,236	$ 18,735	$ 13,660	$ 60,713
Densified Social Housing	$ 2,580	$ 3,980	$ 6,822	$ 8,886	$ 13,948	$ 9,645	$ 45,861
Major Renovation	$ 660	$ 1,357	$ 2,443	$ 4,307	$ 6,644	$ 4,935	$ 20,346
Niche/Private Rentals	$ 1,290	$ 2,211	$ 3,638	$ 5,612	$ 7,695	$ 6,430	$ 26,877
Privatisation, Small Renovations	$ 360	$ 494	$ 888	$ 1,175	$ 1,745	$ 1,311	$ 5,973
Total	$ 7,890	$ 12,927	$ 21,988	$ 32,216	$ 48,768	$ 35,981	$ 159,770
Cumulative Disbursement	$ 7,890	$ 20,817	$ 42,805	$ 75,021	$ 123,789	$ 159,770	
Portfolio	**$ 7,766**	**$ 20,238**	**$ 41,202**	**$ 71,493**	**$ 116,973**	**$ 150,000**	

2. Design and implement a securitization system and structure ready to commence activity as soon as the $150M portfolio target is achieved, with the capacity to direct an estimated $7B into First Nations housing over twenty years

This phase will set the stage for future growth, demonstrating the ability to scale, replicate, and expand the housing finance and housing ecosystem modernization approach. It is also critical in demonstrating the effective deployment of capital and the management of financial and other related risks in a decentralized delivery system.

3. Securitization and Institutional Phase (2028 and beyond)

The objectives of this phase are to:

- Implement early securitization solutions and develop solutions to address larger volumes as the initiative evolves
- Grow the network to full national coverage by 2035 with the integration of six or more additional IFIs
- Expand activities to all Indigenous groups in Canada
- Establish Indigenous housing loan-backed securities as a recognized asset class and an investment target for ESG and social finance investors
- Achieve financial break-even for the Network Central and all participating IFIs
- Build a track record to document the real, as opposed to the perceived risk of Indigenous housing finance
- Build alliances with conventional market housing finance players to deliver increasing volumes of housing finance as demand begins to snowball once Indigenous housing ecosystems modernization has been achieved
- Implement infrastructure, affordability, and guarantee solutions needed to support sustained growth of housing activity

COMPONENTS OF THE MODEL

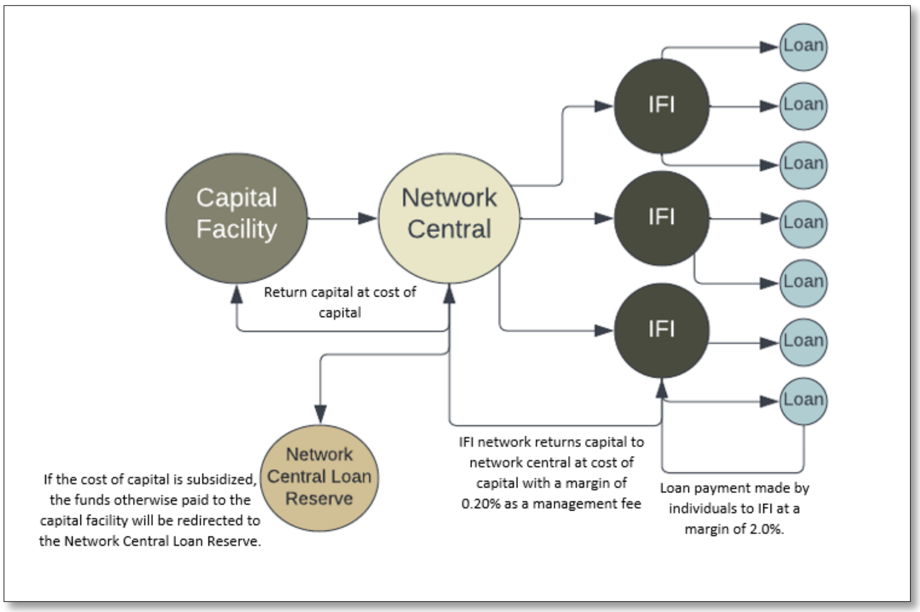
The Yänonhchia' model for the network implementation phase is based on three components:

An initial cohort of six IFIs, of which three have been identified to date—ABSCAN in Quebec, ANTCO in BC, and dana Näye Ventures in Yukon—will commence lending and housing ecosystem modernization efforts during this phase.

A Network Central to coordinate lending and housing ecosystems modernization efforts. It is responsible for the development and implementation of a seamless transition to the securitization phase. The Central will provide back-office function for the Capital Facility and ensure the development and adherence to underwriting standards.

A Capital Facility of $150M, managed by the Network Central. It accesses and allocates capital based on qualified demand, with a modest markup to cover Central management costs.

The graph below illustrates the responsibilities and the relationships between these components, as well as the flow of capital and the pricing assumptions discussed below.



THE IFI NETWORK

The point has been stressed already: no two First Nations have the same story and circumstances. Therefore Indigenous-designed and managed solutions delivered by Indigenous institutions deeply rooted in community are an essential and defining feature of Yänonhchia'. They provide for a unique, decentralized, business model with independent institutions offering a range of services adjusted to the needs, circumstances, and priorities of their respective constituencies, but that come together in a Network Central to access to common support services. The relationship is more akin to that of a federation of independent credit unions than to that of a central bank and its branches.

This provides the flexibility for IFIs to adjust to challenges that are specific to their regions in collaboration with regional institutions, partners, non-profits, and civil society stakeholders, especially with respect to housing ecosystems modernization. With respect to housing finance activity, however, where standardization is essential to raise market capital, canvassed IFIs have all insisted on strict performance and capacity criteria to qualify IFIs for participation and on common standards and processes.

Housing loans will eventually be delivered by a group of twelve to fifteen regional IFIs, six of them coming on stream during the proposed network implementation phase. This could be accelerated if current housing market uncertainty due to inflation and increased interest rates improves. Participation will be limited to the larger and higher performing IFIs that meet stringent certification requirements with respect to loan policy, process, and performance. Membership could also be extended to some of the larger successful revolving housing funds should they choose to incorporate as independent structures similar to that of IFIs.

The network implementation phase of Yänonhchia' is focused on First Nation housing finance on reserves and settlement because of the need to develop solutions specific to Indian Act and Treaty circumstances. However, Yänonhchia' expects participation to be extended to IFIs active in Métis, Inuit, and off-reserve Indigenous communities during the securitization phase.

THE NETWORK CENTRAL

The Network Central will ensure coordination, planning, research, management of a repository of best practices, and training of IFI staff to engage in housing finance. The Central will be incorporated during the implementation phase. ABSCAN and, once internal capacity is in place, NACCA will provide capacity and governance until incorporation of the Central. The legal form and governance structure of the Central will be finalized in consultation with stakeholders, partners, and potential investors. However, it is expected to provide for control by IFIs active in housing finance, and for management, offices, and systems to be shared with NACCA.

The Central will set loan approval and management standards, policies, processes, and metrics inspired by CMHC housing lending guidelines, adjusted[27] to Indian Act, reserve, and settlement land tenure circumstances. In doing so, it will consult with IFIs, potential investors, securitization sector specialists, and partners involved in credit enhancement support. The Central will also play an oversight role in quality control, offer training and assistance to IFIs coming onstream, and carry out legal research into security instruments and other risk mitigation strategies to optimize loan risk.

The Central's role as manager of the Capital Facility requires the capacity to understand and relate to capital markets, government funders, and other financial intermediaries. The role also requires significant administrative capacity to manage capital flows, collaborate with network participants in delivery of services, and ensure that system standards and due diligence systems are maintained. This responsibility resembles NACCA's current management of the Indigenous Growth Fund, which provides capital to increase the business lending capacity of member IFIs.

