Indian and Northern Affairs Canada
Affaires indiennes et du Nord Canada

Final Report

Evaluation of Ministerial Loan Guarantees

(Project Number: 1570-7/07068)

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Evaluation, Performance Measurement, and Review Branch
Audit and Evaluation Sector

Canada

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List of Acronyms

B.C.	British Columbia
BCR	Band Council Resolution
CFM	Capital and Facilities Management
CMHC	Canada Housing and Mortgage Corporation
GLMM	Guaranteed Loan Management Module
GLMS	Guaranteed Loan Management System
HRDSC	Human Resources and Skills Development Canada
INAC	Indian and Northern Affairs Canada
MLG	Ministerial Loan Guarantee
NHA	*National Housing Act*
RMP	Remedial Management Plan

Executive Summary

Introduction

The following report presents the findings of an evaluation undertaken by KPMG on behalf of Indian and Northern Affairs Canada (INAC), of Ministerial Loan Guarantees (MLGs) for the period 1996-97 to 2007-08.

In 1966, the Government of Canada began authorizing INAC to provide MLGs. MLGs provide a way of guaranteeing loans for individual or community housing projects on First Nations reserves. It is designed to provide financial security to the lender or mortgage insurer given that under Section 89(1) of the *Indian Act*, real property on a reserve cannot be seized by a non-Indian and most financial institutions.

This evaluation of MLGs is part of the overall evaluation of INAC's housing support in Canada's First Nations communities (reserves) to be completed in 2010.

The main objective of the Evaluation of Ministerial Loan Guarantees is to conduct a detailed study of MLGs for a timely, strategically focused, neutral, evidence-based report. The evaluation examines the relevance/rationale, design/delivery, success/impacts, and cost-effectiveness of MLGs. The scope of the evaluation is limited to the use of MLGs between 1996 and 2008 as a tool to access financing for housing in First Nations communities.

Evaluation Methodology

An evaluation matrix was developed, asking a series of questions designed to examine six areas of inquiry: relevance, clarity, results, cost-effectiveness, design and delivery, and future directions. These questions are answered throughout the findings sections of this report.

Methodology used:

- Documents reviewed included program reports and reporting guides, program terms and conditions and project documents, such as operational plans, strategic plans and performance measurement strategies, policy documents, and previous evaluations or studies;
- Statistical data from Statistics Canada and administrative data from INAC's Guaranteed Loan Management System, Housing and Infrastructure Asset Inventory, Basic Departmental Data and the 2008 Compendium of INAC Program Data were reviewed;
- Key informant interviews were conducted over the phone, and generally took 30 to 45 minutes. A total of 53 interviews took place, with stakeholders representing INAC (29); Canada Mortgage and Housing Corporation (CMHC) (seven); management and program/policy staff, financial institutions (five); and representatives from First Nations communities (12); and
- Five case studies were conducted to provide illustrative examples of the impact that MLGs have had on housing on reserve.

Evaluation Findings

Key findings from the evaluation are:

Relevance

MLG objectives are consistent with government priorities for housing in First Nations communities. It is a relevant tool, and is effective insofar as access to MLGs have allowed communities to produce approximately 26,000 new housing units between 1996-97 and 2007-08. Interview respondents estimated that existing alternatives to MLGs are accessible to approximately 15 percent of First Nations. According to document and policy review conducted, the absence of MLGs would leave most First Nations communities with no alternative to finance housing on reserve[1] unless an alternative was developed. Such an absence would require CMHC to make administrative changes and to charge a prohibitive premium for loan insurance (unless changes were made to their legislation to allow for lower cost loan insurance).

Clarity

INAC does not currently measure whether or not MLG objectives are being achieved, nor has it set any performance targets or goals for MLGs. However, INAC interview respondents indicated that the Department does monitor usage of the MLG authority, in addition to collecting information and tracking performances measures relevant to housing outcomes. According to a review of statistics and trends, MLGs are relied upon by First Nations communities to ensure access to financing for housing projects on reserve. Statistics demonstrate[2] that Canada's on-reserve population is young and growing, indicating that there will continue to be more pressure on bands to meet housing demands for its members into the future.

Design and Delivery

There is no evidence of, or requirement for, a logic model setting out the desired results for MLGs. The scope, objectives, and eligibility criteria for MLGs are generally clear in policy documents. While the overall process to obtain MLGs is consistent across Canada, there are slight regional variations. These variations are currently being addressed, notably with the creation of a new Operational Guide. The roles and responsibilities in the delivery of MLGs are documented[3], and are generally understood and respected. Regions will be allocated a portion of the MLG authority to manage. Overall usage of the authority will be tracked in the new Guaranteed Loan Management Module. The risk exposure for the Government of Canada appears to be low, as interview respondents revealed loan defaults were unlikely, and historical default rates have been very low (approximately 0.6 percent for MLG backed financing, compared to a national average of 0.5 percent, according to research by Dominion Bond Rating Service).[4].

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[1] Canada. Treasury Board of Canada. 2008.

[2] Canada. Statistics Canada. January 2008. Aboriginal Peoples in Canada in 2006: Inuit, Métis and First Nations, 2006 Census. Ottawa: Statistics Canada.

[3] Canada. Indian and Northern Affairs Canada, 2000. Corporate Systems Manual. Approval and Management of Ministerial Loan Guarantees for Housing http://www.ainc-inac.gc.ca/ih/fnh/pubs/pol-eng.pdf

[4] DBRS, Canadian Securitization Market Overview, September 2009

Results

MLGs appear to be meeting their stated objectives of providing the necessary loan security to obtain financing and providing access to private funding for housing. Aside from some support to communities in completing applications, there is no evidence that MLGs have brought changes to capacity building. According to interview respondents, MLGs allow for better housing results as opposed to capital grants, because the amount of grants is unlikely to equal or surpass that of the MLG authority. The usage of MLGs appears to be heavily weighted on housing quantity outcomes with the vast majority of MLGs being used to support CMHC's Section 95 housing. There is some interview evidence to suggest that building more housing units, using MLGs, has contributed negatively through the creation of cash flow problems as a result of higher debt loads in some First Nations communities, and positively through increased economic development activity in other communities. There is little evidence to suggest that MLG defaults are a significant contributor to a community being placed in third-party management or co-management.

Cost-Effectiveness

The evidence obtained from an analysis of the progression of MLGs between 1996 and 2008 and key informant interviews show that MLGs have facilitated the construction of approximately 26,000 new housing units between 1996-97 and 2007-08. This outcome has come at a cost of less than $2 million per year in defaults, plus administrative costs.

Future Directions

There is limited interest in using MLGs for purposes outside of housing and under the current policy, they cannot be used for purposes other than housing on reserve.

1. Introduction

1.1 Ministerial Loan Guarantees

The following report presents the findings of an evaluation undertaken by KPMG on behalf of Indian and Northern Affairs Canada (INAC), of Ministerial Loan Guarantees (MLGs) for the period 1996-97 to 2007-08.

In 1966, the Government of Canada began authorizing INAC to provide MLGs. MLGs provide a way of guaranteeing loans for individual or community housing projects on First Nations reserves. It is designed to provide financial security to the lender or mortgage insurer given that under Section 89(1) of the *Indian Act*, real property on a reserve cannot be seized by a non-Indian and most financial institutions.

Government support for housing in First Nations communities is shared by INAC and the Canada Mortgage and Housing Corporation (CMHC). These organizations were used by the federal government to help eliminate the loan problem associated with seizure of reserve lands when, in 1966, Parliament began authorizing INAC to provide MLGs. MLGs provide a way of guaranteeing loans for individual or community housing projects on First Nations reserves. CMHC requires an MLG both for participation in the Section 95 social housing program and for shelter construction under the Shelter Enhancement Program. The INAC MLG is designed to provide financial security to the lender or mortgage insurer. INAC provides this guarantee through a system of contractual arrangements with the First Nations, CMHC and the lending institutions (banks). In the presence of an MLG, CMHC provides a loan insurance certificate, though does not charge insurance premiums, as it would for off-reserve homebuyers who make a minimum down payment of five percent towards the purchase price of a home under the *National Housing Act* (NHA). Rather, the Minister of Indian Affairs and Northern Development is ultimately responsible for any loan defaults where MLGs have been issued. In the event of a default, the Minister works with the First Nations in partnership to address repayment.[5] The management of MLGs falls under the Community Infrastructure Program in INAC's Regional Operations Sector.[6] There have been few changes in the initiative since the MLG was introduced in 1966. The conditions were last revised in 1999.[7]

MLGs complement INAC housing support and CMHC housing programs by providing a tool for First Nations to access loans for housing on reserves. The policy objective of MLGs is to facilitate access to financing required for the construction, acquisition and/or renovation of on-reserve housing. A sub-objective is to enable and encourage lending to individuals in support of home ownership opportunities for on-reserve residents.

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[5] Canada. Indian and Northern Affairs Canada. 2008. Ministerial Loan Guarantees: Policy and Procedures. Ottawa: Indian and Northern Affairs Canada.
[6] Canada. Indian and Northern Affairs Canada. 2010. Sectors and Regions. Ottawa: Indian and Northern Affairs Canada.
[7] Canada. Indian and Northern Affairs Canada. 2009. Terms of reference for the impact evaluation of Ministerial Loan Guarantees Ottawa: Audit and Evaluation Sector, Indian and Northern Affairs Canada

To be eligible for funding from the 1996 Policy (see Section 1.3 for additional information about the Policy), First Nations communities need to have established a set of housing policies, housing programs, and a multi-year housing plan. First Nations are encouraged to include home ownership and other market-based housing options in addition to social housing in their multi-year housing plans.[8] MLGs can support First Nation's housing plans by helping secure funds for social housing projects as well as by providing individuals with the security required to access a personal mortgage to finance a home purchase or renovation (though loans to individuals must also be backed by the band).

To be eligible for an MLG, bands must first obtain mortgage approval from a lender. The band must then submit a Band Council Resolution (BCR) to INAC that includes: a) certification that the loan will be for housing or housing improvements for Indians; b) an environmental site assessment has been carried out on the property and it confirms no contamination; and c) consent to the expenditure of band revenues to recover loan payments (e.g., in the case of default). For loans to individuals, additional conditions apply, including the band: a) to confirm that it is satisfied with the reputation and financial responsibility of the individual; and b) that it has received consent from the individual that upon default he/she will transfer any certificate of possession to the band and vacate the property.[9]

These general criteria for eligibility are designed to reduce the risk of default of payment on loans, to minimize financial constraints on the Government and to prevent undue constraints on members of the First Nations and band councils. INAC's program directive and draft Operational Guide for MLGs outline the policy and procedures for approving and administering the loan guarantees.

The program operates under a revolving account authority. The MLG authority was last increased in 2008 from $1.7 to $2.2 billion, which is the total contingent liability.[10]

The main objective of this evaluation is to conduct a detailed study of MLGs for a timely, strategically focused, neutral, evidence-based report. The evaluation examines the relevance/rationale, design/delivery, success/impacts, and cost-effectiveness of MLGs.

1.2 MLGs and the On-Reserve Housing Policy

In 1996, the Government of Canada introduced the On-Reserve Housing Policy to provide greater flexibility and more control to First Nations over their housing policies and programs. The Government's policy is designed to support First Nations in fulfilling their role of deciding how, where, and when housing funds are invested. INAC is primarily responsible for implementation of the policy, although CMHC provides a number of programs and products that support the policy. [11] The Government's housing policy is meant to support more flexible funding arrangements, but was never designed to cover the full costs associated with on-reserve

[8] Canada. Indian and Northern Affairs Canada. February 2008. Evaluation of the 1996 On-Reserve Housing Policy. Audit and Evaluation Sector. Ottawa: Indian and Northern Affairs Canada.
[9] Canada. Indian and Northern Affairs Canada. 2008. Ministerial Loan Guarantees: Policy and Procedures. Ottawa: Indian and Northern Affairs Canada.
[10] Canada. Treasury Board of Canada. 2008.
[11] Canada. Indian and Northern Affairs Canada. February 2008. Evaluation of the 1996 On-Reserve Housing Policy. Audit and Evaluation Sector. Ottawa: Indian and Northern Affairs Canada.

housing. While there is financial assistance, other contributions such as loan financing are essential for providing adequate housing on reserve, for example, for the construction of houses and ongoing maintenance of housing units.

The policy is based on four key principles:[12]

1. Community control;
2. Capacity development;
3. Shared responsibility; and
4. Better access to private capital.

The later two principles of the 1996 Policy emphasize the need for First Nations to actively seek other sources of financing, including private loan financing, to meet the housing needs of their community. MLGs are one such tool to seek these other sources of financing.

MLGs are widely used for First Nations housing projects. Approximately 80 percent of all First Nations in Canada use MLGs for on-reserve housing (an estimated 490 out of 615 as of June 2009). As of September 2007, approximately one third of on-reserve housing in Canada (32,450 of the roughly 100,000 houses) used financing backed by an MLG.[13]

At the end of fiscal year 2007-08, INAC had approximately 6,112 current housing loan guarantees for the construction, acquisition or renovation of on-reserve housing. The original guarantee amount of these loans was approximately $2.3 billion while the outstanding principal and interest was almost $1.5 billion. From 1996-97 to 2007-08 (the most recent year where full year's data is available), INAC issued an estimated 4,328 housing loan guarantees for the construction, renovation or acquisition of an estimated 22,311 houses.[14]

1.3 MLG Progression from 1996 to 2008

Note: All the data in this section has been calculated from data provided by INAC. The MLG data is from regional reports generated from the Guaranteed Loan Management System (GLMS) for each fiscal year and the housing data is from the Housing and Infrastructure Asset Inventory, Basic Departmental Data and the 2008 Compendium of INAC Program Data.

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[12] Canada. Indian and Northern Affairs Canada. 2008. Introduction to the National Community Infrastructure and Housing Web Page for First Nations on Reserves. Ottawa: Indian and Northern Affairs Canada.
[13] Canada. Indian and Northern Affairs Canada. 2009. Guaranteed Loan Management System. Ottawa: Indian and Northern Affairs Canada.
[14] Canada. Indian and Northern Affairs Canada. 2009. Guaranteed Loan Management System. Ottawa: Indian and Northern Affairs Canada.

Ministerial Loan Guarantees on reserve generally fall into one of three categories:[15]

1. ***Loans required to finance social housing (Section 95 housing) –*** Section 95, a CMHC on-reserve housing program, assists First Nations in the construction, purchase and rehabilitation, and administration of suitable, adequate and affordable rental housing on reserve. CMHC provides a subsidy to the project to assist with its financing and operation.

2. ***Loans to support other First Nation managed housing projects (Section 10 housing)*** – this program assists band councils in accessing financing for the construction, purchase and/or renovation of single-family homes or multiple residential rental properties.

3. ***Loans to individuals (home owner projects), through the band council (Section 10 housing) –*** this is similar to the Section 10 housing mentioned above, except it is to individuals who wish to construct or purchase their own home on reserve.

The most common type of loan is associated with CMHC's Section 95 housing. Table 1 below provides an overview of the three groupings of MLG loans by purpose during the period from 1996-97 to 2007-08.

