

MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING  
HOUSING DIVISION

# Social Housing

## *mortgage news*

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Welcome to the Fall 2015 issue of the Social Housing Mortgage Newsletter, prepared by the Housing Funding and Risk Management Branch of the Ministry’s Housing Division.

This issue provides an overview of the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and implications for housing providers. The issue also contains some information about the federal government’s new \$150 million Mortgage Prepayment Penalties Forgiveness Fund.

The newsletter also introduces the ministry’s Revitalization and Refinancing guide. Finally, the newsletter contains a FAQ section about social housing refinancing.

If you have any questions, or if you have ideas for future articles, please contact Erich Freiler, Manager, Housing Funding and Risk Management Branch at (416) 585-6193 or [Erich.Freiler@ontario.ca](mailto:Erich.Freiler@ontario.ca).

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## Proceeds of Crime (Money Laundering) and Terrorist Financing Act – Implications for Housing Providers

If you recently renewed your mortgage through the Ontario Competitive Financing Renewal Process (OCFRP), you were informed about the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and were asked for additional information to support the renewal of your mortgage.

Since there are still some questions about implications of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, this article aims to outline the requirements that housing providers need to complete if they wish to renew their mortgages through OCFRP.

Criminal and terrorist organizations use legitimate financial institutions to move and store financial assets. Such activities can cause a threat to public safety, economic development and financial systems. Countries like Canada are implementing measures to prevent the financial systems from being used for the purposes of money laundering and to suppress different money laundering activities.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* is an example of one such measure. This legislation requires financial institutions and other organizations covered by the Act to undertake certain actions, such as identity verification and record keeping activities.

Therefore, in order to conform to the legislation, housing providers (through the ministry) need to give lenders/financial institutions additional information about themselves. Please note that the ministry will only share the information with the successful lender, as determined by the tender process.

When renewing their existing mortgages through OCFRP, housing providers should give the ministry the following additional documents:

- Articles of Incorporation, Articles of Amendment or Articles of Amalgamation;
- Completed Certificate of Incumbency that identifies all Directors and Officers of the Corporation;
- A copy of the current Certificate of Corporate Status or Corporate Profile report or Certificate of Existence or a copy of the Corporation's most recent Notice of Assessment for income tax purposes;
- The Charitable Registration Number, if the social housing provider is a registered charity.

The ministry understands that gathering this additional documentation is more work for housing providers. However, financial institutions in Canada must comply with the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and they cannot complete the lending process without these additional documents.



## Introducing the Ministry's Guide – Revitalizing and Refinancing Social Housing: How Do You Get There?

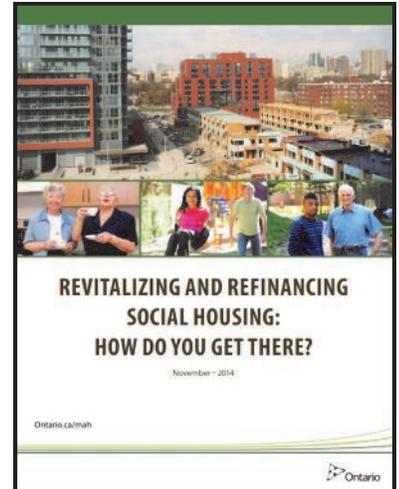
Social housing revitalization is a complex undertaking; it involves strategic long-term planning, asset management planning, capital program development and funding plan development.

To help Service Managers and housing providers with their planning efforts, the Ministry of Municipal Affairs and Housing has developed a guide that highlights a series of actions, plans and decisions that set the foundation for revitalization and refinancing initiatives. It is our hope that the guide will help Service Managers and housing providers be more proactive with respect to their assets, and better align resources with asset needs.

The guide also contains examples of what housing providers, Service Managers and sector organizations are doing to ensure that housing assets remain viable and sustainable over the long-term while meeting housing needs in communities.

The guide can be accessed from the ministry's website.