Where possible, the Central will call on IFIs that have developed specific areas of expertise to develop related tools or services. The development of a First Nations housing finance diagnostic tool, for example, has been transferred by Yänonhchia' to the Ulnooweg Education Center. This NACCA member affiliate is active in the Atlantic tegion and has developed cutting edge expertise in First Nations finance diagnostic instruments since 2012.

The Central's role with respect to housing systems modernization will focus on research, development of tools of general interest, management of the best practices repository, and liaison with Indigenous civil sector institutions. The Central will explore potential government and foundation support for a micro-grant program to connect and mobilize representatives from demographics with specific housing needs (youth, single families, women at risk, disability, returning offenders, etc.) around "niche" non-profit housing solutions.

Finally, the Network Central will manage government support to Yänonhchia' for its own activities and that of participating IFIs until they reach break-even. It will also ensure liaison with government agencies, the First Nations Market Housing Fund, foundations, capital market partners, and other national Indigenous institutions such as the First Nations Finance Authority, the First Nations Infrastructure Institute, and the Assembly of First Nations.

THE CAPITAL FACILITY

A Capital Facility will be established to raise and manage $150M at rates enabling participating IFIs to offer affordable housing finance during the implementation phase. As Yänonhchia' transitions to the securitization phase, the Capital Facility will be converted into a permanent credit-line facility to enable the network continue issuing loans, with periodic replenishment from the securitization of performing loans.

[27] Such as modified GDS and TDS calculations that reflect tax exemptions.

FLOW AND PRICING OF CAPITAL

Offering competitive loan rates to Yänonhchia' borrowers is one of the major drivers of loan demand and is essential to the viability of the initiative.

ABSCAN loans, initially set at 6.5% (fixed five years) to reflect its cost of capital at 4.5%, at a time where Bank of Canada target overnight rates were at or under 2.45%, proved to be a major deterrent to borrowers. Improved rates of 4.5%, made possible during the demonstration pilot thanks to CMHC's Innovation Fund and ISC's MLG, significantly improved loan demand.

ABSCAN's experience is that fixed rates were in the best interest of its clients. The target 4.49% five-year fixed rate used in the financial projections[28] is based on the best posted commercial equivalents.[29] Using the most competitive posted rate as the basis for comparison rather than the average posted rate is justified in that Canadian borrowers, unlike First Nations Yänonhchia' borrowers have the option to shop for the best rate across a large number of lenders and to negotiate posted rates.

IFI and Network Central operating margins of 2.0% and 0.2% respectively are based on current ABSCAN data and reflect the marginal cost[30] to IFIs and the Central of managing housing loan activity at the volumes projected over the seven-year period. These margins will be decreased as break-even levels are reached, sufficient reserves accumulated, and the need for housing ecosystems modernization support subsides.

The Network Central draws down capital on the basis of annual forecast and allocates it to participating IFIs on a first come, first served basis in proportion to lending activity meeting the Central's standards. As the process is demand-driven, the actual amounts by IFI are expected to vary from the average disbursement numbers used in the projections. There are no notional allocations of capital per IFI by year or in total.

The maximum average cost of capital (ACC) for the Network Central's $150M Capital Facility of 2.29% is equal to the target lending rate less the IFI and Network Central margins.

IFIs are non-profit; once break-even levels are reached, surpluses will be redirected to an internal Credit Enhancement Reserve to be used in support of securitization operations. Similarly, the Network Central, also a non-profit, will redirect surpluses into a Network Central Reserve, as a second layer of credit enhancement for securitization.

Yänonhchia' seeks to access capital at an ACC less than this maximum of 2.29% to build up its Central Reserve in anticipation of a seamless transition to securitization operations.

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[28] This and all other pricing elements reflect conditions at time of writing (August 2022) and are subject to change with market conditions

[29] See endnote 1.

[30] Marginal in that the overhead and corporate costs of delivery are already absorbed by current IFI business lending activity

THE FINANCIAL MODEL

A financial model was built to project results over the maximum time estimated to be needed to reach the $150M objective of the network implementation phase. Under the scenario retained here, the $150M is fully deployed by mid-2028.

Earlier projections—which featured slow, baseline, and accelerated growth scenarios—were circulated for comments to IFIs, advisors, and government officials. The version presented here integrates feedback received and adjustments to reflect current economic conditions. For simplicity, the revised financial model reflects only one scenario, with six IFIs in operation.

The first three IFIs are currently active in housing finance and are scheduled to start loan activity with Yanonghchia' in years 2023, 2024, and 2025. The remaining three start in 2027. We remain convinced that a faster rollout is desirable, possible, and would produce better results; however, we have taken a more conservative approach due to the elevated volatility across all markets in 2022.

SINGLE IFI ARCHETYPE PROFILE, ASSUMPTIONS, AND RESULTS

In the financial model, each IFI follows the same loan deployment, characteristics, and expenditure pattern, adjusted for inflation at a constant year-over-year rate of 2.84%,[31] except for ABSCAN, which is already in operation and commences at the loan volume projected for year three in the basic pattern.

Consolidated results, presented in the next section, are mainly driven by the number, speed, and rate of IFI activation. These results vary with modifications to the IFI rollout schedule.

Since IFIs are independent entities that do not cross-subsidize each other, consolidated results make it difficult to follow the path of IFIs towards financial self-sufficiency. As a result, we have found it useful to precede the presentation and discussion of consolidated financial results with an overview of a single "archetype" IFI commencing activity in 2023.[32]

[31] Based on Bank of Canada projections, see endnote 2 for substantiating details.

[32] Note that the results of this "archetype" IFI vary slightly from those of IFIs commencing activity past 2023 because of inflation.

LOAN DEPLOYMENT AND CHARACTERISTICS

Loan deployment and loan characteristics assumptions are based on ABSCAN experience, activity, demand, and observations.

Five categories of loans are built into the loan disbursement schedule: (1) homeownership construction and acquisition, (2) densified public rentals, (3) major renovations, (4) non-profit and private purpose-built rentals, and (5) privatization of community homes with minor renovations.

Average loan size, amortization (in months), and loan loss provisions for each category of loans are illustrated in the table below. All loans have an average loan term of five years. Loan amounts have been set to reflect available federal and local government subsidies over and above the down-payment, consistent with observed ABSCAN loan-to-value ratios in the 70% range. This means the average $250,000 homeownership loan amount used in the model corresponds to total building costs in the order of $350,000.

AVERAGE LOAN SIZE, AMMORTIZATION (in months) and LOAN LOSS PROVISION				
Individual Homes	$	250,000	300	1.3%
Densified Social Housing	$	215,000	300	0.3%
Major Renovation	$	165,000	180	1.0%
Niche/Private Rentals	$	215,000	300	0.8%
Privatisation, small renovations	$	30,000	60	1.0%

Loan loss provisions per category of loan are based on conventions used by ABSCAN auditors for conformity with International Financial Reporting Standards. The lowest loan loss reserves ratios are assigned to community housing and the highest to private homeownership loans. Note that ABSCAN has had no loan losses since its inception in 2005. Managers of two large and disciplined revolving housing loan funds in operation for more than fifty years report[33] loss rates of zero, down from early averages in the 0.5% range.

The table below illustrates the progression of loan portfolio growth by type of loan for the IFI archetype. The first year of operation only includes six months of loan activity to account for start-up delays.

[33] Wendake and Six Nations; anecdotal; RLFs do not have financial statements separate from those of the First Nations, making validation difficult.