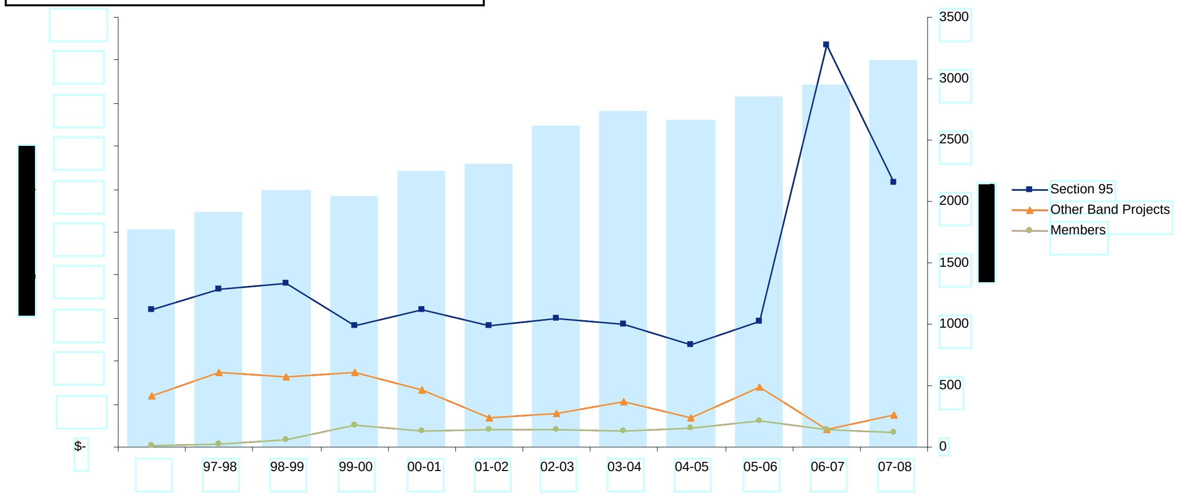
Table 1: MLG Loans from 1996-97 to 2007-08 by Loan Purpose

Loan Purpose	Number of Loans	%of Total Number	Amount Guaranteed	Average Loan Amount	Number of Units	% of Total Units	Average loan per Housing Unit
CMHC's Section 95	2,321	53.6	$1,218,962,062.01	$525,188.31	16,169	72.5	$75,388.83
Other Band Projects	675	15.6	$272,973,024.36	$404,404.48	4,694	21.0	$58,153.61
Members	1,332	30.8	$104,265,491.39	$78,277.40	1,448	6.5	$72,006.55
	Total: 4,328		Total: $1,596,200,577.76	Weighted Avg: $368,697.47	Total: 22,311		Weighted Average: $71,549.59

As indicated, approximately 54 percent of loans and approximately 72.5 percent of housing units were associated with CMHC's Section 95 projects. This category also had the highest average loan amount at just over $525,000 (or approximately $75,000 for each housing unit that the loan covers). Other First Nation's projects accounted for approximately 16 percent of loans or 21 percent of housing units. Loans made to individual band members accounted for approximately 31 percent of total loans and 6.5 percent of housing units. Chart 1 below shows the progression of MLG units and average loan per unit amounts over the same period. Note that the spike in the number of MLGs corresponds to the investment in on-reserve housing made though Budget 2005.

[15] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada

Chart 1: Progression of MLGs between 1996 and 2008



MLG loans can be used for three different types of "housing projects":

1. Construction of new houses;
2. Renovation of existing houses; or
3. Purchase/acquisition of a house.

The vast majority of loans are used for the purpose of constructing new houses. From 1996-97 to 2007-08, approximately 92 percent of loans were used for the construction of new houses. The remaining loans were split between renovation projects (approximately three percent) and housing purchases (approximately four percent). Table 2 also shows the different average loan amounts for the three types of projects, with renovation projects having the smallest average amount (at approximately $23,381 for each housing unit) compared to loans for construction projects (at approximately $73,720 per housing unit).

Table 2: MLG Loans from 1996-97 to 2007-08 by Housing Project type

Loan Purpose	Number of Loans	% of Total Number	Amount Guaranteed	Average Loan Amount	Number of Units	% of Total Units	Average loan per Housing Unit
Construction	3,738	86.4	$1,526,884,564.02	$408,476.34	20,712	92.8	$73.719.80
Renovation	314	7.3	$16,460,476.67	$52,421.90	704	3.2	$23,381.36
Purchase	276	6.4	$52,855,537.07	$191,505.57	895	4.0	$59,056.47
	Total: 4,328		Total: $1,596,200,577.76	Weighted Avg: $369,006.72	Total: 22,311		Weighted Average: $71,522.43

Chart 2 below shows the progression of MLG units by loan purpose over the same period. As noted on the previous graph, the spike in new construction corresponds to the investment made in on-reserve housing through Budget 2005.

Chart 2: Progression of MLGs between 1996 and 2008 by Loan Purpose

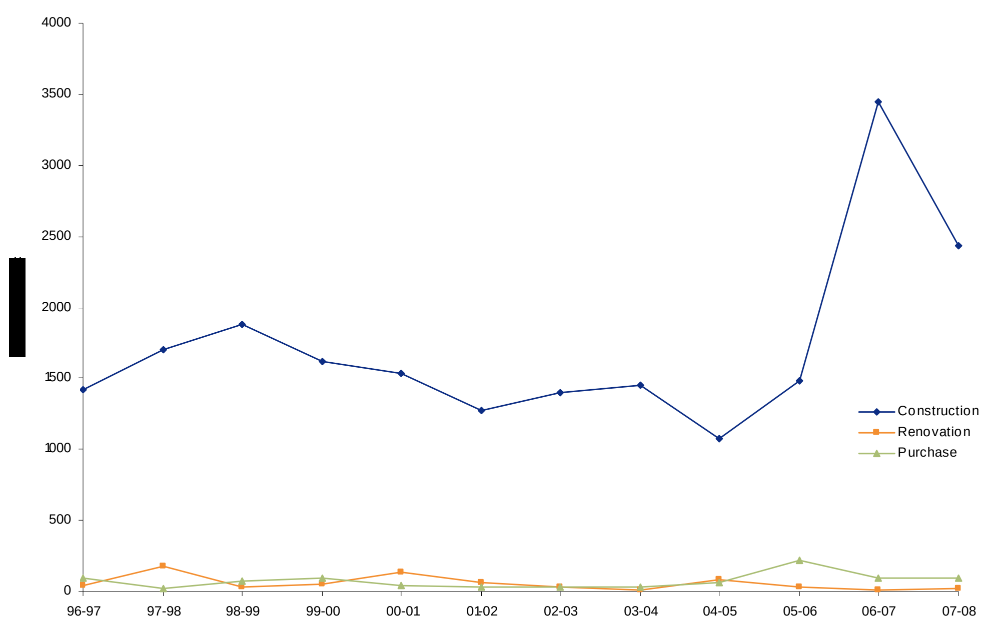


Table 3 provides an indication of the usage of MLGs against the total housing projects that have been undertaken on reserve since 1996-97. It compares the units covered by MLG loans (for construction and renovation projects as shown in Table 2) to the new housing units and units renovated since 1996-97.

Construction Projects	
Number of New Housing Units Number of New Housing Units covered by MLG Construction Loans	26,073 20,712
Percentage of New Housing Units covered by MLG Loan	79.4%
Renovation Projects	
Number of Renovated Housing Units	38,550
Number of units covered by MLG Renovation Loans	704
Percentage of renovated Housing Units covered by MLG Loan	1.8%

As indicated, approximately 26,000 new housing units have been constructed on reserve between 1996-97 and 2007-08 and almost 80 percent of these new housing units were financed through an MLG backed loan. The ratio for units renovated is significantly smaller. Of the approximately 38,500 units renovated since 1996-97, less than two percent used financing backed by an MLG renovation loan.

2. Evaluation Methodology

2.1 Evaluation Scope and Timing

This evaluation of MLGs is part of the overall evaluation of INAC's housing support in Canada's First Nations communities (reserves) to be completed in 2010. While this larger evaluation is primarily focused on INAC's on-reserve housing support and initiatives, it also includes some data and lines of evidence on CMHC programming.

The scope of the evaluation is limited to the use of MLGs between 1996 and 2008 as a tool to access financing for housing in First Nations communities. While MLGs have been used as a tool to provide security for mortgage loans since 1966, the scope of this evaluation is limited to provide analysis on this instrument with respect to the areas of inquiry since the development of the 1996 Policy for On-Reserve Housing.

INAC and CMHC have a number of policy instruments and programs that comprise the Government of Canada's support for on-reserve housing, including social housing. While all these programs and initiatives interact, and have an impact on each other (e.g., MLGs are required for loans made to finance CMHC's Section 95 projects), the scope of this evaluation is solely on MLGs, and the role they play in financing on-reserve housing. For example, when considering issues pertaining to future options, the evaluation considers future options and strategies for First Nations to access loans for housing on reserves.

2.2 Evaluation Issues and Questions

An evaluation matrix was developed, asking a series of questions designed to examine six areas of inquiry: relevance, clarity, results, cost-effectiveness, design and delivery, and future directions. These evaluation questions are answered throughout the findings sections of this report. Each section of the report related to evaluation findings reviews the key findings of the research, the evidence that supports those findings, conclusions, and associated recommendations, if any.

Relevance

- Are the MLG objectives consistent with Government of Canada priorities and the Department's strategic objectives for housing in First Nations communities?
- To what extent are MLGs still relevant? What are the alternative mechanisms to MLGs to provide loan security for on-reserve housing, including through partnerships, or other existing mortgage insurance tools? Are there alternatives to MLG's for forgivable loans? Are MLGs an effective way to provide access to funding for housing for First Nations?
- What interest from First Nations is there in offering this government initiative to First Nation band councils and their members living on reserve?
- What effect would the absence of MLGs have on First Nation band councils and their members living on reserve?
- What is the rationale for having INAC deliver MLGs as opposed to another delivery agent?

Clarity

- To what extent can fulfilment of these objectives be measured?
- Do the qualitative and quantitative statistics provide an indication of the scope and progression of MLG performance during this period? Where appropriate, do these sources provide estimates of the ability of MLGs to deal with expected First Nation demographic pressures?

Results

- To what extent are MLGs meeting stated objectives? From the viewpoint of the comprehensive approach taken by the Government of Canada since 1996, to what extent can they be said to have brought about changes in housing in First Nations communities, in particular access to private funding and capacity building?
- Does the fact that MLGs allow for loans, which have long-term portfolio agreements lead to better housing results as opposed to other mechanisms (e.g. capital grants)?
- Could the use of MLGs lead to unexpected consequences or unexpected positive/negative results (e.g. First Nation financial position)?
- To what extent has MLG defaults and arrears contributed to a First Nation being placed in Third-Party Management or Co-Management?

Cost-Effectiveness

- Are the results obtained by MLGs justifiable and viable from the perspective of the costs incurred for their implementation?

Design and Delivery

- What are the scope, objectives and eligibility criteria for MLGs? Are these elements clearly defined? Is there a logic model setting out the desired results for the MLGs?
- How uniform has MLG implementation been across Canada, e.g., in terms of processes, costs and client satisfaction? What regional variations, if any, exist? Have MLGs been approved for projects other than houses? If so, what impact have these projects had on the Government of Canada’s default exposure? First Nation default exposure?
- What are the roles and responsibilities of INAC, CMHC, First Nation band councils and First Nation members living on reserve with respect to MLGs? Are they clearly outlined, understood and respected?
- Is MLG authority being managed with due diligence, including by regional offices? Is information on MLG performance measurement (success) being compiled systematically and adequately?
- What is the Government of Canada’s exposure with respect to a MLG? What are the recovery rates for defaults, and what is the impact on the consolidated revenue fund? Why, in some cases, is the Government of Canada unable to recover funds when there has been a default on the loan?

Future Directions

- What lessons can be drawn from the MLG evaluation? What are the strengths and weaknesses?
- What risks/obstacles to success are involved in MLG delivery?
- What recommendations, options, alternatives, possible strategies or changes should be considered to improve MLG delivery? (e.g., should MLGs be available to individuals or through an alternate mechanism?)
- Could the use of MLGs be expanded to meet future First Nation priority needs (other than housing)?

2.3 Evaluation Methodology

2.3.1 Data Sources

The evidence that supports the evaluation was generated from a document review, a review of administrative data, secondary data, key informant interviews, and case studies. The data collection methods for each of the sources were outlined in a methodology report that was submitted as part of the preparatory phase of the evaluation.

- *Document Review, Administrative and Secondary Data Analysis:*

  This data source involved the review of documents and administrative data pertaining to MLGs. This included program reports and reporting guides, program terms and conditions and project documents, such as operational plans, strategic plans and performance measurement strategies, and previous evaluations or studies. The documents were categorized into documentation pertaining to MLGs and pertaining to on-reserve housing, including documents from INAC, CMHC, Office of the Auditor General of Canada, Statistics Canada and other research papers. A complete listing of the documents reviewed is presented in Appendix B.

  Administrative data related to MLGs and on-reserve housing inventory were gathered and calculated specifically for this study from data provided by INAC. The MLG data is from regional reports generated from the GLMS for each fiscal year and the housing data is from the Housing and Infrastructure Asset Inventory, Basic Departmental Data and the 2008 Compendium of INAC Program Data.

- *Key Informant Interviews:*

  Sixty key informants were identified for the evaluation based on a list provided by INAC, in consultation with the Advisory Committee, and preliminary consultations. Key informants include representatives from the following categories (number of interviewees is in parentheses):
  - INAC managers (18);
  - INAC policy and program staff (11);
  - CMHC managers (4);
  - CMHC policy and program staff (3);
  - Financial institutions (5); and

- First Nations representatives, individuals and organizations (12).

Six interview guides were developed based on the evaluation questions and circulated to participants prior to interviews. These questions were used to guide the discussions, and were supplemented with follow-up questions to probe into issues in more detail as appropriate.

Interviews were conducted over the phone and generally took 30 to 45 minutes. A total of 53 interviews took place (excluding interviews that were conducted as part of the case studies). A profile of the key informants that were interviewed is shown in Appendix C.

- *Case Studies:*

  Case studies provided illustrative examples of the impact that MLGs have had on housing on reserve:

  - In determining case study subjects, the aim was to have regional representation across the country and a variety of community sizes and proximity to urban centres. With respect to economic diversities, a collection of case study communities along a success continuum were selected. These ranged from a community that is economically well-off, to one that is currently third-party managed, and those in-between. The consultant worked with INAC and First Nation members of the Advisory Committee, to determine which subjects would be most appropriate illustrations along the continuum.

  Profiles of each case study subject and the methodology used for each is outlined in Appendix D. Note that all interviews, which were conducted as part of the case studies were in addition to, and thus, separate from key informant interviews.

