

The
**CO-OPERATIVE
HOUSING
FEDERATION**
of Canada



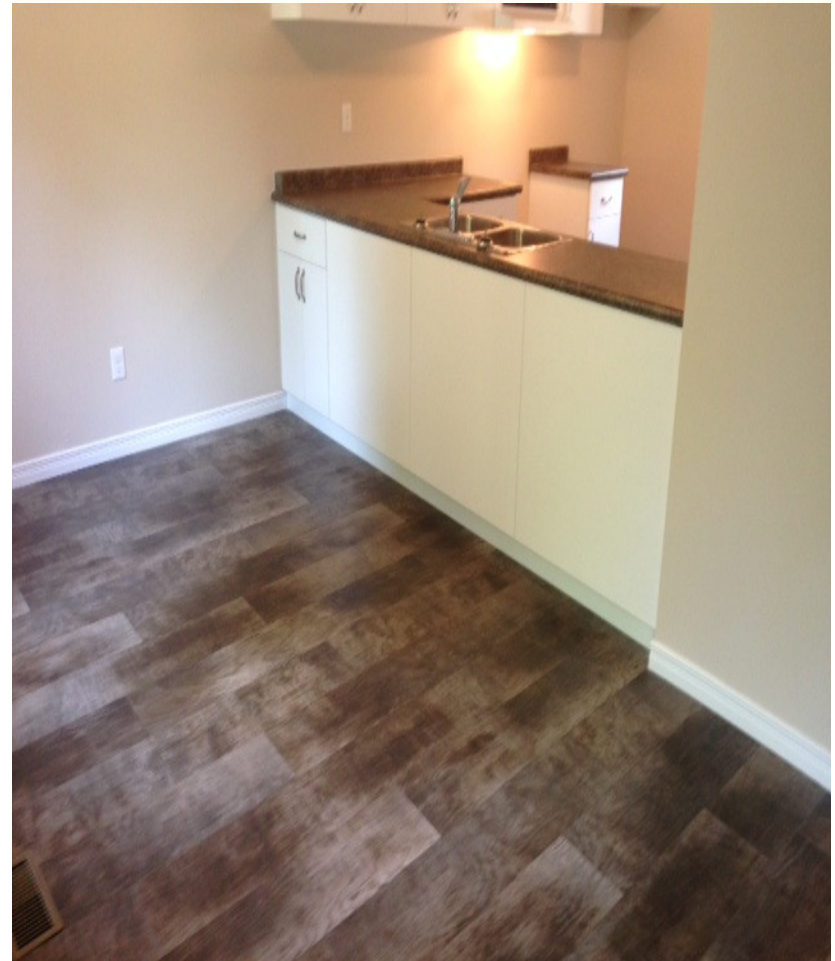
CHF Canada's Refinancing Program

Presenters: Janet Shim, Program Manager, Refinancing
Randy Harris, Financial Consultant

Housing Services Corporation – Regeneration Forum

May 9, 2016 – Toronto, ON

Introduction



Introduction



Why Refinancing for Housing Co-ops?

- Section 95 refinancing pilot project
- Mondragon Co-op, 78 units in Brampton, Ontario
- Alterna Savings Credit Union

Advantages of Refinancing?

- Existing reserves and future reserve contributions not enough for cost of repairs
- Reduced future maintenance costs because of new repairs and renovations
- Economics of scale on renovations
- Repairs completed immediately

Advantages of Refinancing? Cont'd

- Less disruption and lower maintenance costs compared to waiting for repairs/waiting for first mortgage to end before new borrowing
- Could be small or no impact on existing mortgage payment, we will work with your co-op here
- Avoids large housing charge increases to pay for needed repairs
- Dealing with a lender that you “own” (Credit Unions are financial co-operatives)

Refinancing – How it works in simple language

- It means taking out a new mortgage, for an amount that pays out the existing mortgage, plus an amount for the needed repairs, and extending it for a longer period of time.

Refinancing – How it works in simple language cont'd

EXAMPLE:

- **\$28,000/month** existing mortgage payment
- Existing CMHC mortgage of \$1.8 million
- At 4.5% interest rate, a co-op could borrow \$4.5 million
- Pays out CMHC mortgage of \$1.8 million
- Leaves \$2.7 million for repairs (covers 10 years of BCA-identified repairs)
- Amortized over 25 years
- New mortgage payment of **\$27,192/ month**

Basic Lender Requirements

- **Repayment** – financial ability to service a larger mortgage
- **Maintenance of the Property** – adequate Reserves to finance BCA scheduled repairs
- **Security Value** – new mortgage cannot exceed 75% of the appraised value
- **Governance and Management** - annual reporting for the entire new mortgage amortization period

CHF Canada's Role

- Financial expertise and analysis
- Attend board/member meetings
- Mortgage Support Agreement
- Post- refinancing services (BCA, AMP, project management services etc.)

Lender's Comfort

- Step by step refinancing process
- Obtaining a BCA report / update
- Credit union process
- Government process
- Mortgage Support Agreement
- Ongoing support to the co-op

Lessons Learned

- Creative Lending Solutions
- Size does not matter
- Does not necessarily increase your mortgage payments
- Complex financial arrangements
- Credit Union experience and understanding

Our Credit Union Partners

- Supporting the co-operative movement
- Alterna Savings
- Collaboration- Key to the success of the program

To assess preliminary eligibility

Call or email **Janet Shim** at

CHF Canada's Office

1-800-268-2537 / 416-366-1711 ext 239

jshim@chfcanda.coop

Any questions?