LOAN ACTIVITY	2023	2024	2025	2026	2027	2028	2029	TOTAL
NUMBER OF LOANS BY CATEGORY	0	0	0	0	0	0	0	0
Individual Homes	3	8	12	16	20	25	30	114
Densified Social Housing	4	8	12	14	18	18	20	94
Major Renovation	0	2	4	8	12	18	24	68
Niche/Private Rentals	0	4	6	10	12	14	16	62
Privatisation, small renovations	4	10	12	12	14	14	16	82
Total	**11**	**32**	**46**	**60**	**76**	**89**	**106**	**420**
VALUE OF LOANS DISBURSED (in 000s)	$ 1,730	$ 5,358	$ 8,345	$ 11,790	$ 15,492	$ 19,003	$ 23,281	$ 84,998
END OF YEAR LOAN PORTFOLIO (in 000s)	$ 1,701	$ 6,912	$ 14,882	$ 25,967	$ 40,302	$ 57,576	$ 78,440	$ -

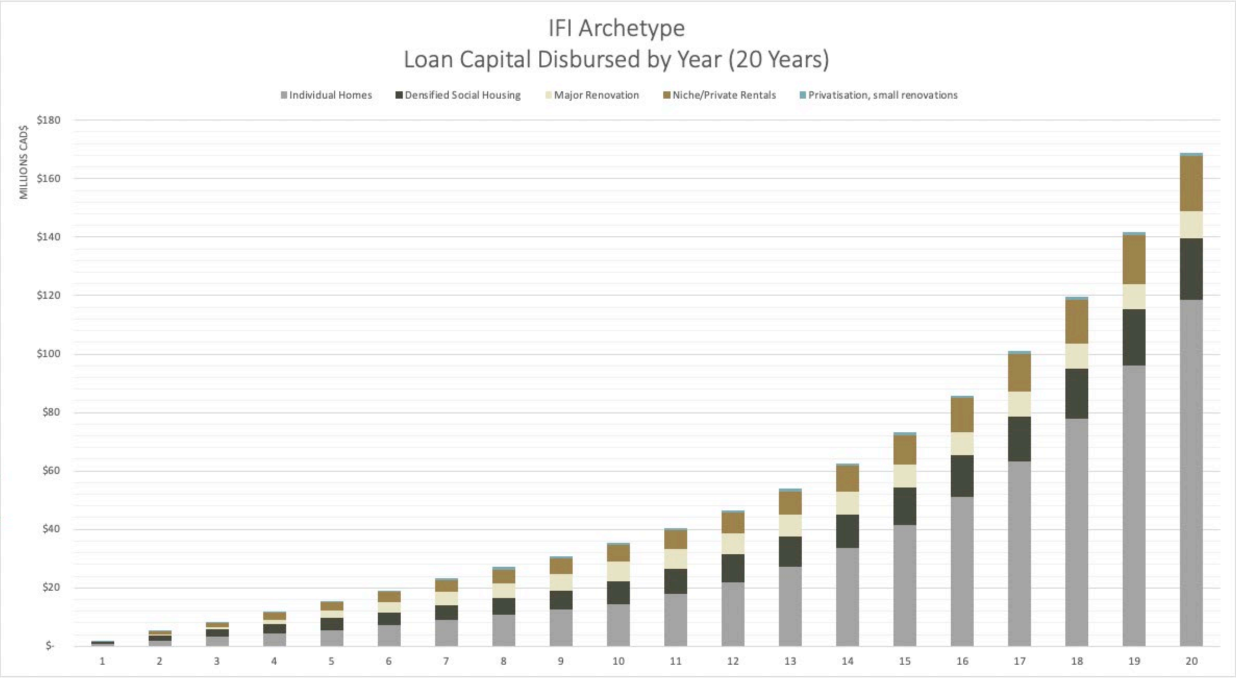
As the Indigenous housing market matures, the proportion of loan types disbursed will adjust to reflect the changing needs of the community. Homeownership loans, for example, represent roughly 40% of the loans made during the first ten years (in value). This is expected to increase to 70% by year twenty as personal incomes increase, the financial benefits of homeownership stabilize, and the backlog of public and non-profit rentals recedes. This scenario reflects the actual experience of First Nations with mature housing markets, such as Wendake.

Privatization of community homes—one of the most effective means to launch homeownership—involves a large number of small, low-risk loans with amortization schedules adjusted for loan repayments matching community rents. The proportion of these loans is expected to decrease quite rapidly in any one First Nation, and to decrease gradually for IFIs across their territory.

Community rental finance is expected to grow slowly because First Nations with strong guarantee capacity prefer to finance social housing with CMHC or commercial loans that offer a greater flexibility of rates and terms than Yänonhchia'.

Private and non-profit rental developments are rather limited in most First Nations despite the needs, opportunities, and entrepreneur appetite. This is in large part because First Nations are reluctant to use their limited guarantee capacity to support them. They are expected to increase steadily over time.

The graph below illustrates the result of these trends (in value) over twenty years for the IFI archetype. Annual loan activity is forecast to grow to $169 M by year twenty, for a cumulative of $1B in loans disbursed over twenty years. Difficult as it is to project this far in advance, the graphs provide a sense of the growth potential.


IFI Archetype
Loan Capital Disbursed by Year (20 Years)
Individual Homes
Densified Social Housing
Major Renovation
Niche/Private Rentals
Privatisation, small renovations
MILLIONS CAD$
$180
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$140
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ARCHETYPE IFI INCOME & EXPENDITURES RESULTS AND ASSUMPTIONS

IMPLEMENTATION	2023	2024	2025	2026	2027	2028	2029	TOTAL	notes
0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
NET SURPLUS (DEFICIT)	$ (250)	$ (200)	$ -	$ -	$ -	$ -	$ -	$ (450)	1

LOANS OPERATIONS	2023	2024	2025	2026	2027	2028	2029	TOTAL	
NET INTEREST INCOME	$ 17	$ 86	$ 216	$ 403	$ 654	$ 965	$ 1,340	$ 3,681	2
OPERATING EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Board, management, systems	$ 280	$ 288	$ 296	$ 305	$ 313	$ 322	$ 331	$ 2,135	3
Loan Administration	$ 50	$ 51	$ 53	$ 54	$ 56	$ 58	$ 59	$ 381	4
Loan Management	$ 35	$ 110	$ 177	$ 256	$ 347	$ 437	$ 551	$ 1,912	5
Loan loss provisions	$ 14	$ 46	$ 71	$ 103	$ 136	$ 174	$ 216	$ 758	6
Total Operating Expenses	$ 378	$ 495	$ 597	$ 719	$ 851	$ 990	$ 1,157	$ 5,187	
IN-KIND IFI INVESTMENT	$ 280	$ 288	$ 296	$ 305	$ 313	$ 322	$ 331	$ 2,135	
SURPLUS (DEFICIT)	$ (81)	$ (122)	$ (85)	$ (11)	$ 116	$ 297	$ 515	$ 629	7
Accompagnement investment	$ -	$ -	$ -	$ -	$ 116	$ 196	$ 201	$ 513	8
Credit Enhancement Reserve	$ -	$ -	$ -	$ -	$ -	$ 101	$ 314	$ 415	9
NET SURPLUS (DEFICIT)	$ (81)	$ (122)	$ (85)	$ (11)	$ (0)	$ (0)	$ 0	$ (299)	

HOUSING ECOSYSTEMS	2023	2024	2025	2026	2027	2028	2029	TOTAL	
0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Reinvested surplus	$ -	$ -	$ -	$ -	$ 116	$ 196	$ 201	$ 513	
Total Expenses	$ 170	$ 175	$ 180	$ 185	$ 190	$ 196	$ 201	$ 1,296	10
NET SURPLUS (DEFICIT)	$ (170)	$ (175)	$ (180)	$ (185)	$ (74)	$ 0	$ (0)	$ (783)	11

SUPPORT REQUIREMENT	2023	2024	2025	2026	2027	2028	2029	TOTAL	
0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
NET SURPLUS (DEFICIT)	$ (501)	$ (496)	$ (265)	$ (196)	$ (74)	$ (0)	$ 0	$ (1,532)	12

Note 1: One-time implementation costs of $450,000 over two years include staff training, adjustments to loan management systems to accommodate housing loan activity and loan metric reporting, and adjustments to housing loan policies, procedures, and legal documentation proposed by the Network Central to reflect regional circumstances.