2.3.2 Limitations

There were some limitations on the data collected from the three main sources:

- There was limited documentation that focussed specifically on MLGs. The review thus, also looked at documentation related to on-reserve housing more generally. These sources were reviewed for any specific references on MLGs, and to provide information on how MLGs contribute to the 1996 On-Reserve Housing Policy as well as to provide context on other INAC activities and other financing programs, for example, those delivered by CMHC.

- Key informants selected for this study were selected based on the recommendations of the Advisory Committee with respect to persons who would be most knowledgeable about MLGs and First Nation housing issues. Therefore, the selection is inherently biased as no formal selection procedure was used. The plan for the evaluation was to interview 60 key informants, and 53 interviews were conducted with informants representing all the identified groups. Every effort was made to schedule interviews, and repeated attempts were made to secure participation (e.g., by phone and email requests). Those that were not interviewed either did not respond to interview requests, or declined to participate. Most of the interviews that were not completed were with First Nations representatives.

- The case study sites chosen were a convenience sample, recommended by First Nation housing technicians from across the country. While selection criteria were applied, there was no methodological rigor in the approach that would have generated a random sample.

- The sources that informed each of the subject case studies varied. The amount of information and documentation that communities were willing or able to share regarding their housing program and their financial situation varied amongst the subjects. In some cases, documentation was not available due to a lack of staff continuity and changes in information systems over the years. The same was true for interview participants – some in each community were unavailable to participate. End user interviews were only applicable in communities, which had individuals that had taken advantage of individual home ownership MLGs.

- Administrative data was only available up to 2007-08, and consequently, information for 2008-09 and 2009-10 were not included in this report.

3. Evaluation Findings - Relevance

This section presents the findings of the evaluation questions related to the relevance of MLGs. Under this area of inquiry, the evaluation sought to understand if MLG objectives are consistent with government objectives for housing, how relevant they are to First Nation band councils, what alternative mechanisms exist to MLGs for obtaining housing loan security, and which delivery agent is best positioned to deliver the MLG tool to its users.

The following sections outline the key findings as they relate to relevance.

3.1 MLG Objectives

MLG objectives are consistent with Government of Canada priorities with respect to on-reserve housing in that they assist First Nations in providing suitable, adequate, and affordable housing. They also support First Nations in fulfilling a role of deciding how, where, and when housing funds are invested by helping to provide access to private capital, which is one of the major priorities of the 1996 Housing Policy.

The review of government policy documents and documents describing the MLG's objectives showed that the Government of Canada's policy for on-reserve housing is largely based on the 1996 On-Reserve Housing Policy. The Policy is based on four key principles: community control; capacity development; shared responsibility; and access to private capital. [16] To opt-in to the 1996 Policy, communities develop housing policies, programs, and multi-year housing plans that are specific to their community's needs.[17]

The Government of Canada invests approximately $272 million annually through INAC and CMHC to assist First Nations communities in meeting on-reserve housing needs using a number of programs[18], as well as other one-time funding announcements such as Budget 2005 (which included incentives to promote personal home ownership on reserve),[19] and most recently in 2009, through Canada's Economic Action Plan. The Government of Canada outlines its On-Reserve Housing Policy in a number of documents.

Because reserve land is set aside for use exclusively by a band, there have been few opportunities for Chief and councils to access private capital due to the inability to provide loan security. One of the key principles of the 1996 Policy is to provide access to this private capital to allow communities to pursue other avenues to finance housing projects.

In key informant interviews, the vast majority of INAC representatives noted that the objective of MLGs is to provide collateral given that the *Indian Act* prohibits seizure by a non-Indian and secures financing for housing loans for First Nations communities. MLGs were also viewed as a

[16] Canada. Indian and Northern Affairs Canada. 2008. Introduction to the National Community Infrastructure and Housing Web Page for First Nations on Reserves. Ottawa: Indian and Northern Affairs Canada.
[17] Canada. Indian and Northern Affairs Canada. February 2008. Evaluation of the 1996 On-Reserve Housing Policy. Audit and Evaluation Sector. Ottawa: Indian and Northern Affairs Canada.
[18] Canada. Indian and Northern Affairs Canada. 2008. Introduction to the National Community Infrastructure and Housing Web Page for First Nations on Reserves. Ottawa: Indian and Northern Affairs Canada.
[19] Canada. Indian and Northern Affairs Canada. 2005. Letter from Community Infrastructure Branch to Regional Offices. Ottawa: Community Development Branch, Indian and Northern Affairs Canada

tool to provide access to loans and mortgages for on-reserve housing, which allows First Nations communities to expand their housing stock. Nearly all interviewees from CMHC identified the same objective, focusing on the role of MLG as the security that replaces title, providing security in case of default to allow on-reserve lending. About half of the First Nations representatives also said the objective was generally defined as providing loan security to financial institutions and to ensure lenders will be reimbursed in case of default on the loan. The other half echoed this objective but with a somewhat different emphasis, noting the necessity of MLGs given the *Indian Act* and how MLGs enable First Nations to leverage capital for housing loans. Eighty percent of the lenders also identified these objectives.

A recent report on MLGs completed for INAC also identified its objective as "to facilitate access to financing required for the construction, acquisition and/or renovation of on-reserve housing. A sub-objective is to enable and encourage lending to individuals in support of home ownership opportunities for on-reserve residents through legislative and traditional property rights mechanisms."[20]

3.2 Utilization of MLGs

Approximately 26,000 new housing units were constructed on reserve between 1996-97 and 2007-08 using MLGs, and there has been a need to increase the authority as recently as 2008. However, the level of up-take varies across regions.

As discussed earlier, under Section 89 of the *Indian Act*, "the real and personal property of an Indian or a Band situated on a reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or a Band,"[21] and as such, in order to acquire loan financing, some form of a guarantee of payment in case of default is required by lenders. In addition, bands must be eligible for and receive an MLG in order to be eligible for the CMHC on-reserve non-profit housing program (Section 95),[22] thus, there are clear policy and legislative directives that maintain the relevance of MLGs for on-reserve housing.

The relevance and efficacy of MLGs is also evidenced by the fact that communities have made such regular use of the tool that the authority for MLGs has steadily increased since its adoption in the late 1960's, more so in the last 10 years. In 1999, the authority was raised from $1.2 billion to $1.7 billion, and as recently as October 2008, it was raised yet again to $2.2 billion.[23]

There is currently a very wide up-take of MLGs among First Nations communities, as many communities have few accessible options other than to use this tool in order to expand their housing program, as discussed in Section 3.3 below. Bands can also encourage individuals to participate in individual home ownership through a Section 10 loan and associated MLG to take pressure off wait lists for social and band-owned housing.

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[20] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada
[21] Canada, *The Indian Act*.
[22] Canada. Canada Mortgage and Housing Corporation.
[23] Canada. Treasury Board of Canada. 2008.

The analysis of the progression of MLGs between 1996 and 2008 has shown a significant increase in usage, with little sign of slowing down. From 1996-97 to 2007-08 (the most recent year where complete data is available), approximately 26,000 new housing units have been constructed, of which 22,311 are backed by MLGs, almost 80 percent.[24] More than one-third of on-reserve housing units have active MLGs,[25] and approximately 80 percent of First Nations communities currently have MLG backed mortgages.[26]

There are, however, regional variations in terms of use of MLGs and the type of projects associated with MLGs. The next three tables present some regional data on MLGs to provide a more detailed look at the use of MLGs across the country.[27]

Table 4 provides a regional summary of the 4,328 MLGs that were issued over the period of 1996-97 to 2007-08. As indicated, the two regions with the highest number of loans backed by MLGs and the number of units covered by these loans are British Columbia (B.C.) and Quebec. This is not adjusted for population. The average loan value for each housing unit covered varied from a high of almost $98,000 in the Yukon to a low of approximately $58,000 in Quebec.

Table 4: MLG Loan Data from 1996/97 to 2007/08 by Region

Region	Number of Loans	Amount Guarenteed	Average Loan Amount	Number of Units covered by MLG Loans	Average Loan value per housing unit
ATLANTIC	565	$108,252,122.92	$191,596.68	1,654	$65,448.68
QUEBEC	878	$213,684,677.22	$243,376.63	3,666	$58,288.24
ONTARIO	487	$248,942,548.87	$511,175.67	2,892	$86,079.72
MANITOBA	334	$282,875,784.42	$846,933.49	3,522	$80,316.80
SASKATCHEWAN	490	$210,522,286.21	$429,637.32	3,431	$61,358.87
ALBERTA	549	$226,903,570.31	$413,303.41	3,222	$70,423.21
YUKON	36	$12,191,136.02	$338,642.67	125	$97,529.09
BRITISH COLUMBIA	989	$292,828,451.79	$296,085.39	3,799	$77,080.40
National	**4,328**	**$1,596,200,577.76**	**$368,807.90**	**22,311**	**$71,543.21**

The next two tables present MLGs in terms of the purpose of the loan and type of housing project associated with the loan.

Table 5 provides a breakdown based on the purpose of the loan – for CMHC's Section 95, other band projects or individual band members. The unit of measure that is used for the comparison is the number of housing units covered by the loans. As discussed in the introduction, loans are most commonly used for the purposes of CMHC's Section 95 housing projects. Should CMHC change their criteria for the Section 95 program to not require MLGs, the demand for MLGs and the growth in their usage would most likely show a very different pattern.

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[24] Canada. Indian and Northern Affairs Canada. 2009. Guaranteed Loan Management System. Ottawa: Indian and Northern Affairs Canada.
[25] Canada. Indian and Northern Affairs Canada. 2009. Terms of reference for the impact evaluation of Ministerial Loan Guarantees Ottawa: Audit and Evaluation Sector, Indian and Northern Affairs Canada
[26] Canada. Indian and Northern Affairs Canada. 2009. Guaranteed Loan Management System. Ottawa: Indian and Northern Affairs Canada.
[27] The MLG data is from regional reports generated from the GLMM for each fiscal year and the housing data is from the Housing and Infrastructure Asset Inventory, Basic Departmental Data and the 2008 Compendium of INAC Program Data.

Approximately 72.5 percent of housing units that were subject to an MLG loan for the period of 1996-97 to 2007-08 were associated with CMHC's Section 95 Program. There are regional variations from this national average.

Table 5: Regional MLGs by Loan Purpose from 1996/97 to 2007/08							
	Loans for Section 95		Loans for Other Band projects		Loans for Members		
Region	Number of Units Covered by the Loans	% of Total Units in the Region	Number of Units Covered by the Loans	% of Total Units in the Region	Number of Units Covered by the Loans	% of Total Units in the Region	Total Units for all three loan types
ATLANTIC	1,171	70.8%	326	19.7%	157	9.5%	**1,654**
QUEBEC	1,639	44.7%	1,589	43.3%	438	11.9%	**3,666**
ONTARIO	2,544	88.0%	157	5.4%	191	6.6%	**2,892**
MANITOBA	2,994	85.0%	521	14.8%	7	0.2%	**3,522**
SASKATCHEWAN	3,230	94.1%	191	5.6%	10	0.3%	**3,431**
ALBERTA	2,314	71.8%	704	21.8%	204	6.3%	**3,222**
YUKON	120	96.0%	4	3.2%	1	0.8%	**125**
BRITISH COLUMBIA	2,157	56.8%	1,202	31.6%	440	11.6%	**3,799**
National	**16,169**	**72.5%**	**4,694**	**21.0%**	**1,448**	**6.5%**	**22,311**

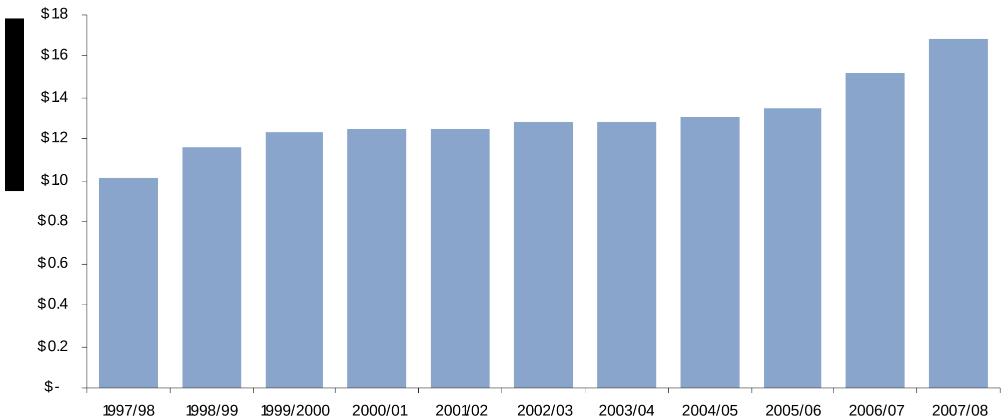
The use of individual loans for members is more common in Quebec and B.C. (approximately 12 percent of housing units in both regions compared to the national average of 6.5 percent). These two regions also had a higher proportion of other band sponsored projects. On the other hand, in the Yukon and Saskatchewan, the vast majority of MLGs were used for the purposes of CMHC's Section 95 program (or approximately 96 percent and 94 percent respectively in terms of units covered by the loans).

Table 6 provides a similar breakdown based on the type of housing project – construction, renovation or purchase. Again, there are regional variations from the national average, most notably for the regions of Quebec and Alberta. Both regions had a lower proportion of loans used for construction. In the case of Quebec, a greater ratio of loans were applied to renovation projects (8.5 percent compared to the national average of 3.2 percent), while in Alberta more loans were used for purchasing houses (11.5 percent compared to the national average of 4.0 percent).

Table 6: Regional MLGs by Loan Type from 1996/97 to 2007/08							
	Loans for Construction		Loans for Renovation		Loans for Purchase		
Region	Number of Units Covered by the Loans	% of Total Units in the Region	Number of Units Covered by the Loans	% of Total Units in the Region	Number of Units Covered by the Loans	% of Total Units in the Region	Total Units for all three loan types
ATLANTIC	1,585	95.8%	42	2.5%	27	1.6%	**1,654**
QUEBEC	3,247	88.6%	312	8.5%	107	2.9%	**3,666**
ONTARIO	2,854	98.7%	9	0.3%	29	1.0%	**2,892**
MANITOBA	3,169	90.0%	76	2.2%	277	7.9%	**3,522**
SASKATCHEWAN	3,311	96.5%	49	1.4%	71	2.1%	**3,431**
ALBERTA	2,660	82.6%	192	6.0%	370	11.5%	**3,222**
YUKON	121	96.8%	0	0.0%	4	3.2%	**125**
BRITISH COLUMBIA	3,765	99.1%	24	0.6%	10	0.3%	**3,799**
National	**20,712**	**92.8%**	**704**	**3.2%**	**895**	**4.0%**	**22,311**

Usage of the MLG authority, as discussed earlier, has been increasing steadily between 1997 and 2008, culminating with the need to retroactively increase the MLG authority in 2008 when the contingent liability was inadvertently exceeded. Chart 3 shows the increase in contingent liability over that period.