An English version can be accessed at [www.mah.gov.on.ca/Page10839.aspx](http://www.mah.gov.on.ca/Page10839.aspx) and a French version can be accessed at [www.mah.gov.on.ca/Page10840.aspx](http://www.mah.gov.on.ca/Page10840.aspx).



## The 2015 Federal Budget and Social Housing Mortgages

On April 21, 2015, the Government of Canada tabled its 2015-2016 budget. The budget included a new initiative, the Mortgage Prepayment Penalties Forgiveness Fund .

Funded at \$150 million over four years, the Fund aims to cover the cost of prepayment penalties that would be charged to non-profit and co-operative housing providers that sought to prepay long-term fixed-rate mortgages in order to refinance at current's lower mortgage rates.

In Ontario, there are approximately 800 social housing projects developed under Section 95 program and approximately 500 projects developed under Section 26 and 27 programs that could potentially be eligible to participate in the Mortgage Prepayment Penalties Forgiveness Fund. These 35-year and 50-year mortgages are fixed to maturity and closed to prepayment. Many of these mortgages have interest rates of 9.5 % fixed for the entire term of the mortgage (e.g. 9.5 % for 50 years).

If a housing provider wants to pay off a mortgage early, the provider has to pay to CMHC a mortgage prepayment penalty equal to all future interest chargeable under the mortgage.

In 2013, the federal government announced that it will allow certain housing providers with CMHC mortgages to discharge their mortgages early with a reduced prepayment penalty, if 1) they continue to provide social housing and 2) they invest the proceeds of mortgage refinancing into repairing and renewing their social housing properties. This CMHC policy is called Capital Refinancing Initiative.

The Mortgage Prepayment Penalties Forgiveness Fund builds on the Capital Refinancing Initiative. CMHC has indicated that eligibility and further program details will be available in the Fall. As soon as any further information is available, the Ministry of Municipal Affairs and Housing will advise Service Managers and housing providers promptly.

## Frequently Asked Questions about Social Housing Refinancing

**Question:** As a housing provider, do I need Ministerial Consent to make changes to my project's financing and remove the project's mortgage from the Ontario Competitive Financing Renewal Process (OCFRP)?

**Answer:** Ministerial Consent is not required for changes to project financing (e.g. obtaining a mortgage for a higher amount or a longer amortization schedule), but Service Manager's consent is required. If you are considering this, please talk to your Service Manager well in advance of your mortgage renewal date. The Ministry should be informed about housing provider's plans not to renew the mortgage as part of OCFRP.

Housing providers cannot make changes to their project financing in-term, while the mortgage is in a Mortgage-Backed Security (MBS) instrument.

**Question:** If I pay out my original OCFRP mortgage on a renewal day and refinance elsewhere, can my refinanced mortgage later re-enter the OCFRP process?

**Answer:** No. Once the original mortgage is paid out, new mortgage financing on existing social, non-profit housing projects or former social, non-profit housing projects cannot be included in the OCFRP.

Generally, participation in the OCFRP process is for mortgages that can be securitized under the NHA MBS Mortgage-Backed Securities program (Pool 99). This helps to lower mortgages' financing costs and thus supports affordable housing in Ontario.

**Question:** As a housing provider, can I re-mortgage my public housing projects, or do I have to wait until the associated public housing debenture has been paid off? I would like to pursue asset revitalization initiatives.

**Answer:** Debentures were used to fund the development of public housing stock in Ontario. Many different public housing projects are funded under the same debenture. Existing social housing debentures are not secured or registered on the title of the respective public housing property.

Therefore, a housing provider does not have to wait until the related public housing debenture matures in order to issue new debt and secure that debt with public housing stock.

If a housing provider wants to obtain a new mortgage from a financial institution and secure that mortgage with a public housing project – they can do so, provided they meet lender's borrowing criteria, and use the proceeds of that loan for capital initiatives. The housing provider would also need to obtain Service Manager's approval to mortgage a public housing property.

Refinancing can be a complex undertaking. Housing providers should engage their Service Managers and the Ministry of Municipal Affairs and Housing to help them navigate the process.