Note 2: Net interest income, the IFI’s 2% margin, is calculated as follows: interest income at the posted rate of 4.49% (effective monthly rate of 0.3707%, calculated by compounding the stated rate semi-annually and then assuming monthly payments) less interest expenses (Network Central management fees of 0.2% and the 2.29% average cost of capital from the Capital Facility). Income and expenses are calculated on the total amount of capital required for loan activity during the year, assuming loans are issued at mid-point during the year.[34] Changes to the average cost of capital will not affect the results as loan interest rates would be readjusted to maintain the 2% IFI margin.

Note 3: Value of the ongoing in-kind services provided at no charge by the participating IFI. It is based on actual IFI costs for board, management, systems, equipment, and offices that would need to be expended for an independent institution created to deliver the program.

Note 4: Fixed loan program costs for accounting, reporting, coordination, etc. at $50,000 per year reflecting the marginal additional cost to the IFI to supervise and administer the housing loan activity.

Note 5: Variable cost of direct loan management, estimated at $150,000 for each tranche of $7.5M in loans approved per year.

Note 6: Loan loss provisions are calculated based on the ratios listed above on the outstanding portfolio

Note 7: Loans operation, net of the provision for in-kind contribution of IFIs, become self-sufficient within five years, with a portfolio of approximately $30 M.[35]

Note 8: Surplus income is reinvested first into housing systems modernization support; remaining surpluses are invested into the Credit Enhancement Reserve (CER). Surpluses above CER needs are not envisaged until the tenth year of activity, at which point they will enable the IFI to lower its margin on loans. Note that IFIs are independent entities and do not cross-subsidize each other.

Note 9: Securitization of performing loans at affordable rates will require solid guarantees given capital market, ESG investor, and social finance perception of risk. The ratio of loan loss reserves that IFIs will set aside was established by Yänonhchia' based on a conservative estimate of real risk and should be adequate to cover losses. However, they will not suffice to convince investors until a well-documented track record is established over a sufficient period. To increase capital market comfort and access capital at affordable rates, an additional cascade of recourses is needed. One component of this is a Credit Enhancement Reserve at the IFI level. Surpluses are expected to be reinvested into this Reserve until sufficient scale is achieved.[36] The size of that Reserve will be set in negotiations with partners leading up to the commencement of securitization operations in year five or six of Yänonhchia' operations.

Note 10: Annual "accompagnement" investment into market development and housing ecosystems modernization support that is expected to be needed over a period of ten to twelve years as additional

[34] For the first year, this amount is equal to projected loan disbursements; for all subsequent years, it is equal to the outstanding value of loans at the beginning of the year, plus projected loan activity.
[35] Results for IFIs commencing loan activity later than 2023 will vary slightly, reflecting inflation, but do not materially differ from those of the archetype in terms of their progression to self-sufficiency.
[36] Only one IFI, ABSCAN, is expected to generate surpluses before the $150M milestone is achieved mid-2028.

First Nations integrate the program; costs of $170,000 per year reflect IFI costs for direct delivery and partnerships arrangements with relevant regional agencies

Note 11: Financial self-sufficiency including the provision for housing ecosystems modernization is achievable over six years, with a portfolio of approximately $45M.

Note 12: The estimated total requirement for government operating assistance per IFI until break-even is in the range of $1.5M over six years. The ongoing in-kind support provided by the IFI itself represents $1.8M over the same period.

CONSOLIDATED RESULTS BY PROGRAM ACTIVITY

This section presents consolidated results for the Capital Facility, the Early Adopter Loans program, the Housing Ecosystems Modernization program, and the research activity for the Securitization and the Housing Growth Support programs. Implementation costs that apply to overall operations are presented first.

OVERALL IMPLEMENTATION AND START-UP

IMPLEMENTATION AND START-UP	2023	2024	2025	2026	2027	2028	2029	TOTAL	notes
Central Network/Capital Facility	$ 150,000	$ 150,000	$ 100,000	$ 75,000	$ -	$ -	$ -	$ 475,000	1
Participating IFIs	$ 250,000	$ 450,000	$ 450,000	$ 200,000	$ 750,000	$ 600,000	$ -	$ 2,700,000	2
IFIs in activity	1	2	3	3	6	6	6		
CONSOLIDATED SURPLUS (DEFICIT)	$ (400,000)	$ (600,000)	$ (550,000)	$ (275,000)	$ (750,000)	$ (600,000)	$ -		

Note 1: Network Central/ Capital Facility incorporation, staffing, and training; development of policies and procedures, systems, standards, and oversight.

Note 2: Staff training, adjustments to loan management systems and to housing loan policies, procedures, and legal documentation; implementation of regional housing systems modernization efforts. Some IFIs may need to incorporate an independent entity to deliver housing activity.

CAPITAL FACILITY LOAN/ SECURITIZATION WAREHOUSING LINE OF CREDIT

CAPITAL FACILITY LOAN/ SECURITIZATION WAREHOUSING LINE OF CREDIT							0	notes
0	2023	2024	2025	2026	2027	mid 2028	TOTAL	0
number of loans	46	71	119	167	245	177	825	1
value of loans disbursed	$7,890,000	$12,926,988	$21,987,640	$32,215,973	$48,767,979	$35,981,319	$159,769,900	0
portfolio at end of year	$7,766,031	$20,237,683	$41,201,832	$71,492,871	$116,973,289	$150,000,000	$0	2
Capital Facility Build-Up	$7,890,000	$20,693,019	$42,225,323	$73,417,805	$120,260,850	$150,000,000	$0	3
Securitization	$0	$0	$0	$0	$0	$0	$0	4
CAPITAL FACILITY LOAN/CONTRIBUTION	$7,890,000	$12,803,019	$21,532,304	$31,192,482	$46,843,045	$29,739,150	$150,000,000	5

Note 1: Loan activity is projected beyond the achievement of the $150M milestone in mid-2028; 825 loans will have been disbursed at that point. This amount does not include business loans backed by home equity value made by IFI business loan programs.

Note 2: End of year portfolio value reflects disbursements less repayment of capital; it is assumed that reimbursed capital remains in the Capital Facility and is available for new loans.

Note 3: The Capital Facility draws funds down as needed to meet demand up to $150M.

Note 4: The table above shows results to mid 2028. The table below extends results to the end of 2029 to illustrate the impact of securitization activity commencing in 2028; for simplicity of illustration the amount securitized corresponds to the annual disbursement needs.

CAPITAL FACILITY LOAN/ SECURITIZATION WAREHOUSING LINE OF CREDIT								
	2023	2024	2025	2026	2027	2028	2029	TOTAL
number of loans	46	71	119	167	245	353	435	1,001
value of loans disbursed	$7,890,000	$12,926,988	$21,987,640	$32,215,973	$48,767,979	$71,962,639	$93,123,115	$195,751,220
portfolio at end of year	$7,766,031	$20,237,683	$41,201,832	$71,492,871	$116,973,289	$183,634,772	$268,723,614	
Capital Facility Build-Up	$7,890,000	$20,693,019	$42,225,323	$73,417,805	$120,260,850	$150,000,000	$150,000,000	
Securitization						$33,634,772	$118,723,614	$152,358,386
CAPITAL FACILITY LOAN/CONTRIBUTION	$7,890,000	$12,803,019	$21,532,304	$31,192,482	$46,843,045	$29,739,150		$150,000,000

Note 5: Annual increments needed to build up the Capital Facility to $150M by mid-2028. It is assumed that this Facility remains in place as a warehousing line of credit once securitization operations commence.