Chart 3: Contingent Liability



Source: Guaranteed Loan Management System, 2009

3.3 Alternatives to MLGs

There are alternatives to MLGs for obtaining loan financing, including the First Nation Market Housing Fund, CMHC mortgage insurance, grants, revolving loan funds, and leveraging existing relationships with financial institutions, however the cost and/or eligibility criteria for most alternatives to MLGs can make them prohibitive and consequently, inaccessible to many communities.

Through a review of documents and key informant interviews, a number of existing alternative tools to financing new on-reserve housing were identified, including:

- *On-Reserve Homeownership Loan Insurance Pilot Product without Ministerial Loan Guarantee (CMHC Program):* The First Nation sets up a trust (minimum $150,000) to provide security on the loan. The pilot program has been operating for five or six years, however, there are less than five communities that have accessed the program.
- *First Nation Market Housing Fund:* Similar to the pilot program (above), the idea of this fund is to replicate off-reserve lending, thus, requiring mortgage insurance. The band needs to qualify for the fund, however, and to date, only six Fist Nations have qualified[28]. This fund is run by an independent entity made up of nine trustees of government, lenders, and First Nations, although CMHC manages the day-to-day activities of the fund.
- *CMHC mortgage insurance:* (same as off reserve), but this cost would vary by community and in some cases, the premium would likely be prohibitive.

[28] First Nations Market Housing Fund. On-line: http://www.fnmhf.ca/english/participating_fn/index.html

- *Grants for social housing*: To have any effect, this would involve a large amount of capital funding that may not be practical.
- *Revolving loan funds*: This is currently being successfully implemented in a few communities but a stream of revenue is required to make it viable, for example, rent.
- *Conventional lending*: Institutions, such as RBC, BMO and Caisse Populaire, are active in lending to First Nations for housing loans with First Nation bands they have good working relationships with in the past.

While there are a number of alternatives to MLGs identified, it is clear that these alternatives are for the most part not accessible. While respondents noted some of the existing options, it became clear from the responses that the options available to a community depend on the community's financial and economic situation (i.e., those that are well-off financially have more options). Nearly all INAC respondents estimated that only 10-15 percent of First Nations communities might have the ability to take advantage of those options, while the remainder relies on MLGs to access financing for on-reserve housing. The responses from First Nations representatives were consistent with that point of view. Nearly all First Nations respondents stated that the criteria for these programs are very stringent and out of reach for most communities. They believed that these programs are only available for between 5-15 percent of communities, depending on the region. Similarly, nearly all interviewees indicated that those communities that are in a good financial position can get financing on their own with lending institutions.

This was also clear in four of the five case studies (the fifth is in third-party management and is ineligible for MLGs). Two of the case study communities relied on MLGs for both CMHC's Section 95 and band housing units. One community had recently embarked on a housing plan after years of stagnation, and MLGs are an integral part of it.

The fourth community had stopped building band housing (social or band-owned), and instead relied on the MLG tool to encourage its members to purchase or build their own homes on reserve. While informants recognized the value in bands encouraging individual home ownership by obtaining MLGs on their members' behalf, this community made it the central theme of their housing strategy. Over the last four years, 27 individual home ownership projects have been completed.

Accessible alternatives to the use of MLG's would reduce the reliance of First Nations communities on this tool and may facilitate a move away from social housing as the only financially viable option for increasing the number of homes on reserve.

3.4 The Absence of MLGs Would Have an Impact on First Nations Communities

Documents and information obtained from key informant interviews and case studies indicate that the absence of MLGs would have negative impacts on First Nations communities' ability to finance on-reserve housing. Since lending transactions for housing require mortgage insurance in order to be in line with the *National Housing Act*, CMHC does issue a mortgage insurance certificate for all transactions backed by an MLG without collecting a premium. CMHC uses the MLG as insurance, eliminating the need to charge premiums. In the absence of the MLG, CMHC would have no meaningful security, and would have to charge an insurance premium significantly in excess of what is changed off reserve to compensate for the high-risk, or tight underwriting criteria unless changes were made to the program to allow for lower insurance premiums. This would essentially restrict access to these loans, leaving most communities with no alternative to finance housing on reserve as they are generally ineligible for most other financing tools and programs.[29] It is believed that the number of new units would decrease and overcrowding rates may rise. These concerns were also mentioned by key informants from INAC and CMHC during interviews.

Over half of the key informants representing First Nations felt that without MLGs, there would be very limited options to obtain housing on reserve. Some of these respondents described such a situation as a "disaster", as there are no other accessible options. They felt that the number of new units would decrease and there would be a lot less social housing as funding would depend solely on such housing grants that exist. More than 20 percent of those First Nations respondents felt that larger communities that have other options would be able to maintain their housing program by using those options, while smaller communities with access to fewer resources would suffer the most.

Evidence of the latter statement was also seen through the case studies that were conducted:

- Four of the five communities profiled were located in either remote or rural areas, and interviewees from all four of those communities felt they had no other options other than to utilize MLGs;
- Three of the five communities had populations fewer than 1,000 residents on reserve, and all three of them felt they had no other options other than to utilize MLGs; and
- Three of the five communities either were now or recently working under a Remedial Management Plan (RMP) with a co-manager or under third-party management, and all three felt they had no other options other than to utilize MLGs if they qualified. Communities under third-party management are not eligible but may have used MLGs in the past before they were in a third-party management situation.

3.5 INAC as the MLG Delivery Agent

While government support for housing on reserve is shared between INAC and CMHC, there is no consensus amongst INAC interviewees on who would be the best delivery agent for MLGs between INAC and CMHC, while there was consensus amongst CMHC interviewees that INAC is the best delivery agent for MLGs.

The most recent policy proposal that secured an increase in the MLG authority clearly stated that the responsibility for supporting on-reserve housing overall from the Canadian Government is shared between INAC and CMHC. However, there were differing opinions regarding whether INAC should remain the primary delivery agent for MLGs.

One-third of the total INAC respondents believed that INAC is the appropriate delivery agent for MLGs. Since it is a ministerial guarantee, these respondents believed that the delivery agent must be INAC, especially since the information needed for reviewing applications, such as financial audits, are the responsibility of INAC. Of those respondents, some also mentioned that CMHC would not be appropriate since they are a lender for most MLG backed loans, which could result

[29] Canada. Treasury Board of Canada. 2008.

in a conflict of interest. They felt INAC is best situated because the Department has day-to-day knowledge of First Nations and how they manage their funds.

Another one-third of INAC respondents believe CMHC would be a better delivery agent. They felt that the agency administers housing programs on behalf of the Government, and they are the housing experts. Loans would be guaranteed by the Minister responsible for CMHC. Some of these respondents linked this to accountability. Since most MLG backed loans are for CMHC programming, they viewed it as CMHC using most of INAC's MLG authority, resulting in misplaced accountability. Another respondent from this group of respondents also believed this would allow CMHC to take more ownership of the issue and develop other options, such as a mortgage insurance program (without MLGs) or determine how to improve accessibility to MLGs.

The last third of INAC respondents were unsure on the most appropriate delivery agent. As noted by one respondent, the issue is a complicated one because while CMHC are experts on housing, INAC are the experts on First Nations communities. Only one INAC respondent suggested that eventually, First Nations organizations should deliver the service.

While there were mixed views among the INAC representatives, all CMHC representatives agreed that INAC should be the delivery agent for MLGs. They stated that INAC is the federal lead on housing on reserve and is responsible for the *Indian Act*, and that INAC is the one providing the guarantee and CMHC does not have all the financial information to take on such responsibilities.

3.6 Conclusions

MLG objectives are consistent with government priorities for housing in First Nations communities. It is a relevant tool, as it is currently required for communities to obtain a CMHC Section 95 social housing subsidy. It is being utilized as is evidenced by the need to continuously increase the authority amount. They are effective insofar as access to MLGs have allowed communities to produce approximately 26,000 new housing units between 1996-97 and 2007-08 that may not exist otherwise. While some alternatives to MLGs do exist, these depend heavily on the financial strength of the community, and as such, these are only alternatives for approximately 15 percent of bands, resulting in a high level of interest in, and utilization of, MLGs. Reliance on MLGs may decrease if other viable final alternatives were developed. Currently, the absence of MLGs would essentially stop the expansion of housing programs in most First Nations communities, particularly those that are smaller, in rural or remote areas, or are experiencing financial difficulties. It would also require CMHC to not only make administrative changes to their programs, but would require them to charge a prohibitive premium for loan insurance or a change in legislation. INAC is the lead for many on-reserve policies, and has a minister that can provide the authority to provide guarantees. There is insufficient evidence to suggest a new delivery agent would be appropriate.

4. Evaluation Findings –Clarity

This section presents the findings of the evaluation questions related to the clarity of MLGs. Under this area of inquiry, the evaluation sought to understand the extent to which the fulfillment of MLG objectives can be measured, and whether there is data to indicate the scope and progression of MLGs between 1996 and 2008.

The following sections outline the key findings as they relate to clarity.

4.1 Measurement of MLG Objectives

There are no documented performance measures or metrics for MLGs, although housing in general has various metrics from various sources and groups, related to housing adequacy and housing servicing. Tracking of the MLG authority through the GLMS (now Guaranteed Loan Management Module (GLMM) is the only measurement of MLGs that formally takes place.

There was no documented evidence of performance measures specifically for MLGs. However, there is evidence of performance measures related to housing as a whole. Logic models and associated performance measures have been developed for each of the Department's five strategic outcomes. For the Community Infrastructure Program, one of the three expected results is "improved First Nations housing". Two performance indicators have been established to measure this result: 1) Percentage of First Nation-reported adequate houses for each First Nations community; and 2) Number of First Nations eligible for access to the First Nation Market Housing Fund.[30]

INAC has also developed indicators for the performance measurement framework for the Capital Facilities and Maintenance Program (CFM). Two indicators are established for Housing and Housing Servicing: 1) Percent of First Nation-reported 'adequate' houses per First Nation community; and 2) Housing Servicing: a) percent of houses with water service, and b) percent of houses with sewage service. High-level strategic indicators to link the results achieved by the CFM Program within INAC's broader objectives have also been developed. One of these indicators is an increase in private ownership of housing in First Nations communities.[31]

In interviews, about 40 percent of the INAC respondents identified the MLG authority as the only formal measurement of MLGs, and this measurement is through the GLMS, which captures information related to MLGs, including the number and value of loans, their repayment schedules, the number of units, and loan purposes, as well the Government of Canada's contingent liability. GLMS is essentially a database that does little else except monitor the authority, that is, it is generally not able to assist in making management decisions. Interviewees reported that a new version of GLMS is being developed, and it is expected that it should provide more flexibility to provide more accurate and more detailed information (this new version, the

[30] Canada. Indian and Northern Affairs Canada. 2008. 2008-2009 Report on Plans and Priorities (RPP). Ottawa: Indian and Northern Affairs Canada.
[31] Canada. Indian and Northern Affairs Canada. March 10, 2008. Measuring Results: An Update on the Implementation of a Performance Measurement Framework for the Capital Facilities and Maintenance Program. Ottawa: Indian and Northern Affairs Canada.

GLMM, became operational in May 2010). The authority is now monitored on a monthly basis, though in the past it was tracked annually.

Another 40 percent of INAC respondents noted that the loan payment schedules and level of arrears could measure the effectiveness of MLGs. They felt that from a financial perspective, the measure of success of MLGs should be the default rate, although it is unclear how the default rate provides an indication of MLGs meeting their overall objective.

Less than 20 percent of INAC respondents identified the tracking of the number of units that are built using MLGs as a measure of outcomes. However, none of these respondents were aware if this data is cross referenced with housing statistics to try to actually gauge the impact MLGs are having on housing specifically. It was reported, for example, that INAC has some indicators on on-reserve housing, but does not track MLG versus non-MLG backed housing. While there is merit in doing this type of analysis, making a connection to a policy outcome is a difficult task, given that MLGs are a tool and not a program.

Nearly all INAC respondents identified the GLMS as the primary tool for assessing the authority. About one third of those respondents who were most familiar with the GLMS, also responded that the MLG authority will be monitored more stringently now through the new version of GLMS. Going forward, regions will receive a notional target for spending, and anything over this target will need Headquarters approval. In fact, a large part of redeveloping the GLMS system is to monitor the MLG authority. The system will have new controls and forecasting capabilities. For example, information will be entered at the application stage, therefore, allowing for a better idea of the take-up at the application stage. Discussions are still ongoing about forecasting and the process to allocate targets to regions, and reporting guidelines for the regions.

4.2 MLGs have Progressed Significantly between 1996 and 2008

Available statistics show that MLGs have been heavily relied upon for housing financing purposes by First Nations communities, and the on-reserve default rate is comparable to the default rate of mortgages off reserve. With Canada’s First Nations population growing significantly, these statistics provide some indication of the ability of MLGs to deal with demographic changes.

A review of documents and reports, and data from Statistics Canada and the GLMS system revealed evidence related to the progression of MLG performance since 1996.

Aboriginal populations in Canada continue to grow significantly. The First Nations population in Canada increased 29 percent between 1996 and 2006, compared to eight percent for the non-Aboriginal population. The population is also relatively young, with 48 percent of the Aboriginal population consisting of those under 24 years old, compared with 31 percent of the non-Aboriginal population.[32] In addition to a rapidly growing population, demographic pressures facing First Nations include the reinstatement of registered Indian status for many First Nation citizens through Bill C-31.[33] A 2006 review prepared by INAC on First Nation infrastructure

[32] Canada. Statistics Canada. January 2008. Aboriginal Peoples in Canada in 2006: Inuit, Métis and First Nations, 2006 Census. Ottawa: Statistics Canada.

[33] Assembly of First Nations. October 25th 2005. First Nation Housing Plan - Draft. Ottawa: Assembly of First Nations.

requirements identified four major drivers facing present and future First Nation infrastructure needs, one of which was the high population growth on reserve.[34] It is estimated that roughly $820 million in capital is required, through public and private funding support, to accommodate the anticipated growth of the population.[35]

As discussed in Section 3.2, the analysis of MLG progression between 1996 and 2008 shows that it is heavily relied upon for financing purposes. Not only has the contingent liability been steadily growing since 1996, but so have the amounts guaranteed per loan (53 percent), and the MLG amount per unit (81 percent).[36] This could be for a number of reasons, including inflation, increasing construction costs and changes to design and building materials. Either way, they show increasing costs to providing housing on reserve, and thus, an increasing demand for financing options.

With regard to default rates, the data has also shown that default rates for MLG backed mortgages have historically been comparable to off-reserve mortgage default rates. The 2008 Policy proposal for the MLG authority increase cited a historical default rate of approximately 0.6 percent for MLG backed financing, compared to a national average of 0.5 percent, according to research by Dominion Bond Rating Service.[37] In addition, INAC keeps a reserve for losses to pay for guarantees when loans do indeed default. The reserve is budgeted each year at $2 million, but the average amount used to pay for defaults annually since 1996 is $736,106, with the full $2 million only having been used once since 1996.[38]

While MLG usage as a whole remains high, it is highly concentrated on CMHC’s Section 95 or band-owned housing. Only 6.5 percent of the units built that were backed by MLGs are for personal home ownership loans, and only three percent were for renovations.