EARLY ADOPTER HOUSING LOAN PROGRAM

EARLY ADOPTER HOUSING LOAN PROGRAM	2023	2024	2025	2026	2027	2028	2029	TOTAL	notes
Network Central									
Net Interest income	$ 7,766	$ 28,004	$ 61,440	$ 112,695	$ 188,466	$ 300,608	$ 452,358	$ 1,151,337	1
Capital Facility operations									
Board, management, systems, et	$ 400,000	$ 411,360	$ 423,043	$ 435,057	$ 447,413	$ 460,119	$ 473,187	$ 3,050,178	2
Capital Facility management	$ 75,000	$ 75,000	$ 150,000	$ 150,000	$ 200,000	$ 250,000	$ 250,000	$ 1,150,000	3
NACCA contribution (in-kind)	$ 400,000	$ 411,360	$ 423,043	$ 435,057	$ 447,413	$ 460,119	$ 473,187	$ 3,050,178	4
Central Surplus (Deficit)	**$ (67,234)**	**$ (46,996)**	**$ (88,560)**	**$ (37,305)**	**$ (11,534)**	**$ 50,608**	**$ 202,358**	**$ 1,337**	**5**
Accompagnement Investment						$ 50,608	$ 202,358	$ 252,966	**6**
Participating IFIs (consolidated)									
Net interest income	$ 77,665	$ 277,343	$ 607,515	$ 1,113,018	$ 1,860,615	$ 2,966,447	$ 4,461,270	$ 11,363,873	
Loans operations									
Board, management, systems, et	$ 280,000	$ 575,904	$ 888,390	$ 913,620	$ 1,879,133	$ 1,932,501	$ 1,987,384	$ 8,456,931	
Loan Administration	$ 50,000	$ 102,840	$ 158,641	$ 163,146	$ 335,559	$ 345,089	$ 354,890	$ 1,510,166	
Loan Management	$ 157,800	$ 265,882	$ 465,085	$ 700,789	$ 1,090,971	$ 1,655,569	$ 2,203,230	$ 6,539,327	
Loan Loss Provisions	$ 67,260	$ 111,643	$ 189,438	$ 285,441	$ 430,858	$ 640,831	$ 835,115	$ 2,560,587	
Loans operations expenses	$ 555,060	$ 1,056,269	$ 1,701,554	$ 2,062,996	$ 3,736,522	$ 4,573,990	$ 5,380,619	$ 19,067,011	
IFI contribution (in-kind)	$ 280,000	$ 575,904	$ 888,390	$ 913,620	$ 1,879,133	$ 1,932,501	$ 1,987,384	$ 8,456,931	7
IFI Loan Operations Surplus (Deficit)	**$ (197,395)**	**$ (203,023)**	**$ (205,650)**	**$ (36,359)**	**$ 3,227**	**$ 324,958**	**$ 1,068,035**		8
IFI Loan Operation Deficits	**$ (197,395)**	**$ (203,023)**	**$ (216,154)**	**$ (227,783)**	**$ (405,003)**	**$ (478,922)**	**$ (355,065)**	**$ (2,083,344)**	9
IFI Loan Operation Surpluses	**$ -**	**$ -**	**$ 10,504**	**$ 191,424**	**$ 408,230**	**$ 803,879**	**$ 1,423,099**	**$ 2,837,136**	10
Accompagnement Investment			$ 10,504	$ 184,899	$ 190,150	$ 304,506	$ 503,553	$ 1,193,613	
Credit Enhancement Investment	$ -	$ -	$ -	$ 6,525	$ 218,079	$ 499,373	$ 919,546	$ 1,643,523	
TOTAL LOANS OPERATION DEFICIT	**$ (264,629)**	**$ (250,019)**	**$ (304,715)**	**$ (265,088)**	**$ (416,536)**	**$ (478,922)**	**$ (355,065)**	**$ (2,082,007)**	**11**

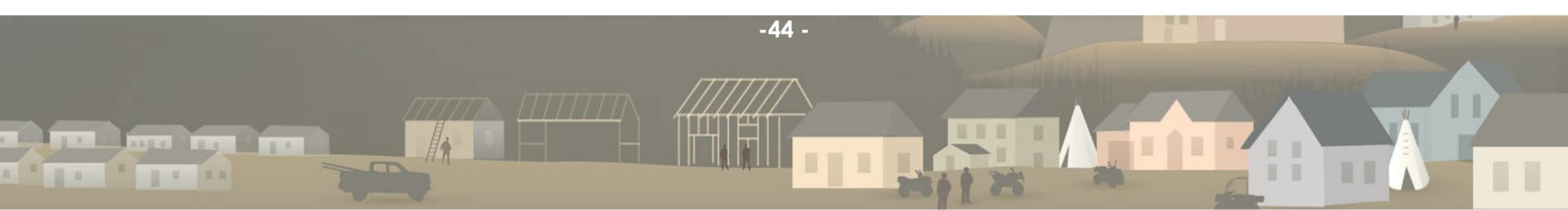
Note 1: Central management fee of 0.2%.

Note 2: Board, management, systems, office, event organization, and liaison costs. An annual amount of $400,000 per year reflects the value of the services provided to the Network Central and the Capital Facility at no cost by NACCA, reflecting costs that would need to be incurred if an independent entity had to be created to manage the housing loan activity.

Note 3: The direct management of the Network Central Capital Facility's lending and oversight activities. This responsibility is expected to be devolved to ABSCAN for the first two years as internal NACCA capacity ramps up. Costs slowly increase to a holding level of $250,000 by 2028.

Note 4: value of the ongoing in-kind services provided at no charge by NACCA. This is based on actual NACCA costs for board, management, systems, equipment, and offices that would need to be expended for an independent Network Central created to deliver the program.

Note 5: Network Central/Capital Facility loans operations, net of NACCA in-kind contribution, become self-sufficient within six years with a consolidated IFI loan portfolio in the $125 M range.



Note 6: Surplus Central loans operations income is reinvested first into housing systems modernization support activity (accompagnement); remaining surpluses, expected as early as 2030, are invested into a Central Reserve as a second line of backstop to support future securitization operations.

Note 7: IFI in-kind investments are an ongoing feature of Yänonhchia' that increase annually as more IFIs join the project. **The value of IFI and NACCA's ongoing in-kind contribution represents an unprecedented level of Indigenous non-profit investment into housing institutional building. By the achievement of the mid-2028 milestone, it will have amounted to $8.4M; and by the end of 2029, the period covered by projections, $11.5M.**

Note 8: Consolidated IFI results indicate the general trend towards self-sufficiency but are largely an artefact of the slow IFI onboarding scenario illustrated here. An accelerated staggered onboarding of IFIs over all seven years, with onboarding IFIs accumulating the same operating deficits at the outset, would have resulted in increased deficits over the same period. In addition, IFIs are independent entities: surpluses in one institution do not result in a decrease of the deficit of others. The breakdown between profitable and non-profitable operations provided in the lines below provides a better sense of the progress towards network viability.

Note 9: Sum of individual IFI loan operations deficits.

Note 10: Sum of individual IFI loan operations surpluses. **Individual IFI surpluses are first reinvested into the IFI's housing systems modernization support activity (accompagnement); any remaining surplus is invested into the IFI's Credit Enhancement Reserve.** The table below provides an example with data from ABSCAN:

	2023	2024	2025	2026	2027	2028	2029
ABSCAN loan operations surplus (deficit)	$ (197,395)	$ (118,613)	$ 10,504	$ 191,424	$ 408,230	$ 694,924	$ 1,029,249
ABSCAN Accompagnement expenses	170,000	174,828	179,793	184,899	190,150	195,551	201,104
Accompagnement investment	-	-	10,504	184,899	190,150	195,551	201,104
Credit Enhancement investment	-	-	-	6,525	218,079	499,373	828,145
Credit Enhancement Reserve balance	-	-	-	6,525	224,604	723,977	1,552,122

The two following lines are the sum of individual IFI investments into their housing systems modernization support activity (accompagnement) and into their Credit Enhancement Reserve. We can observe that ABSCAN is the only profitable IFI investing into accompagnement in years 2025 to 2027, and the only one investing into its credit enhancement fund in years 2026 to 2028. By 2029, three IFIs are reinvesting into their accompagnement. The expectation is that within ten years, all accompagnement activity for the six IFIs will be funded from loans operations income.

Note 11: **Sum of the Network Central and the individual IFI loans operations deficits; this corresponds to the level of assistance required to implement this program. The amount needed by the achievement of the $150M milestone in mid-2028 is estimated at $1.7M.**

NETWORK CENTRAL AND IFI “ACCOMPAGNEMENT” ACTIVITY

HOUSING ECOSYSTEM MODERNIZATION/ CENTER OF EXCELLENCE	2023	2024	2025	2026	2027	2028	2029	TOTAL	notes
Network Central investment						$ 50,608	$ 202,358	$ 252,966	1
Network Central - R&D	$ 350,000	$ 525,000	$ 625,000	$ 225,000	$ 200,000	$ 200,000	$ 100,000	$ 2,225,000	2
Network Central Center of Excellence	$ 125,000	$ 128,550	$ 132,201	$ 135,955	$ 139,816	$ 143,787	$ 147,871	$ 953,181	3
IFI Investment	$ -	$ -	$ 10,504	$ 184,899	$ 190,150	$ 304,506	$ 503,553	$ 1,193,613	1
IFI Accompagnement activity	$ 170,000	$ 349,656	$ 539,379	$ 554,698	$ 1,140,902	$ 1,173,304	$ 1,206,626	$ 5,134,565	
CONSOLIDATED SURPLUS (DEFICIT)	**$ (645,000)**	**$ (1,003,206)**	**$ (1,286,076)**	**$ (730,754)**	**$ (1,290,568)**	**$ (1,161,977)**	**$ (748,585)**	**$ (6,866,167)**	

Note 1: Contribution to Housing Ecosystems Modernization activity (accompganement) from loans operations surpluses.

Note 2: Network Central costs for the development of housing ecosystems change instruments and support for IFIs coming onstream.

Note 3: The ongoing cost of managing a centre of excellence to collect best practices in housing ecosystems modernization developed by IFIs and IFI partner communities and make them available to all interested parties.

DEVELOPMENT OF SECURITIZATION AND HOUSING GROWTH SUPPORT SOLUTIONS

RESEARCH AND DEVELOPMENT (SECURITIZATION AND HOUSING GROWTH SUPPORT INSTRUMENTS)	2023	2024	2025	2026	2027	2028	2029	TOTAL	notes
Securitization mechanism									
Research, partnership development	$ 100,000	$ 200,000	$ 550,000	$ 550,000	$ 200,000	$ 200,000	$ 200,000	$ 2,000,000	1
Implementation	$ -	$ 175,000	$ 175,000	$ 350,000	$ 350,000	$ -	$ -	$ 1,050,000	2
Housing Growth Support Instruments	$ 100,000	$ 250,000	$ 250,000	$ 250,000	$ 150,000	$ -	$ -	$ 1,000,000	3
CONSOLIDATED SURPLUS (DEFICIT)	**$ (200,000)**	**$ (625,000)**	**$ (975,000)**	**$ (1,150,000)**	**$ (700,000)**	**$ (200,000)**	**$ (200,000)**	**$ (4,050,000)**	

Note 1 and 2: Development of a securitization instrument, a business plan for the securitization phase, and implementation costs. Additional legal costs, difficult to estimate at this point, may be necessary depending on the securitization option retained.

Note 3: Exploratory research with respect to infrastructure financing, housing affordability, and loan guarantee solutions to sustain the level of Indigenous housing growth envisaged by Yänonchia’. This budget element also includes resources for the Network Central to participate in stakeholder consultations and discussions with respect to these elements organized by governments, Indigenous organizations, and institutions.

RISKS & RISK MITIGATION

EXTERNAL RISKS

Economic, environmental, and safety issues resulting from climate change have already had a significant impact on Indigenous communities with increasing instances of fires, floods, and extreme weather conditions. Extreme temperatures, melting permafrost, and decreased windows to access communities through winter roads are additional risks in northern communities.

These risks directly impact the potential for home longevity, maintenance, and resale value. All Yänonhchia' loans require conformity with building code, health and safety norms, and environmental regulations. Insurance coverage is mandatory and will address many of these risks. Yänonhchia' will continue ABSCAN's policy of encouraging energy efficiency, use of locally sourced sustainable materials, and climate and culture sensitive home design, such as the Innu homes developed for Quebec north coast communities.[37]

Inflation, economic downturn, increased interest rates, increased cost of housing relative to income, and inability of government to sustain infrastructure and affordability support are significant risks that could affect demand and take-up and slow the projected growth.

Increased cost of materials and of capital will increase borrowing costs, reduce affordability, and reduce client demand. Yänonhchia' may need to focus efforts on the least affected categories of loans (privatization, public, non-profit, and private rentals). IFI break-even loan volume is sufficiently low to be achieved despite restricted demand but may require more time. Conservative underwriting criteria will protect loan values.

LOAN DEMAND AND TAKE-UP RISK

Efforts to activate pent-up loan demand for Indigenous housing finance have resulted in too much or too little quality demand.

The more successful revolving housing loan funds (RLF) have been overwhelmed with demand beyond their capacity to service. This has resulted in long waits for loans, stunted home values,[38] and loss of confidence in the instrument.[39] In contrast, take-up for the FNMHF backstop has been disappointingly low.

[37] ABSCAN approved funding for the first group of Innu homes, designed over a ten year period; COVID-related supply issues caused construction to be pushed back to 2023.

[38] Maximum loan size were kept low to increase the number of loans; as a result, resale values, driven by availability of finance, did not follow market costs.

[39] Some of these communities are now guaranteeing commercial loans in excess of the value of their RLF.

The Yänonhchia' concept shares many characteristics with RLFs, and the risk of overstimulating demand is the more important one.

It can be dealt with by slowing down the onboarding of IFIs during the network implementation phase, and by slowing down the onboarding of participating First Nations in each of the participating IFIs. The achievement of the $150M milestone could be shortened with no damage as long as a securitization solution is in place. Once that solution is in place, speed of demand growth ceases to be a problem. Activating loan demand does pose an important reputational risk for IFIs, given the two-year lead time for housing systems modernization before demand begins to flow; IFIs need the assurance that capital will be in place to meet the expectations raised.

Lower take-up, such as what ABSCAN experienced during COVID, will slow the growth of revenues and the achievement of break-even, and may result in the need for extension of operational support. Where slower growth results from external factors, IFIs have the option of moving the investment focus on the least affected types of housing loans and spending more energy on increased outreach to generate demand once conditions improve. Where it results from the delays in activating pent-up demand, a stronger investment into housing systems modernization may be warranted.

The most important factor affecting take-up is the incentive structure for homeowners and purpose-built housing solutions. Continued distribution of free homes or submarket rentals not tied to income could undermine a significant part of the potential demand.

Second to that, the most important factor is the interest rate charged to clients relative to commercial rates. If the cost of capital for Yänonhchia' increased beyond the capacity of member IFIs to offer competitive rates, the growth of the model to securitization levels would be compromised but residual activity, comparable to current ABSCAN levels of activity, could continue.

Since the production of the financial projection in late August 2022, interest rates have continued to rise. To what extent is the project viable with a higher cost of capital and a higher lending rate to users?

Higher borrowing costs will obviously impact the capacity of borrowers to meet obligations and shrink the basin of potential demand. However, ABSCAN experience suggests that there are more than enough early adopter homeownership borrowers with the credit strength to service higher rate loans to meet Yänonhchia' loan targets, even at lending rates of 6.5%, ABSCAN's initial rate. There is also sufficient room to increase rents to the levels needed to support viable community, private, and non-profit rentals at higher borrowing rates. The critical issue is not so much the rate as it is the *differential* in rates between mainstream commercial rates and the rates charged by Yänonhchia'.