4.3 Conclusions

INAC tracks usage of the MLG authority but does not currently measure whether or not MLG objectives are being achieved, nor has it set any performance targets or goals. However, INAC does collect and track relevant information, such as the proportion of new units covered by MLGs, suggesting that fulfillment of MLG objectives can be measured, but not without a complete performance management plan. According to a review of statistics, administrative data and trends, MLGs are relied upon by First Nations communities to ensure access to financing for housing projects on reserve. The vast majority of the loans are to access CMHC’s Section 95 housing loan and subsidy. With a growing and young on-reserve population, there will continue to be more pressure on bands to meet housing demands for its members into the future.

[34] Canada. Indian and Northern Affairs Canada. March 31st 2006. Building Futures: A Review of First Nation Infrastructure Requirements and INAC's Capital and Facilities Maintenance Program. Ottawa: Community Development Branch, Indian and Northern Affairs Canada.
[35] Canada. Treasury Board of Canada. 2008.
[36] Canada. Indian and Northern Affairs Canada. 2009. Guaranteed Loan Management System. Ottawa: Indian and Northern Affairs Canada.
[37] DBRS, Canadian Securitization Market Overview, September 2009.
[38] Canada. Treasury Board of Canada. 2008.

5. Evaluation Findings – Design and Delivery

This section presents the findings of the evaluation questions related to the design and delivery of MLGs. Under this area of inquiry, the evaluation sought to understand the scope and objectives for MLGs, the consistency of their implementation across all regions, the clarity of roles and responsibilities of stakeholders, the due diligence that goes into managing the MLG authority, and the resulting risk exposure for the Government of Canada.

The following sections outline the key findings as they relate to design and delivery.

5.1 Logic Model and Process

Given the fact that MLGs are a tool to facilitate broader housing objectives, it does not have a defined logic model. However, a new Operational Guide is being developed for processing of MLGs to ensure consistent processes across regions, which outlines the conditions under which First Nations communities are eligible for MLGs, and the associated timelines.

As discussed earlier in Section 3.1, the policy objective of the MLG is to facilitate access to financing required for the construction, acquisition and/or renovation of on-reserve housing.[39]

As discussed in the introduction, housing loan guarantees on reserve are generally broken down into three groupings: 1) Loans required to finance social housing; 2) Loans to support other First Nation managed housing projects; and 3) Loans to individuals (home owner projects), through the band council. The majority of the guaranteed loans are associated with CMHC programs, most notably Section 95. [40]

A high-level overview of the process to obtain an MLG is as follows, as outlined by key informants and document reviews:

- Band council secures financing for a housing project with a lender;
- Band council must then submit a BCR, along with other documentation to INAC for approval, including site plans, housing plans, specifications, cost estimates, environmental assessments, etc.;
- INAC then determines eligibility for the MLG and issues a guarantee certificate;
- The band works with a lender to finalize loan details, and with CMHC to obtain a mortgage insurance certificate (as required by the *National Housing Act*);
- In case of default, INAC works to recover defaults from the band council, whether the loan is for a band mortgage or an individual's mortgage that has been sponsored by the band; and
- For CMHC's Section 95 Program, INAC provides a preliminary list of those communities that are eligible for MLGs to CMHC, so they can allocate units among those eligible prior to the BCR stage.

[39] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada
[40] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada

The number of people who need to sign-off varies in each region, however, these regional differences should be phased out as the new GLMM is rolled out. The new GLMM is intended to automate much of the process, as it will interface with other INAC information systems.

A draft Operational Guide is being developed to outline business processes and roles for administering MLGs. This includes steps and processes for: application and approval, renewing loan term, transferring/assigning of a guaranteed loan, retiring a guaranteed loan, notification of loan default, claim to Minister for payment, renewing an MLG when borrowers separate/divorce and selling of a house.[41] The new Operational Guide, which includes a toolkit, is intended to streamline the process and documentation requirements.

First Nations under third-party management are not eligible for MLGs. If they have been experiencing an operating deficit, they may get an MLG if they have successfully been operating under a RMP.[42] First Nations that have not submitted proper financial reports, or have arrears on any existing guarantees may also not be eligible for MLGs.[43]

There were concerns expressed from First Nation respondents in key informant interviews with respect to the time it takes to get through the MLG process. While nearly all First Nations indicated that the process was relatively clear, when it came to timing, as well as the amount of paperwork involved, there were more concerns. Timelines appear to vary by region. One respondent indicated it can take three to six months but it was not clear why there is a difference. A respondent from another region noted it was a huge administrative exercise and it can be up to eight weeks to receive an MLG certificate, although this process is improving. A respondent from yet another region indicated it can take approximately three weeks once final paperwork is submitted. This is consistent with concerns that were raised during the preliminary interviews with INAC staff.

5.2 Consistency of Implementation

MLGs have been implemented consistently across the country with some minor variations at the regional level, although timing of the MLG cycle can be an issue for some communities with respect to construction season. Since 1996, there is little evidence of MLGs approved for projects other than housing.

Generally, all INAC key informants from across regions described a relatively similar implementation process for MLGs. Once the First Nation community obtains agreement on financing from the lender, they apply to INAC for the MLG. The INAC housing officer (or equivalent) reviews the application for completeness and eligibility. If anything is missing or incomplete, the officer works with the community to complete necessary documentation for the submission. The Funding Services Officer (or equivalent) reviews the file to ensure financial viability of the band, including any existing defaults, arrears, missing reports or intervention that is currently happening, before sign-off is done, and the MLG certificate is issued. As discussed earlier in Section 5.1, the number of people who need to sign-off varies in each region.

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[41] Canada. Indian and Northern Affairs Canada. 2009. Ministerial Loan Guarantees Operational Guide - Draft. Ottawa: Indian and Northern Affairs Canada.
[42] Canada. Treasury Board of Canada. 2008.
[43] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada.

When asked to describe the MLG process, the response from CMHC representatives identified minor variations within regions. For example, in the B.C. region, they indicated the MLG process is timely and there is very good communication with INAC. CMHC and INAC work closely together from the beginning of the project. For example, a conditional loan letter is taken to INAC to start the MLG process, and generally, CMHC receives the MLG six weeks later. In Alberta, they indicated that the scope and eligibility are generally clear, though some individuals may not be clear on the process. A CHMC representative from Quebec had the opposite view, where the process to apply for an MLG was clear, but the eligibility criteria that are applied are not clear at all. At a minimum, regional practices must comply with the Department's housing policy, the MLG authority terms and conditions, and the program directive.[44]

These variations may be attributable to the fact that MLG oversight had been decentralized to regional offices, with no coordination or regular monitoring by Headquarter.[45] However, these regional differences should be phased out with the implementation of the new MLG procedures manual, and the roll-out of the new GLMM, which will automate some parts of the process, for example, the review conducted currently by funding services officers will fully automate.

Issues related to timing discussed in Section 5.1 not only create a sense of unpredictability surrounding the eligibility of MLGs, but they can also affect housing project schedules. Construction seasons vary across the country. However, at its broadest level, building projects are essentially at a standstill from early winter to late spring, making the timing of the approvals process important. These timeline variations have in the past caused two of the case study communities to delay the completion of projects.

More than 80 percent of INAC respondents provided consistent responses in terms of MLGs being for housing purposes only. There were very few exceptions to this. One exception in the past has been for emergency shelter programs (such as Project Haven), but very few of those are still active. In Quebec, there were applications for other types of projects such as old age homes and community service buildings, but none were approved.

Interviews with key informants, and case study subjects often commented that due to a lack of continuity and capacity on reserve, it is common for INAC staff to consistently request more information to complete MLG applications from bands, further lengthening timelines.

5.3 Roles and Responsibilities

There are a number of documents that clearly outline the responsibilities of all relevant stakeholders with respect to MLGs and these are generally understood and respected, however, a lack of continuity and capacity on reserve often results in INAC staff consistently requesting more information to complete MLG applications from bands, lengthening timelines for approval.

The following MLG responsibilities for each stakeholder are found in a number of documents, including the MLG program directive, the MLG Terms and Conditions, 2008 policy proposal, and the 2007 MLG Report:

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[44] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada.
[45]Canada. Treasury Board of Canada. 2008.

Stakeholder	Roles and Responsibilities
INAC	• Delegated authority to grant MLGs is given to regional representatives. All regional offices are responsible for managing their portfolio of MLGs. In the event of default, the Minister recovers the guaranteed funds from the band • The responsibilities of the divisions at INAC Headquarters (Programs; Trust, Loans and Corporate Accounting Services; and Lands Directorate) and regional offices are outlined in the Program Directive • INAC is expected to: assess and prepare recommendation report on ability of First Nations to undertake project, and debt, update land status report to ensure there are no encumbrances, and ensure documentation is there • Once contacted by financial institutions, INAC begins working with First Nations to deal with arrears, including making payments for First Nations, requesting extensions, etc
CMHC	• When CMHC acts as a direct lender or insurer to a *National Housing Act* loan, it must issue a certificate of insurance and confirm eligibility of borrower as part of MLG application. Non-NHA loans do not require a CMHC certificate of insurance. • CMHC requires an MLG for all on-reserve lending • In cases where the loan guarantee is being provided on a housing project, which involves CMHC as lender, insurer or provider of housing subsidies, CMHC has to confirm the eligibility of the loan/project • CMHC provides on-reserve capacity development activities, including Housing Quality Matters series of information and training sessions
First Nations	• For housing in general, First Nations are responsible for the design and development of sound local housing policies, programs and plans to help meet the housing needs of their communities • Responsible for gathering the necessary documentation, and submitting MLG applications • Maintain re-payment of loans for council projects, as well as for individual home ownership projects
Lenders	• Lenders are expected to exercise due diligence, as is INAC • Lenders must provide documentation for MLG approval, including: commitment letter (contingent on the MLG being approved), approved lender loan agreement, and if appropriate, a mortgage insurance certificate either through CMHC or alternate mortgage

	insurance instrument • Lender is expected to provide status reporting ongoing to INAC - within 60 days of loan adjustment date, and annually every April during the life of the loan, and when loan is renewed • Financial institutions are expected to administer MLG backed loans in accordance with accepted industry practices. They are required to follow up on non-payment situations. In the event the borrower continues to fail to make the required loan payments, the lender must inform INAC within 90 days of the original loan default, and every 30 days thereafter should the loan remain in arrears. Where the loan remains in default for 120 days or for such a time as agreed to by the Department and the lender, the lender shall submit a claim for payment under the provisions of the Guarantee.

As discussed in Section 5.1, key informants were generally clear on MLG processes, and therefore, generally understood what role they played in those processes.

5.4 Due Diligence

INAC participates in a number of due diligence exercises with respect to MLGs. INAC Headquarters is responsible for preparing statistical and analytical reports, financial reports, and reports on contingent liability, using the GLMS as its database to track guarantees across Canada. The criteria against which applications are to be assessed are documented in the MLG Program Directive, and Lenders are required to submit extensive annual reporting on new, expiring, and outstanding MLGs each year. Implementation of the new MLG procedure manual (in development) along with the new GLMM will improve due diligence processes.

The review of documentation found that one of the responsibilities of the Trust, Loans and Corporate Accounting Services at Headquarters is to monitor and control the MLG commitment authority allotted by Parliament. The MLG Program Directive outlines the reporting requirements of INAC regional offices and Headquarters. Headquarters is responsible for preparing statistical and analytical reports (e.g., of claims paid vs. guaranteed issues) and financial reports on accounts receivable and reports on contingent liability for Public Accounts.[46]

The eligibility criteria for MLGs are designed to reduce the risk of default, to minimize financial constraints on government and to prevent undue constraints on First Nation members and band councils.[47] To minimize the risk of default, the Program Directive also requires requests to be assessed against a series of criteria. These criteria include review of:

- Viability of the project (e.g., INAC/band to inform applicants of the implications and responsibilities; sufficient revenue to be generated for long-term viability of the project; and a complementary capital plan for housing and infrastructure in place);

[46] Canada. Indian and Northern Affairs Canada. 2008. Ministerial Loan Guarantees: Policy and Procedures. Ottawa: Indian and Northern Affairs Canada.
[47] Canada. Treasury Board of Canada. 2008.

- Band capacity to manage the project (e.g., band understands the requirement, INAC reviews audited financial statements, band record of previous successful projects and of meeting its financial obligations); and
- CMHC acceptance (for mortgage insurance).

As discussed in Section 5.1, a draft Operational Guide is in the process of being developed to outline business processes and roles for administering MLGs.

As discussed in Section 4.1, INAC uses GLMS to manage and track guarantees across Canada. The version of GLMS accesses for this report did not provide live data, and reporting and data capture delays preclude precise, up-to-date calculations of departmental MLG authority status, resulting in the authority being exceeded in 2008.[48]

As discussed in Section 5.2, a new version of GLMS called GLMM has been developed. About one third of INAC respondents, who were most familiar with the GLMS, responded that the MLG authority will be monitored more stringently now through the new system. Each region will receive a notional target, and anything over this target will need Headquarters approval. In fact, a large part of redeveloping the GLMM system is to monitor the MLG authority. The system will have new controls and forecasting capabilities. For example, information will be entered at the application stage, therefore, allowing for a better idea of the take-up at the application stage. Discussions are still ongoing about forecasting and the process to allocate targets to regions, and reporting guidelines for the regions. Together, the new Operations Guide and the new GLMM will improve due diligence processes.

In key informant interviews, all lenders noted the reporting requirements include reports for year-end, when a mortgage is funded, for re-financing of mortgages, if there are any arrears, and if the loan is transferred to or from another institution. There were few comments on the process, other than that it is clear and not onerous, and the data is easily available to run the annual reports required. Reporting can be time consuming, as they need to be done manually. All lenders respondents said they apply the same guidelines, due diligence, eligibility and risk criteria to loans requiring MLGs. One lender believed the due diligence process is stronger because the Government has a very strict set of guidelines, which are tough.

5.5 Risk Exposure

Exposure to risk for the Government of Canada appears to be relatively low. While recovering defaults could technically be done by withholding core funding, this is not practical as it could create critical need in other core areas.

As discussed in Section 4.2, INAC keeps a reserve for losses to pay for guarantees when loans do default. In the event of default, the Minister attempts to recover funds from the band council, even in the case of individual home ownership, as the MLG would have been obtained through a BCR by the band. When repayments are made, the funds go towards INAC's consolidated revenue fund.

Overall, there is a relatively low level of defaults across the country. This is further explained and articulated in Section 4.2. More than half of the INAC respondents indicated they have never had to deal with a default situation, resulting in a relatively low level of experience in dealing

[48] Canada. Treasury Board of Canada. 2008.

with defaults. None of these respondents could identify a formal process for dealing with recovering defaulted funds.

Nearly all of the INAC representatives indicated there are and would be attempts to work out payment plans with bands to repay the defaulted loans, and stay out of arrears. The ability to work out repayment conditions generally depends on the region and the relationship with the communities. For example, in Alberta, defaults can be recovered through trust agreements held with some communities.