First Nations and their members already face higher construction and maintenance costs than average Canadians, with less financial benefits from homeownership. Many still entertain the hope of free or nearly free homes, an expectation revived every time that special government housing budgets enable communities to provide them: this is still happening today in communities served by ABSCAN. In this context, borrowing cost significantly higher than market rates add insult to injury and further increase the disincentives to personal responsibility for housing outcomes.[40]

In conclusion: higher lending rates will slow down portfolio growth past a critical point but not compromise the initiative; however, interest rates above commercial posted rates will seriously undermine the effort. IFIs with an interest in participation have made it clear during consultations that access to appropriately priced capital would be a sine qua non condition to move into housing finance.

LOAN PERFORMANCE RISK

Divorces, pandemics, economic downturn, loss of income, and high inflation seriously affect loan performance for vulnerable borrowers. Exacting loan approval criteria limits the risks, and the combination of adequate loan loss reserves, a general IFI Credit Enhancement Reserve, and a Central Network Reserve limit risks from an overall perspective.

Failure to meet loan quality standards across the network is another source of risk. This is largely controlled by the selection of IFI partners, their responsibility for loan losses, the oversight role of the Network Central, and the option to restrict flow of capital to delinquent IFIs until issues are resolved.

[40] ABSCAN experienced several cases of loan offers turned down by creditworthy potential borrowers for this very reason, with angry clients preferring to remain in nearly free community homes rather than paying double the posted mortgage rates of commercial lenders in their region, even when GDS and TDS ratios indicated capacity to service debt at the rates offered.

OUTPUTS, IMPACT & BENEFITS

The network implementation phase will:

- Activate an Indigenous designed and managed institutional solution to correct dysfunctional housing systems and access market capital for housing finance;
- Establish a cohort of early adopters that will serve as role models to generate support for change from within communities;
- Develop and tailor instruments, tools, and models to support housing ecosystems change by Indigenous communities and make them available nationally;
- Release and activate the largely untapped potential of personal, entrepreneur, and non-profit responsibility for Indigenous housing outcomes;
- Provide a conduit for market capital, for socially responsible investment focused on environmental, social and governance outcomes (ESG), and impact investments driven by economic reconciliation objectives to address quality Indigenous housing loan demand at affordable rates;
- Document the performance of Indigenous housing loans to build the track record to support ongoing access to market capital based on real, as opposed to perceived, risk; and
- Bring Yänonhchia’ to the level of activity required for securitization solutions that will ensure ongoing access to capital.

This will result in significant, game-changing outcomes in terms of:

- Profound transformation of housing systems at an accelerated rate, enabling a transition from basic government-provided and -managed shelter to a full continuum of quality public and private housing solutions;
- Access to finance for densified social housing projects, homeowners and private developers active in communities that are in financial difficulty or unable to guarantee the volume of housing finance required to resolve their housing crisis;
- The removal of caps on the amount capital available for Indigenous housing with merit and quality of demand driving access to capital rather than guarantee instruments;
- Improvement of community finances, freed from housing deficits and from contingent liabilities against housing loans, enabling First Nations to focus their resources on social housing, infrastructure, and economic participation;
- Access to finance for non-profit solutions for the needs of specific demographics;
- Increased home longevity and family wealth creation through increased homeownership rates;
- Decreased health and safety impacts of overcrowding and poor housing;

- Access to business loans backed by home equity, an important benefit of homeownership not accessible to First Nation homeowners on reserve; and
- Improved economic prospects for communities due to the combination of housing activity and the ability for First Nations to invest into economic participation resources now directed to housing deficits.

As the institutional network grows, it will be able to address early adopter loan demand and housing systems modernization support needs with declining levels of government support. New IFIs will benefit from accumulated network experience and will break-even faster, on lower volumes. Yänonhchia' projects that full First Nations coverage, on and off reserve, will be achieved with a maximum of six additional IFIs, for a total of twelve, and that as many as ten other institutions could join to serve other Indigenous communities over time.

Government support for securitization, needed to engage market sources of capital at an affordable level, will quickly decrease in risk and in proportion to the volume of market capital leveraged as track records are built and sufficient volumes generated. Partnerships with commercial lenders seeking Indigenous housing loan origination and servicing will become possible once sufficient volumes bring down IFI margins to mainstream levels.

Loan projections based on sustained quality loan demand growth over twenty years suggest close to $6B could be disbursed in loans by 2042 by the six original IFIs only. A rough projection, providing for six additional IFIs with staggered annual onboarding after ten years of activity would bring that total to $7.5B—still very short of the AFN estimate of $60B in needs by 2032, but sufficient to engage a fundamental transformation of the housing culture in First Nations.

These numbers do not include the potential participation of Métis, Inuit, and off-reserve First Nation communities, housing authorities, non-profits, and individuals. Their participation is not planned (but not excluded) in the upcoming network implementation phase, which is primarily focused on the development of remedies to housing ecosystems constraints related to the Indian Act and reserve status. The integration of this much larger set of Indigenous communities into the initiative is both expected and welcome, with programming adjusted to their varied circumstances. Their needs more than match those of First Nations on reserve in size and complexity, and their participation would at least double the numbers above, in addition to providing broader benefits, powerful synergies, and a greater diversification of loans. With this in mind, total investment activity in the $15B range over twenty years seems a realistic prospect.

This, much more than the actual loan activity made possible by the $150M Capital Facility, is the main achievement expected for the implementation phase.

In terms of short-term measurable outputs, the overall loan activity of the network development phase will result in the creation of a $150M portfolio of housing loans to individuals, non-profits, and communities.

The actual number and amounts of disbursements by type of loan will largely depend on market conditions, which can stimulate demand for some types of activity and inhibit others.[41] It will further depend on the degree of preparedness of different client groups in participating communities, which is difficult to evaluate at the outset. The objective of Yänonhchia' is to build a market instrument with the flexibility to adjust to changing circumstances and to the priorities of First Nation communities that join in the effort. The loan activity projections presented earlier and reproduced below are thus only provided on an indicative basis.

Projected Loans by Asset Type at $150M Milestone (mid 2028)

	2023	2024	2025	2026	2027	2028	Total
Individual Homes	12	19	31	45	67	48	222
Densified Social Housing	12	18	30	38	58	39	195
Major Renovation	4	8	14	24	36	26	112
Niche/Private Rentals	6	10	16	24	32	26	114
Privatisation, Small Renovations	12	16	28	36	52	38	182
Total	**46**	**71**	**119**	**167**	**245**	**177**	**825**

Total Projected Loan Disbursements at $150M Milestone (mid 2028) in 000's

	2023	2024	2025	2026	2027	2028	Total
Individual Homes	$ 3,000	$ 4,885	$ 8,196	$ 12,236	$ 18,735	$ 13,660	$ 60,713
Densified Social Housing	$ 2,580	$ 3,980	$ 6,822	$ 8,886	$ 13,948	$ 9,645	$ 45,861
Major Renovation	$ 660	$ 1,357	$ 2,443	$ 4,307	$ 6,644	$ 4,935	$ 20,346
Niche/Private Rentals	$ 1,290	$ 2,211	$ 3,638	$ 5,612	$ 7,695	$ 6,430	$ 26,877
Privatisation, Small Renovations	$ 360	$ 494	$ 888	$ 1,175	$ 1,745	$ 1,311	$ 5,973
Total	$ 7,890	$ 12,927	$ 21,988	$ 32,216	$ 48,768	$ 35,981	$ 159,770
Cumulative Disbursement	$ 7,890	$ 20,817	$ 42,805	$ 75,021	$ 123,789	$ 159,770	
Portfolio	**$ 7,766**	**$ 20,238**	**$ 41,202**	**$ 71,493**	**$ 116,973**	**$ 150,000**	

At the $150M portfolio milestone, the financial model forecasts that some 825 loans will have been disbursed for a value of close to $160M. Principal repayments of close to $10M will have been loaned out again.