About 10 percent of INAC respondents noted that recovering defaults should be easy in theory because INAC has access to the core funding to that community but would be difficult in practice, especially with communities that are having a hard time financially. It was noted that on a practical basis it is difficult to deal with a default situation as it would mean withholding other essential funding, such as funding for infrastructure and education. If funding is withheld in one area, it creates a need in another.

5.6 Conclusions

There is no evidence of, or requirement for, a logic model setting out the desired results for MLGs. The scope, objectives, and eligibility criteria for MLGs are generally clear, though there is concern over the different timelines from region to region. While the overall process to obtain MLGs is consistent across Canada, there are variations in timing to obtain MLGs, and in the processes internal to INAC, all of which should be improved upon with the implementation of the new procedure manual and the new GLMM. MLGs do not appear to have been approved for projects other than housing. The roles and responsibilities in the design and delivery of MLGs are outlined in various documents with respect to MLGs, and are generally understood and respected. Traditionally, regions managed implementation of the MLGs, but not the authority. Regions will be given their own authority to manage going forward, that will roll-up to the national authority to prevent exceeding it again. While the risk impact of default could be significant (up to $2.2 billion), the low default rate, combined with a reserve for losses that has never been exceeded, mean low risk probability resulting in low exposure to risk for the Government of Canada.

6. Evaluation Findings – Results

This section presents the findings of the evaluation questions related to the results of MLGs. Under this area of inquiry, the evaluation sought to understand the extent to which MLGs are meeting their stated objectives (focusing on the 1996 Policy), whether MLGs contribute to housing outcomes better than other mechanisms, the unexpected results produced by MLGs, and the extent to which MLG defaults and arrears have contributed to First Nation band councils being in any level of financial intervention.

The following sections outline the key findings as they relate to results.

6.1 Meeting Objectives

MLGs are meeting their stated objectives by allowing First Nations communities to access financing for housing purposes, in particular private financing, which is a key part of the 1996 Housing Policy.

As discussed previously in Section 4.2, the analysis of the progression of MLGs between 1996 and 2008 has shown a significant increase in usage. The vast majority of loans are used for the purpose of constructing new houses. From 1996-97 to 2007-08, approximately 92 percent of loans were used for the construction of new houses.

There is also evidence to suggest that while the quantity of housing is increasing, the quality of it is decreasing. To measure quantity, INAC considers overcrowding rates, which is defined as the proportion of homes that have more than one person living in a dwelling per room in that dwelling. During the period of this study, overcrowding rates declined on reserve from 33 percent to 26 percent.[49] While this is an encouraging statistic, there is a long way to go before this rate is comparable with overcrowding amongst non-Aboriginal people, which is three percent.[50] In fact, 11 percent of those living on reserve were in a dwelling that is considered "very overcrowded" (1.5 person or more per room).[51] To measure quality of housing, INAC considers the extent to which a housing unit is in need of major repair, with data collected through surveys. This indicator has moved in the opposite direction, with 44 percent of First Nations people on reserve living in homes requiring major repairs in 2006, up from 36 percent in 1996.[52] MLGs have the ability to contribute to both measures through loans for new housing units (quantity), and loans for renovations (quality). The contribution it makes to housing quantity is clear, as further demonstrated in Section 6.2. The impact that MLGs have had on the quality measure is illustrated in the following tables.[53]

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[49] Canada. Statistics Canada. January 2008. Aboriginal People in Canada in 2006: Inuit, Métis and First Nations, 2006 Census. Ottawa: Statistics Canada.
[50] Canada. Treasury Board of Canada. 2008.
[51] Canada. Statistics Canada. January 2008. Aboriginal People in Canada in 2006: Inuit, Métis and First Nations, 2006 Census. Ottawa: Statistics Canada.
[52] Canada. Statistics Canada. January 2008. Aboriginal People in Canada in 2006: Inuit, Métis and First Nations, 2006 Census. Ottawa: Statistics Canada.
[53] The MLG data is from regional reports generated from the GLMM for each fiscal year and the housing data is from the Housing and Infrastructure Asset Inventory, Basic Departmental Data and the 2008 Compendium of INAC Program Data

As of 2007-08, there were an estimated 102,190 housing units on reserve. The number of housing units is presented in the table below, along with some of the housing data collected by the Department as indicators for quality of housing, i.e., if renovations are required or if the housing is considered adequate. These statistics relate to the stock of housing as of 2007-08, and differ from region to region. The percentage of adequate housing is highest in Quebec (at approximately 85.4 percent), followed by Saskatchewan (at approximately 84 percent) and lowest in Manitoba (at approximately 56.4 percent).

Table 7: 2007/08 Housing Condition by Region

Region	Total Housing Units	Replacement Required		Major Renovations Required		Adequate Housing	
		Units	% of total units	Units	% of total units	Units	% of total units
ATLANTIC	6,494	237	3.65%	1,042	16.05%	5,215	80.30%
QUEBEC	9,721	136	1.40%	1,283	13.20%	8,302	85.40%
ONTARIO	23,278	1,401	6.02%	4,475	19.22%	17,402	74.76%
MANITOBA	15,499	1,346	8.68%	5,416	34.94%	8,737	56.37%
SASKATCHEWAN	13,361	213	1.59%	1,928	14.43%	11,220	83.98%
ALBERTA	14,543	1,135	7.80%	4,851	33.36%	8,557	58.84%
YUKON	574	26	4.53%	94	16.38%	454	79.09%
BRITISH COLUMBIA	18,720	1,229	6.57%	4,176	22.31%	13,315	71.13%
National	**102,190**	**5,723**	**5.60%**	**23,265**	**22.77%**	**73,202**	**71.63%**

Table 8 calculates the percentage of total housing in each region that was subject to an MLG loan (over the period from 1996-97 to 2007-08), and compares that to the percentage of housing units that are adequate as of 2007-08. If MLGs contributed to an improvement to housing quality, one would expect a positive correlation between the proportion of houses covered by MLGs and the proportion of houses that are adequate. It is difficult, however, to draw conclusions from this comparison.

Table 8: Comparison of Regional Housing and MLG Data

Region	Total Housing Units	Number of Units covered by MLG Loans	% of Total Housing Units Covered by MLGs from 1996/97 to 2007/08	% Housing Units that are Adequate as of 2007/08
ATLANTIC	6,494	1,654	25.5%	80.30%
QUEBEC	9,721	3,666	37.7%	85.40%
ONTARIO	23,278	2,892	12.4%	74.76%
MANITOBA	15,499	3,522	22.7%	56.37%
SASKATCHEWAN	13,361	3,431	25.7%	83.98%
ALBERTA	14,543	3,222	22.2%	58.84%
YUKON	574	125	21.8%	79.09%
BRITISH COLUMBIA	18,720	3,799	20.3%	71.13%
National	**102,190**	**22,311**	**21.8%**	**71.63%**

The top three regions in terms of adequate housing are Quebec, Saskatchewan and Atlantic. These three regions also had the highest portion of units covered by MLGs over the past 12 years, with Quebec at 37.7 percent, followed by Saskatchewan with 25.7 percent and Atlantic at 25.5 percent. After the top three, it is more difficult to see any correlation. For example, the next two regions with highest percentage of units covered by MLGs are Manitoba and Alberta (approximately 22 or 23 percent), and these two regions have the lowest ranking in terms of houses that are adequate. The lowest usage of MLGs for housing projects over the last 12 years is Ontario (at approximately 12.4 percent), yet the proportion of adequate houses was still above the national average. The 2007 assessment of MLGs also concluded that there was no direct correction between the higher use of MLG secured loans and higher percentage of adequate housing.[54]

The Government of Canada's policy for on-reserve housing is primarily based on the 1996 On-Reserve Housing Policy. The policy is based on four key principles: community control, capacity development, shared responsibility, and access to private capital. First Nations were given the choice on whether or not to opt in to the 1996 Policy. First Nations needed to establish a set of housing policies, housing programs, and a multi-year housing plan to be eligible for funding from the 1996 Policy. The 1996 Policy was meant to provide more flexible funding arrangements for those First Nations that opted in.[55]

Two-thirds of INAC managers interviewed believed MLGs do contribute to the objectives of the 1996 Housing Policy. MLGs give communities more options for financing housing, and the ability to leverage funds. The use of MLGs allows First Nations to use another source of funds for housing projects, which gives them more control, and puts more responsibility upon those communities. The 1996 Policy was about giving communities that opted in to the policy more flexibility in their funding arrangements, and MLGs facilitate this objective by giving them a vehicle to obtain funding they could not otherwise access. In this way, respondents felt that MLGs contribute to the policy. Other respondents believed there has been a contribution to the policy, though there has not been enough progress towards meeting the objectives of the 1996 Policy in general.

At various points during interviews with First Nations representatives, respondents often discussed the lack of skills and continuity of staffing within communities, which impedes housing planning and usage of available resources. This lack of skills and continuity slows the process for communities wanting to utilize MLGs for housing purposes. As well, without a clear understanding of the implications of increased debt load and managing cash flow, communities often struggle to maintain financial health. The document review revealed that a significant number of First Nations are lacking a basic understanding of the use of loan financing within housing development plans, and factors such as high turnover rates, workload levels, and knowledge gaps currently pose a significant risk to the effective management of MLGs.[56]

This was clear in at least one case study. The community profiled has a population of less than 100 residents on reserve, in a remote area of the province. The lack of staff, and thus, skills and experience, was one of the reasons that the community has not been able to plan and build new housing in nearly a decade. Only now, with the help of externally hired consultants, has the community even been able to consider expanding its housing program.

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[54] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada

[55] Canada. Indian and Northern Affairs Canada. February 2008. Evaluation of the 1996 On-Reserve Housing Policy. Audit and Evaluation Sector. Ottawa: Indian and Northern Affairs Canada.

[56] Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees. Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada

6.2 Better Housing Results

While the impact of MLGs on housing results are influenced by a First Nation community's ability to generate revenue to maintain positive cash flow, MLGs lead to better housing results than other mechanisms such as capital grants, and provide more accountability. While grants would be effective because of the reduced debt load on communities, they would have to be at the same level as the MLG authority, which is highly unlikely.

INAC and First Nations representatives were asked if MLGs provide for better housing results as opposed to other mechanisms such as capital grants. Close to two thirds of INAC respondents believed the only way grants or subsidies would allow for better housing results would be if the amount of the grant available was equal to the MLG authority. However, given that it is highly unlikely due the sheer volume of that outlay (the MLG authority level is currently at $2.2 billion), MLGs allow for better housing related results. They also viewed MLGs as putting more accountability in the hands of the communities, compared to a grant system, by forcing communities to take responsibility for their spending, and in the case of arrears or default, working with the community to collect any outstanding balances.

According to respondents, MLGs have a positive result and allow other sources of funding to be utilized for other projects or programs. Furthermore, individual home ownership MLGs help provide "pride of ownership" to homeowners. While half of First Nations representatives felt that capital grants can have a huge impact, about 30 percent of them believed that MLGs provide for better results because they are well understood and well known, and capital grants will never reach a sufficient level to fulfill housing requirements of First Nations. As well, CMHC programs, which require MLGs, simply allow for more housing units compared to capital grants.

At the same time, other INAC respondents did not see the issue as clear cut. Some INAC respondents believed that because of the contingent liability and cash flow issues that can result from increased debt load MLG backed loans can create on a First Nation, MLGs may not allow for better results. Several noted that outcomes are better with MLGs because First Nations can leverage funds and therefore, build more houses. However, MLG backed loans can create significant cash flow problems, which can grind community development to a halt.

Many interview respondents and participants in all five of the case studies outlined the difficulty that can be created for a community in maintaining positive cash flow. In order to stay out of arrears, and without rental incomes from its members, communities generally need to draw upon other revenues to pay back their loans. Communities that have own-source revenue have an easier time directing revenue back into community housing. But for communities that rely on government transfers, the cash to pay back those loans comes at the expense of other community needs, generally from capital and infrastructure funding. Essentially, funding that gets pushed toward addressing housing needs can create gaps in other areas for many communities.

The struggle to maintain housing on reserve was evidenced through the document review, interviews, and case studies. In general, it appears that on-reserve housing tends to deteriorate more rapidly, due to sub-standard construction practices or materials, lack of proper maintenance, and overcrowding.[57] In some cases, the lifetime of housing is less than the 25-year

[57] Canada. Office of the Auditor General of Canada. April 2003. Chapter 6-Federal Government Support to First Nations-Housing on Reserves. Ottawa: Office of the Auditor General of Canada.

amortization period of the MLG pertaining to it.[58] As discussed in Section 6.1, housing quality has decreased over the last 12 years. All five case study communities, regardless of financial health, struggled to maintain their homes, and each finds themselves scrambling to obtain extra funding each year for repair and maintenance costs, outside of what funding they get annually from INAC. This past year, most of these communities obtained funding from Canada's Economic Action Plan for repairs to their housing stock. Four of the communities had homes on the reserve that were deemed to be unlivable.

The vast majority of MLGs are used for the purpose of constructing new houses. From 1996-97 to 2007-08, approximately 86.4 percent of loans were used for the construction of new houses. Only 7.3 percent of the total number of loans was for renovation projects (housing purchases accounted for the other 6.4 percent). Table 2 (shown previously in the introduction) also shows the different average loan amounts for the three types of projects, with renovation projects having the smallest average amount (at approximately $23,381 for each housing unit) compared to loans for construction projects (at approximately $73,720 per housing unit).

Table 2: MLG Loans from 1996-97 to 2007-08 by Housing Project type

Loan Purpose	Number of Loans	% of Total Number	Amount Guaranteed	Average Loan Amount	Number of Units	% of Total Units	Average loan per Housing Unit
Construction	3,738	86.4	$1,526,884,564.02	$408,476.34	20,712	92.8	$73.719.80
Renovation	314	7.3	$16,460,476.67	$52,421.90	704	3.2	$23,381.36
Purchase	276	6.4	$52,855,537.07	$191,505.57	895	4.0	$59,056.47
	Total: 4,328		Total: $1,596,200,577.76	Weighted Avg: $369,006.72	Total: 22,311		Weighted Average: $71,522.43

6.3 Unexpected results

Financing the building of capital assets increases cash flow challenges as a result of increased debt loads on First Nation band councils. Thus, many communities use funding earmarked for other areas to pay back their mortgage loans. On a more positive side, to the extent possible, communities use local resources and trades people in the construction and maintenance of new housing units.

When asked what they thought were unexpected positive or negative results from using MLGs, half of First Nations respondents cited negative results. Specifically, the increasing debt load that communities take on in financing capital is a challenge and the resulting impact on the band's cash flow can put a community into situations that may lead to financial management intervention by INAC. One-fifth of INAC respondents, when asked about the cost-effectiveness of MLGs, mentioned that from a First Nations' perspective, the increasing debt load and associated cash flow implications that many communities face may not be perceived to be providing value, as it trades in one issue (lack of quality housing) for another (unmanageable debt).