[41] For example, the recent post-COVID increases in construction material costs and supply chain breakdown resulted in an increase of ABSCAN client demand for smaller prefab and mini-home loans and the shelving of a group of larger loans for wood-frame Innu model homes and densified social housing.

ENDNOTES AND APPENDICES

Note 1

Posted 5-year mortgage rates (August 2022)		
institution	rate	source
Laurentian	4.49%	https://www.laurentianbank.ca/en/rates/mortgage_loans.html
BMO	5.34%	https://www.bmo.com/main/personal/mortgages/mortgage-rates/
TD	5.34%	https://www.td.com/ca/en/personal-banking/products/mortgages/mortgage-rates/
Desjardins	5.39%	https://www.desjardins.com/ca/rates-returns/financing/mortgage-loans/index.jsp
National Bank	5.39%	https://www.nbc.ca/personal/mortgages/rates.html
Scotiabank	5.99%	https://www.scotiabank.com/ca/en/personal/mortgages/fixed-rate/3-4-5-7-10-year-closed-term.html
CIBC	5.34%	https://www.cibc.com/en/interest-rates/mortgage-rates.html
RBC	5.54%	https://www.rbcroyalbank.com/mortgages/mortgage-rates.html
CWB	5.37%	https://www.cwbank.com/en/personal/mortgages/mortgage-rates
HSBC	4.79%	https://www.hsbc.ca/mortgages/rates/

Note 2

According to the Bank of Canada's *Monetary Policy Report* (July 2022), year-over-year inflation is currently approaching levels of 8% (Q3 2022). The Bank of Canada is projecting inflation to decline to about 3% by the end of 2023, and to return to the 2% target by the end of 2024. Since Yänonhchia's business plan is modeled over seven years starting 2023, we have decided to include inflation from Q4 2022 to reflect inflation from time of writing (August 2022). The inflation rate used in the model is determined by averaging inflation expectations as shown below.

Average YoY inflation calculation									
Q4 2022	Q4 2023	Q4 2024	Q4 2025	Q4 2026	Q4 2027	Q4 2028	Q4 2029		YoY average
7.5	3.2	2.0	2.0	2.0	2.0	2.0	2.0		2.84

APPENDIX A: ACRONYMS

ABSCAN: Aboriginal Savings Corporation of Canada (= SÉDAC)

ACC: average cost of capital

ANTCO: All Nations Trust Co.

CDFI: Community Development Financial Institutions

CMHC: Canada Mortgage and Housing Corporation

DNV: däna Näye Ventures

ESG: Environment, Social and Governance (socially responsible investment focus areas)

FNBC: First Nations Bank of Canada

FNFA: First Nations Finance Authority

FNHPA: First Nations Housing Professionals Association

FNMHF: First Nations Market Housing Fund

IFI: Indigenous Finance Institution

ISC : Indigenous Services Canada

MLG: Ministerial Loan Guarantees

NACCA: National Aboriginal Capital Corporation Association

NCCC: Native Commercial Credit Corporation (= SOCCA)

RLF: revolving (housing) loan fund

RMBS: residential mortgage-backed securities

SÉDAC : Société d'Épargne des Autochtones du Québec (= ABSCAN)

SOCCA: Société de Crédit Commercial Autochtone (= NCCC)

APPENDIX B: KEY ORGANIZATIONS & PEOPLE

Aboriginal Savings Corporation of Canada (ABSCAN)

ABSCAN is a not-for-profit organization created by SOCCA that has been providing business loans to Indigenous entrepreneurs since 1992. ABSCAN raises First Nations member savings and institutional investments with Quebec financial market authority-compliant bond issues whose proceeds are reinvested in personal and community loans for housing, infrastructure, or business activity on reserves.

National Aboriginal Capital Corporations Association (NACCA)

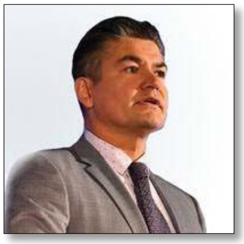
NACCA is a network comprised of fifty-eight Canadian Indigenous Financial Institutions (IFIs) that aims to stimulate growth of the Indigenous economy in Canada by providing opportunities for Indigenous entrepreneurs and increasing prosperity. Through their provision of over 50,000 loans worth over $3B, the network has financed First Nations-, Métis- and Inuit-owned businesses.

Casgrain & Company Limited

Casgrain & Company Limited, founded in 1947, is the largest Canadian-owned independent investment dealer specializing in the fixed income market. Casgrain is a member of the debt underwriting syndicates of all ten Canadian provinces and a Primary Dealer for the Bank of Canada, roles it shares with Canada's largest financial institutions. Casgrain is also a member of the debt syndicates of over forty Canadian corporations and operates an institutional sales and trading desk, providing broad distribution of primary issuance and secondary market liquidity. Casgrain is committed to helping local business initiatives with positive social impacts across Canada.

Jean Vincent, CSM, FCPA, FCA, CAFM

Jean Vincent is president of both ABSCAN and the Native Commercial Credit Corporation (SOCCA), as well as trustee of the First Nations Market Housing Fund. He also is chair of the Board of directors of the National Aboriginal Capital Corporations Association (NACCA). As former Vice Grand-Chief of the Huron-Wendat Nation, Mr. Vincent is passionately committed to Indigenous affairs, dedicating his work to help his community and Indigenous communities across Québec.



Shannin Metatawabin, ICD.D – Chief Executive Officer (CEO)

Shannin is Cree/Inninow from Fort Albany First Nation of the Mushkegowuk Nation. He holds a Bachelor of Arts in political science from Carleton University and an Aboriginal Economic Development certificate from the University of Waterloo. He previously served as the Executive Director of the Ontario First Nations Technical Services Corporation and the Manager of Aboriginal Affairs and Sustainability with De Beers Canada.

Martin Légaré, BAA

Martin Légaré has been with SOCCA since 2002 and is currently general manager of both ABSCAN and SOCCA. He played a key role in the creation of ABSCAN in 2005 and has been the main force behind its housing finance programming. He holds a bachelor's degree in business administration and a certificate in commercial credit. Mr. Légaré is also a member of the Huron-Wendat Nation.

Roger Casgrain, MBA, CFA

Roger Casgrain is executive vice president and member of the investment dealer Casgrain & Company Limited's board of directors. He serves on the Board of Directors of the Investment Industry Association of Canada (IIAC), and as vice-chair since 2021. From 2015 to 2021, Mr. Casgrain was a member of the Bank of Canada's Canadian Fixed Income Forum (CFIF). He also served on the Board of Directors of the Canadian Investor Protection Fund (CIPF) from 2008 to 2016 and the Investment Industry Regulatory Organization of Canada (IIROC) from 2005 to 2010.

Dominique Collin, PhD

Dominique Collin has served as senior advisor with NACCA, ABSCAN, and Ulnooweg on housing finance issues. He will continue to coordinate research, product development, and housing ecosystems modernization efforts. He has more than thirty years of experience in First Nations access to capital issues including micro-credit, business financing, community banking, risk capital, and housing and infrastructure financing. His focus has been on assisting innovative financing solutions developed by First Nation financial institutions that integrate sustainability and financial viability.

Ruth Williams, Dr., OBC

Ruth Williams is a founding member of All Nations Trust Company and past president, and she has served as CEO of ANTCO for over 20years since inception. She remains the driving force behind ANTCO housing activity, including, most recently, the creation of its Housing Resources Technical Services. She was for 11 years vice-president of the First Nations Market Housing Fund, founding member and president since 1987 of the Kamloops Indigenous Housing Society, and advisor to the Aboriginal Housing Management Board (AHMA) of BC in its formative stages. She is an active member of the National Indigenous Economic Development Board & advisor to Employment & Social Development Canada.