[58] Canada. Indian and Northern Affairs Canada. 2009. Terms of Reference for the impact evaluation of Ministerial Loan Guarantees Ottawa: Audit and Evaluation Sector, Indian and Northern Affairs Canada

The other half of First Nations respondents cited positive unexpected results, specifically, that MLGs have contributed to economic development related to building skills and jobs, given that a lot of the contracting and building of houses is done with local suppliers. A 2006 study by CMHC on the economic impact of residential construction on reserve provided evidence to support this notion as well:

- Local economic impact accounted for 34 percent of the value of construction in First Nations in 2004;
- Residential construction led to 4250 local full-time equivalent jobs in 2004; and
- 1.3 person years of local employment for each newly constructed dwelling unit, 2.4 person-years of local employment if related infrastructure projects are included, 0.23 person years per unit renovated was generated.

The study also found that bands tend to use more local labour and materials for projects they finance themselves, and that better financing, among other factors, helps to generate more local involvement in residential construction, as a result, promoting greater local economic impacts. This was also evident in each of the five case study subjects, as all said that to the extent possible local residents and trades people are used in residential construction. As well, two of the case studies (B.C. and Atlantic region) mentioned they had been able to take advantage of programs from INAC, CMHC, and Human Resources and Skills Development Canada that send community members for training in certain skills and trades to contribute to community development, specifically those used in construction and maintenance (i.e., plumbing, carpentry, etc.).

As discussed in Section 6.2, interview respondents and participants in all five of the case studies outlined that in order to stay out of arrears and without rental incomes from its members, communities generally need to draw upon other revenues to pay back their loans, generally from capital and infrastructure funding. Essentially, funding that gets pushed toward addressing housing needs can create gaps in other areas for many communities.

There was no evidence from any of the case study communities that are currently, or had been previously, in any level of intervention, that it was a direct result of MLGs.

6.4 Financial Intervention in First Nations Communities

Many First Nations communities have financial difficulties, which are contributed to by cash flow difficulties related to servicing of debt levels and mortgage payments. While there is a belief among many First Nations that housing debt and default are a major contributor to different levels of intervention, there is very little evidence to suggest that housing debt is a significant contributor to pushing a community into intervention.

As discussed in Section 6.3, many INAC and First Nations respondents believe that increasing debt load, which communities take on in financing capital, backed by MLGs, is a challenge and can create financial difficulties for First Nations communities. The evaluation of the 1996 On-Reserve Housing Policy found that a number of First Nations reported financial difficulties due to loan repayment, resulting in third-party intervention, which would lead to either a turnaround in the management of the housing portfolio, or to chronic debt and a cutback in the number of programs and capital expenditures. The 2003 Auditor General's report and the Assembly of First Nations' 2005 First Nations Housing Action Plan made similar statements.

First Nations respondents were asked to what extent they believed MLG defaults and arrears contribute to communities being placed in third-party management or co-management. Though more than half of key informant respondents were aware of communities being driven into intervention due to MLG defaults and arrears, none of the respondents were able to provide first hand experience with this issue. One interviewee even indicated they were not aware if this happened, highlighting there are very few communities in third-party management, and while there may be a relationship with housing debt, it is difficult to make a defined link. As of August 2009, there were 23 communities in third-party management.[59]

There were mixed views as to the extent of this occurring. One respondent felt that 90 percent of all intervention is a result of housing default, and all due to MLGs. Another also believed that any First Nation community in third-party management is because of an MLG default, but did not provide a specific example. It is understandable that no respondents could provide a concrete example, considering the level of defaults and arrears that exist on MLGs is exceptionally low, as discussed in Section 4.2.

Another group of First Nations respondents indicated MLGs may contribute, but are not the only reason for third-party intervention, or have not really contributed to this situation at all. One interviewee was unaware of any band in intervention solely because of housing, however, noted that housing debt does not help in getting a community that is in financial difficulties out of the situation.

The inability to directly link MLG defaults and arrears to intervention was also consistent in the case studies. Three of the five subjects in B.C., Ontario, and Atlantic regions were either in or recently out of varying levels of intervention, including RMP, co-management, and third-party management. Although it was mentioned that debt servicing did not help the cash flow issues that resulted in their deficits, all case study participants maintained that there were other, broader issues that would result in intervention, such as management decisions and internal controls.

6.5 Conclusions

MLGs appear to be meeting their stated objectives of providing the necessary loan security to obtain financing; however, it is unknown if any communities are unable to obtain financing even with an MLG, and if so, how many. They are a tool that provides access to private funding for housing, and thus, supports the 1996 Policy. While the stated objectives of MLGs have value considering the provisions of the *Indian Act*, they do not directly address the fact that MLGs are a tool that can facilitate increases to housing quantity and quality on reserve. Although there has been significant utilization of the tool since 1996, they have been available since 1966, making it inconclusive whether or not they have brought about changes in housing with respect to private funding. Aside from some support to communities in completing applications, there is no evidence that MLGs have brought changes to capacity building.

MLGs allow for better housing results, including more accountability as the amount of capital grants is unlikely to surpass that of the MLG authority. The usage of MLGs appears to be heavily weighted on housing quantity outcomes, in particular social housing. Housing quality continues to be a significant challenge for communities, which appear to prefer grants and other funding

[59] Canada. Indian and Northern Affairs Canada. August 2009. List of Recipients with Intervention Under Way Report. Ottawa: First Nations and Inuit Transfer Payment System, Indian and Northern Affairs Canada.

programs to address that challenge, as opposed to loan financing. There is some evidence to suggest that building more housing units, using MLGs, has contributed negatively through the creation of cash flow problems as a result of higher debt loads in some First Nations communities, and positively through increased economic development activity in other communities. There is little evidence to suggest that MLG defaults are a significant contributor to a community being placed in third-party management or co-management. While these long-term debts make it harder for communities to recover from deficit positions, anecdotal evidence suggests that management decisions tend to lead to operating deficits and cumulative debts.

7. Evaluation Findings – Cost-Effectiveness

This section presents the findings of the evaluation questions related to the cost-effectiveness of MLGs. Under this area of inquiry the evaluation sought to understand if the results of MLGs are justifiable from the perspective of costs incurred for its implementation.

The following sections outline the key findings as they relate to cost-effectiveness.

7.1 MLGs are Cost-Effective

The process for approving and issuing MLGs is a largely administrative one with a relatively low cost, providing a significant benefit for on-reserve housing. Stakeholders also believe that MLGs are a very cost-effective tool.

MLGs are meeting their stated objectives by allowing First Nations communities to have access financing for housing purposes, in particular private financing, which is a key part of the 1996 Housing Policy.

As discussed previously in Section 4.2, the analysis of the progression of MLGs between 1996 and 2008 has indeed shown a significant increase in usage. Also, as discussed previously in Section 3.2, data has also shown that default rates for MLG backed mortgages have historically been comparable to off-reserve mortgage default rates. Since 1966, INAC has issued over $2.5 billion in guarantees, and total defaults have been $15.5 million.[60] This is a historical default rate of less than one percent over the 42 year period.

In speaking to key informants, three quarters of the respondents viewed MLGs as a very cost-effective tool for securing financing for housing on reserve because it is mostly an administrative exercise with relatively few resources required to utilize and implement it. More than one respondent commented that the cost to administer is likely negligible. Many of these respondents also mentioned that the cost is merely the contingent liability, and once the loan is paid-off, the MLG is of no cost at all to the Government. Furthermore, the default rates are so low that the actual cost of these housing units to government has been limited, but the outcomes are approximately 26,000 new housing units between 1996-97 and 2007-08 on reserve.

7.2 Conclusions

MLGs have facilitated the construction of approximately 26,000 new housing units between 1996-97 and 2007-08, that have come at cost of less than $2 million per year in defaults, plus administrative costs, making them viable going forward. While there is a potential cost of up to $2.2 billion in contingent liability, this has proven in the past to be a risk with low exposure, as the historical default rate is just 0.6 percent.

[60] Canada. Treasury Board of Canada. 2008.

8. Evaluation Findings – Future Directions

This section presents the findings of the evaluation questions related to the future directions of MLGs. Under this area of inquiry, the evaluation sought to understand if the use of MLGs could be expanding to other uses in the future.

The following sections outline the key findings as they relate to future directions.

8.1 Expanded use of MLGs

The option to expand the use of MLGs was not viewed positively by First Nations communities.

Expanding MLGs to other areas was not generally viewed positively by key informants. For example, one First Nation representative indicated “only as a last resort” as they prefer to seek other avenues. Another commented that if the process worked, then this would be a possibility, but MLGs are loosely handed out right now, therefore, one needs to be cautious about contributing more to debt levels.

One-quarter of the comments where this was seen as a possibility were for community infrastructure projects or teachers residences (which is band housing). Another suggestion was for INAC to develop a program specifically for housing repairs.

The directive for approval and management of Ministerial Loan Guarantees states that MLGs are for housing loans on reserve lands.[61] Therefore, under current policy and authority, MLGs are unable to be used for purposes other than housing.

8.2 Conclusions

There is limited interest in using MLGs for purposes outside of housing.

[61] Canada. Indian and Northern Affairs Canada. On-line: http://www.ainc-inac.gc.ca/ih/fnh/pubs/pol-eng.pdf

9. Conclusions

9.1 Conclusions

The main objective of the evaluation was to conduct a detailed study of the MLGs for a timely, strategically focused, neutral, evidence-based report. The evaluation examined the relevance/rationale, design/delivery, success/impacts, and cost-effectiveness of MLGs. The scope of the evaluation is limited to the use of MLGs between 1996 and 2008 as a tool to access financing for housing in First Nations communities. While MLGs have been used as a tool to provide security for mortgage loans since 1966, the scope of this evaluation is limited to provide analysis on this instrument with respect to the areas of inquiry since the development of the 1996 Policy for On-Reserve Housing.

The evaluation supports the following conclusions regarding relevance, clarity, cost-effectiveness, results, design and delivery, and future directions.

Relevance

MLG objectives are consistent with government priorities for housing in First Nations communities. It is a relevant tool, as it is necessary for participation in the CMHC's Section 95 social housing program, and through its extensive usage. They are effective insofar as access to MLGs have allowed communities to produce approximately 26,000 new housing units between 1996-97 and 2007-08 that may not exist otherwise. Alternatives to MLGs that exist depend heavily on the financial strength of the community, and as such, are accessible to approximately 15 percent of bands. Adjusting the eligibility criteria of existing alternatives or development of alternative financing options may enable First Nations communities to obtain financing to build on-reserve housing that is accessible to more bands. More accessible options may allow communities the ability to use other resources that make better sense for those communities.

The absence of MLGs would essentially stop the expansion of housing programs in most First Nations communities, particularly those that are smaller, in rural or remote areas, or are experiencing financial difficulties. It would also require CMHC to not only make administrative changes to their programs, but would require them to charge a prohibitive premium for loan insurance or a change in legislation. INAC is the lead for many on-reserve policies and has a Minister that can provide the authority to provide guarantees. There is insufficient evidence to suggest a new delivery agent would be appropriate.

Clarity

While INAC does not currently measure whether or not MLG objectives are being achieved, it does monitor usage of the MLG authority. INAC has not set any performance targets or goals for MLGs, however, it does collect and track relevant information related to housing outcomes, suggesting that fulfillment of MLG objectives can be measured, but not without a complete performance management plan.

According to a review of statistics and trends, MLGs are relied upon by First Nations communities to ensure access to financing for housing projects on reserve. With a growing and young on-reserve population, there will continue to be more pressure on bands to meet housing demands for its members into the future.

Design and Delivery

There is no evidence of, or a requirement for, a logic model setting out the desired results for MLGs. The scope, objectives, and eligibility criteria for MLGs are generally clear. While the overall process to obtain MLGs is consistent across Canada, there are variations in timing to obtain MLGs, and in the processes internal to INAC, all of which should be improved upon with the implementation of the new procedure manual and the GLMM roll-out. MLGs do not appear to have been approved for projects other than housing.

The roles and responsibilities in the design and delivery of MLGs are outlined in various documents, and are generally understood and respected. Regions will be given their own MLG authority to manage going forward, that will roll-up to the national authority to prevent exceeding it. While the risk impact of default could be significant (up to $2.2 billion), the low default rate, combined with a reserve for losses that has never been exceeded mean low risk probability, resulting in low exposure to risk for the Government of Canada.

Results

MLGs appear to be meeting their stated objectives of providing the necessary loan security to obtain financing. They are a tool that provides access to private funding for housing, and thus, supports the 1996 Policy. While the stated objectives of MLGs have value considering the provisions of the *Indian Act*, they do not directly address the fact that MLGs are a tool that can facilitate increases to housing quantity and quality on reserve. Aside from some support to communities in completing applications, there is no evidence that MLGs have brought changes to capacity building.

MLGs allow for better housing results as the amount of capital grants (if they were made available) is unlikely to equal or surpass that of the MLG authority. The usage of MLGs appears to be heavily weighted on housing quantity outcomes, and in particular social housing (CMHC's Section 95 Program), while housing quality continues to be a significant challenge for communities.

There is some evidence to suggest that building more housing units using MLGs has contributed negatively through the creation of cash flow problems as a result of higher debt loads in some First Nations communities, and positively through increased economic development activity in other communities. There is little evidence to suggest that MLG defaults are a significant contributor to a community being placed in third-party management or co-management.

Cost-Effectiveness

MLGs have facilitated the construction of approximately 26,000 new housing units between 1996-97 and 2007-08 at a cost of less than $2 million per year in defaults, plus administrative costs, making them viable going forward. While there is a potential cost of up to $2.2 billion in contingent liability, this has proven in the past to be a risk with low exposure.

Development of other financing options or changing the criteria of CMHC’s Section 95 Program, could give access to housing for those communities who are unable to currently access MLG’s.

Future Directions

There is limited interest in using MLGs for purposes outside of housing and under the current policy they cannot be used for purposes other than housing on reserve.

Appendix A – Evaluation Matrix

	Evaluation Questions by Area of Inquiry	Source of Evidence			
		Administrative Data & Statistics	Document Review	Key Informant Interview	Case Study
1.0	**Relevance**				
1.1	Are the MLG objectives consistent with Government of Canada priorities and the Department's strategic objectives for housing in First Nation communities?		✓	✓	
1.2	To what extent are MLGs still relevant? What are the alternative mechanisms to MLGs to provide loan security for on-reserve housing, including through partnerships? Are MLGs an effective way to provide access to funding for housing for First Nations?		✓	✓	✓
1.3	What interest from First Nations is there in offering this government initiative to First Nation Band Councils and their members living on reserve?	✓	✓	✓	✓
1.4	What effect would the absence of MLGs have on First Nation Band Councils and their members living on-reserve?		✓	✓	✓
1.5	What is the rationale for having INAC deliver MLGs as opposed to another delivery agent?		✓	✓	
2.0	**Clarity**				
2.1	To what extent can fulfillment of these objectives be measured?		✓	✓	
2.2	Do the qualitative and quantitative statistics provide an indication of the scope and progression of MLG performance during this period? Where appropriate, do these sources provide estimates of the ability of MLGs to deal with expected First Nation demographic pressures?	✓	✓		
3.0	**Results**				
3.1	To what extent are MLGs meeting stated objectives? From the viewpoint of the comprehensive approach taken by the Government of Canada since 1996, to what extent can they be said to have brought about changes in housing in First Nation communities, in particular access to private funding and capacity building?	✓	✓	✓	✓
3.2	Does the fact that MLGs allow for loans which have long-term portfolio agreements lead to better housing results as opposed to other mechanisms (e.g. capital grants)?	✓	✓	✓	✓
3.3	Could the use of MLGs lead to unexpected consequences or unexpected positive/negative results (e.g. First Nations debt)?		✓	✓	✓
3.4	To what extent has MLG defaults and arrears contributed to a First Nation being placed in Third-Party Management or Co-Management?		✓	✓	✓
4.0	**Cost-effectiveness**				
4.1	Are the results obtained by MLGs justifiable and viable from the perspective of the costs incurred for their implementation?	✓	✓	✓	
5.0	**Design and Delivery**				
5.1	What are the scope, objectives and eligibility criteria for MLGs? Are these elements clearly defined? Is there a logic model setting out the desired results for the MLGs?		✓	✓	
5.2	How uniform has MLG implementation been across Canada, e.g., in terms of processes, costs and client satisfaction? What regional variations, if any, exist? Have MLGs been approved for projects other than houses? If so, what impact have these projects had on the Government of Canada's default exposure?		✓	✓	
5.3	What are the roles and responsibilities of INAC, CMHC, First Nation Band Councils and First Nation members living on reserve with respect to MLGs? Are they clearly outlined, understood and respected?		✓	✓	✓
5.4	Is MLG authority being managed with due diligence, including by Regional Offices? Is information on MLG performance measurement (success) being compiled systematically and adequately?		✓	✓	
5.5	What is the Government of Canada's exposure with respect to a MLG? Why, in some cases, is the Government of Canada unable to recover funds when there has been a default on the loan?		✓	✓	
6.0	**Future directions**				
6.1	What lessons can be drawn from the MLG evaluation? What are the strengths and weaknesses?	✓	✓	✓	✓
6.2	What risks/obstacles to success are involved in MLG delivery?		✓	✓	✓
6.3	What recommendations, options, alternatives, possible strategies or changes should be considered to improve MLG delivery? (e.g. should MLGs be available to individuals or through an alternate mechanism?)		✓	✓	✓
6.4	Could the use of MLGs be expanded to meet future First Nations priority needs (other than housing)?		✓	✓	✓

Appendix B – Document List

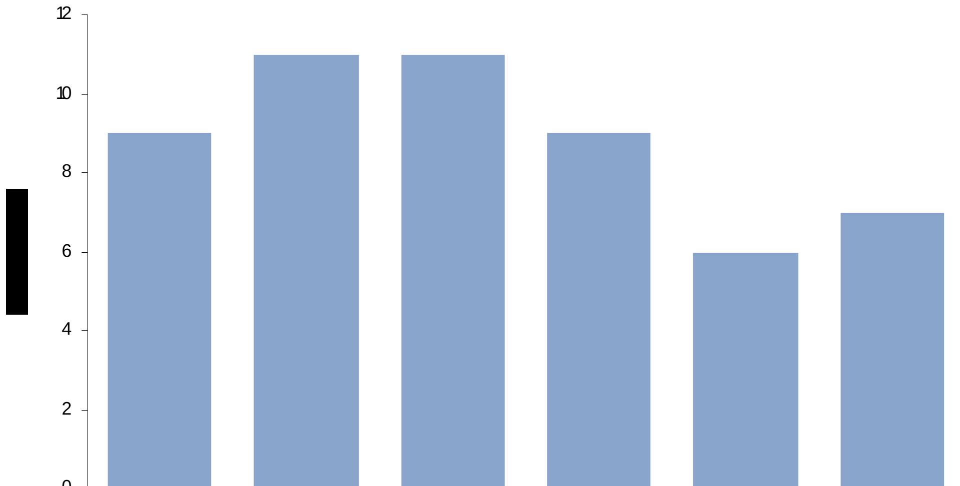
No.	Document
Material pertaining to MLGs	
1	Canada. Indian and Northern Affairs Canada. 2008. *Terms of reference for the Evaluation of the Government of Canada Policy for On-reserve Housing*. Ottawa: Audit and Evaluation Sector, Indian and Northern Affairs Canada
2	Canada. Indian and Northern Affairs Canada. 2009. Terms of reference for the impact evaluation of Ministerial Loan Guarantees Ottawa: Audit and Evaluation Sector, Indian and Northern Affairs Canada
3	Canada. Indian and Northern Affairs Canada. 1991. Ministerial Loan Guarantees for Project Haven. Ottawa: Indian and Northern Affairs Canada
4	Canada. Indian and Northern Affairs Canada. November 4th 1999. MLG Terms and Conditions: Order in Councils P.C. 1999-2000. Ottawa: Indian and Northern Affairs Canada
5	Canada. Indian and Northern Affairs Canada. 1999. Band Mortgages Directive. Ottawa: Indian and Northern Affairs Canada
6	Canada. Indian and Northern Affairs Canada. 2005. Letter from Community Infrastructure Branch to Regional Offices. Ottawa: Community Development Branch, Indian and Northern Affairs Canada
7	MLG program data and statistics from the GLMS (now GLMM)
8	Canada. Indian and Northern Affairs Canada. June 2007. Report on INAC's Ministerial Loan Guarantees (Draft). Ottawa: Prepared for the Community Development Branch, Indian and Northern Affairs Canada
9	Canada. Indian and Northern Affairs Canada. 2008. Ministerial Loan Guarantees: Policy and Procedures. Ottawa: Indian and Northern Affairs Canada. On-line. http://www.ainc-inac.gc.ca/ih/fnh/amm-eng.asp
10	Canada. Indian and Northern Affairs Canada. 2009. Ministerial Loan Guarantees Operational Guide - Draft. Ottawa: Indian and Northern Affairs Canada
11	Canada. Treasury Board of Canada. October 21st 2008. Increase to Ministerial Loan Guarantee Authority for the Housing component of the Capital Facilities and Maintenance program. T.B. 834574. Ottawa: Treasury Board of Canada
12	Canada. Indian and Northern Affairs Canada. 2008. Mandate, roles, responsibilities, and Program Activity Architecture. Ottawa: Indian and Northern Affairs Canada.
Material pertaining to On-Reserve Housing	
INAC	
13	Canada. Indian and Northern Affairs Canada. 2008. Introduction to the National Community Infrastructure and Housing Web Page for First Nations on Reserves. Ottawa: Indian and Northern Affairs Canada.
14	Canada. Indian and Northern Affairs Canada. February 2008. Evaluation of the 1996 On-Reserve Housing Policy. Audit and Evaluation Sector. Ottawa: Indian and Northern Affairs Canada.
15	Canada. Indian and Northern Affairs Canada. July 1996. Guidelines for the Development of First Nations Housing Proposal. Ottawa: Indian and Northern Affairs Canada

No.	Document
16	Canada. Indian and Northern Affairs Canada. 2008. 2007-2008 Departmental Performance Report (DPR). Ottawa: Indian and Northern Affairs Canada.
17	Canada. Indian and Northern Affairs Canada. 2008. 2008-2009 Report on Plans and Priorities (RPP). Ottawa: Indian and Northern Affairs Canada.
18	Canada. Indian and Northern Affairs Canada. 2008. Research and Statistics. Ottawa: Indian and Northern Affairs Canada - Strategic Research and Analysis Directorate.
INAC Internal	
19	Canada. Indian and Northern Affairs Canada. March 31st 2004. Results-based Management and Accountability Framework (RMAF) for the Capital and Facilities Maintenance (CFM) Program at INAC. Ottawa: Indian and Northern Affairs Canada.
20	Canada. Indian and Northern Affairs Canada. March 31st 2006. Building Futures: A Review of First Nation Infrastructure Requirements and INAC's Capital and Facilities Maintenance Program. Ottawa: Community Development Branch, Indian and Northern Affairs Canada.
21	Canada. Indian and Northern Affairs Canada. March 10th 2008. Measuring Results: An Update on the Implementation of a Performance Measurement Framework for the Capital Facilities and Maintenance Program. Ottawa: Indian and Northern Affairs Canada.
22	GBC Group. March 30, 2006. Interim Evaluation of INAC's Capital Management Regime. Final Report for Indian Affairs and Northern Development Canada.
23	Brant, Daniel J. October 2000. Successful Housing in First Nation Communities: A Report on Community Case Studies. Ottawa: Indian and Northern Affairs Canada - Socio-Economic Policy Programs.
Canadian Housing and Mortgage Corporation	
24	Canada. Canada Mortgage and Housing Corporation. 1996-2008. CMHC for Aboriginal: General Web Module. Ottawa: Canada Mortgage and Housing Corporation.
25	Canada. Canada Mortgage and Housing Corporation. July 2005. Abstract: A Review of Training and Delivery Options Concerning Aboriginal Housing. Socio-economic Series. Issue 04-033. Ottawa: Canada Mortgage and Housing Corporation.
26	Canada. Canada Mortgage and Housing Corporation. April 2006. Abstract: The Economic Impact of Residential Construction on Reserves. Socio-economic Series. Issue 06-009. Ottawa: Canada Mortgage and Housing Corporation.
Office of the Auditor General	
27	Canada. Office of the Auditor General of Canada. April 2003. Chapter 6-Federal Government Support to First Nations-Housing on Reserves. Ottawa: Office of the Auditor General of Canada.
Treasury Board of Canada	
28	On-site consultation as required
Statistics Canada	
29	Canada. Statistics Canada. January 2008. Aboriginal Peoples in Canada in 2006: Inuit, Métis and First Nations, 2006 Census. Ottawa: Statistics Canada.
30	Canada. Statistics Canada. August 2007. Web module: Aboriginal peoples: Households, housing and environment - Aboriginal housing conditions, house features, crowding, unmet shelter needs, and environmental issues such as safe drinking water. Ottawa: Statistics Canada.

No.	Document
31	Clatworthy, Stewart. May 2007. Aboriginal Housing Conditions and Needs On Reserve. Four Directions Project Consultants. Ottawa: Canada Mortgage and Housing Corporation and Indian and Northern Affairs Canada.
32	Basset, Micheal and Graham, John. January 1st 2007. Capital Facilities and Maintenance Program - Tools, Tips and Best Practices. Ottawa: Institute on Governance.
33	The International Housing Coalition (IHC) and The Canadian Real Estate Association (CREA). 2006. Case study 3: Aboriginal Housing in Canada: Building on Promising Practices. Report of the World Urban Forum III held June 2006 in Vancouver. Ottawa: The Canadian Real Estate Association. 30 pages.
34	Assembly of First Nations. October 25th 2005. First Nation Housing Plan - Draft. Ottawa: Assembly of First Nation.
Other	
35	Institute on Governance. How to Improve First Nations Housing. Policy Brief No. 31 - October 2008. John Graham & Gail Motsi

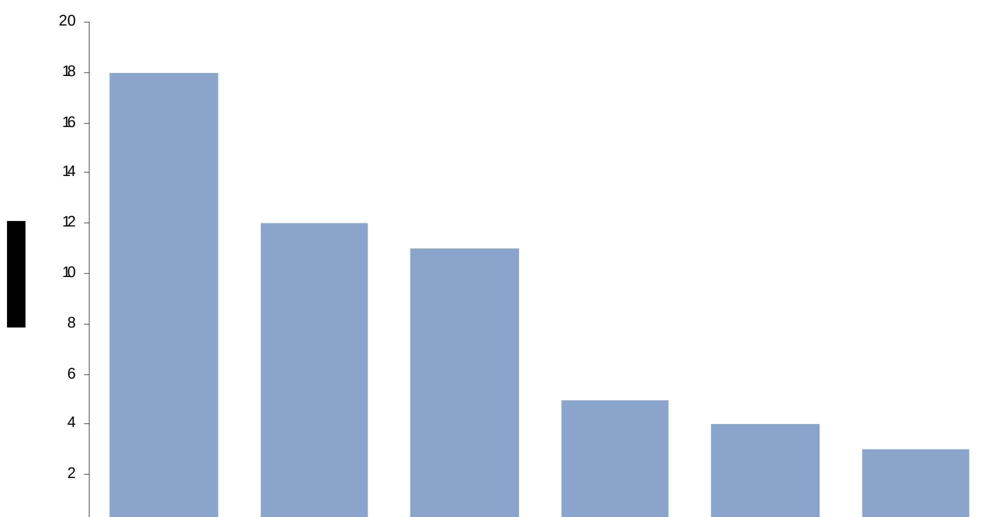
Appendix C – Profile of Key Informants

Profile - By Region



	BC	Prairies	Ontario	Quebec	Atlantic	Headquarters
By Region	9	11	11	9	6	7

Profile - By Informant Group



	INAC Managers	First Nations Representatives	INAC Policy/Program Staff	Lenders	CMHC Managers	CMHC Policy/Program Staff
Informant Group	18	12	11	5	4	3

Appendix D – Profile of Case Studies

Region	Profile	Methodology
British Columbia	• Less than 100 residents on reserve • Rural • In and out of intervention for the last nine years, more recently co-managed	• Review of documentation including 2008 financial statements, and most recent capital plan • Interviews with regional INAC (2) and CMHC (1) representatives, the band's most recent co-manager (1), the Chief (1), and a technical services provider (1) who has worked with the community in the past • On-site observations
Saskatchewan	• Approximately 800 residents on reserve • Remote • Financially self-managed	• Review of documentation including 2009 CMHC Social Housing Fund financial statements, draft housing policy, draft rental agreement, and recent housing reports to council • Interviews with regional INAC representatives (1), housing department staff (1), the Chief (1), and finance staff (1) • On-site observations
Ontario	• Approximately 200 residents on reserve • Remote • In third-party management	• Review of documentation, including the Federal Government Funding schedules, and relevant newspaper articles • Interviews with regional INAC (1) and CMHC (1) representatives, the Chief (1), councillors (1), the band's third-party manager (1), a housing advisor to the band (independent consultant) (1) and a representative from a financial institution (1) • On-site observations

Quebec	• Approximately 1,700 residents on reserve • Remote • Financially self-managed	• Review of documentation including the 2007-2008 Annual Report, housing program data from 2003-2004 to 2006-2007 and from 2008-2009, community's housing policy booklet, and MLG applications. • Interviews with regional INAC representatives (1), the councillor responsible for Public Works and Housing (1), the Director of Public Works and Housing (1), the Lands Manager (1), housing department staff (1), representatives from the lending institution in the reserve (1), section 10 end-users (1), and a construction contractor (1). • On-site observations
Atlantic	• More than 3,000 residents • Urban • Co-managed, with a Remedial Management Plan (RMP)	• Review of documentation including 2008 financial statements, draft housing policy, MLG applications, CEAP funding application, mortgage invoices, and housing unit listings • Interviews with regional INAC (1) and CMHC representatives (1), housing department staff (2), the Chief (1), councillors (2), the band's co-manager (1), and section 10 end-users (1); and • On-site observations