



Expanding Your Housing Options
Financing for First Nations Communities

2012-2016
Business Plan Summary





Foreword

This is a summary of the 2012-2016 Business Plan that was approved by the Board of Trustees of the First Nations Market Housing Fund (“the Fund”) and by the Minister for Canada Mortgage and Housing Corporation in accordance with the provisions of Section 18 of the Indenture of Trust.

The Summary provides an overview of the Fund’s mandate and business structure, analyzes the expected operating environment and sets out the Fund’s objectives and strategies for the upcoming five year period. The Summary demonstrates how the Fund intends to achieve these objectives and measure its success.

The First Nations Market Housing Fund has been in operation since May 2008.

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Introduction

The First Nations Market Housing Fund (the Fund) will embark upon its fifth year of operations beginning in mid-2012. The Fund was developed with input from First Nation communities and organizations across Canada. The Fund's foundation blocks have been established and will serve the Fund well going forward. During the 2012 – 2016 period, the Fund will focus on Credit Enhancement to provide First Nation people living on reserve and on settlement lands where appropriate, easier access to homeownership, rental and renovation loans. The Fund is striving to establish a structural platform for long-term change in housing provision on reserve or settlement lands.

Additionally, the Fund's Capacity Development Program will provide funding for First Nation communities that meet or are close to meeting the Fund's criteria for the Credit Enhancement Facility, but have areas which need further development. The provision of training, advice and/or coaching will focus on developing and sustaining market-based housing capacity by promoting the adoption of best practices suitable to each community.

This Summary sets out the Business Plan for the Fund. The Business Plan encompasses the key activities and related resource requirements for the upcoming five years. The plan also includes an assessment of the key risks.

Message from the Chairperson

Ahneen,



It is with great pleasure that I present the 2012-2016 Business Plan Summary. At the Fund, we believe that **every First Nation family has the opportunity to have a home on their own land in a strong community.** This is our Vision that drives the Trustees and Fund staff each and every day.

This Summary is a means to communicate the good work going on at the Fund. These are exciting times with building and renovations occurring; agreements in place with many lenders and First Nations; and applications from First Nations in eight provinces and the Yukon territory.

The Trustees have been engaged at every opportunity and we are all anxiously awaiting the results of the Fund evaluation that will be announced in 2012. The Trustees believe that the evaluation of the Fund is an important step in our evolution and the results will make us even more effective for First Nations.

As we enter 2012 nearly 10% of all First Nations have chosen to work with the Fund. In 2011 the Fund saw its first loans and 2012 promises to bring many more housing opportunities to our people. I am very optimistic on the future for the Fund as we move forward with each new success and as we face each new challenge.

Our staff are travelling to communities and making an extra effort to help implement arrangements between lenders and First Nations to move their credit enhancement forward. I am also very proud of the capacity building occurring in many of the First Nations that we are working with. The Fund is helping to strengthen financial management and governance, as well as educating citizens about their housing responsibilities and opportunities. All of these efforts empower First Nations and contribute to strong communities able to introduce and sustain market-based housing options.

We encourage First Nations interested in establishing or expanding an on-reserve housing market which respects the communal nature of the land to contact us for more information on how the Fund can assist your community. The Fund continues to listen and take steps to support First Nation governments in their commitment to creating opportunity for their citizens.

Meegwetch,

A handwritten signature in black ink, appearing to read 'John Beaucage', written in a cursive style.

John Beaucage

PART ONE: Who We Are

General Description of the Fund

The First Nations Market Housing Fund is the first national fund established to help First Nations gain access to private sector housing loans while respecting the communal ownership of reserve or settlement lands. The Fund's foundation was developed with input of First Nations and was modeled upon the expertise and success of innovative First Nations communities and financial institutions. This innovative approach supports the expansion of market-based housing on reserve or settlement lands and assists First Nations in paving the way for their citizens to access loans from financial institutions to build, buy or renovate a home on reserve or settlement lands, to either live in or to rent to others.

An enhanced market-based approach to housing can bring many benefits to First Nation citizens living on reserve or settlement lands, including a means to invest in their communities, employment growth based on new home/rental construction, building homes suitable to their needs, increased housing supply, improved quality of life and opportunities for First Nation families to build equity and generate wealth. Market-based housing contributes to alleviating pressures due to overcrowding and supports renovation and housing durability. It also contributes to the sustainability of communities by providing another housing option. For example, social housing units may be freed up for those members most in need.

The Fund provides an alternate form of security for housing loans made on reserve and settlement lands where appropriate, through its Credit Enhancement Facility. The backing provided by the Fund in conjunction with First Nation guarantees, attracts lenders by offsetting some of the security issues while preserving the communal nature of the land. As a result, First Nations are provided with more leverage to negotiate favorable financing terms and conditions such as interest rates, loan features, risk-sharing agreements, reduced loan program access fees and favorable administrative arrangements.

The Fund's Capacity Development Program supports the provision of training, advice and coaching that focuses on developing and/or expanding market-based housing capacity. It is tailored to the individual needs of First Nations and may help at the leadership, administrative and/or membership levels.

The Fund is self-sustaining through the investment of the Government of Canada's capital contribution and the reinvestment of a portion of its revenues.

Management and Organization

The Fund is overseen by nine Trustees who have been drawn from the First Nation community, the Government of Canada community and the private sector financial community. Of the nine Trustees, six are appointed by the Minister for Canada Mortgage and Housing Corporation (CMHC) and three are appointed by the Minister for Aboriginal Affairs and Northern Development Canada (AANDC). During the planning period, the last three initial Trustees will reach the end of their first terms.

The Fund is a long-term, stand-alone, actively operating trust and is a separate entity from the federal government. Through arrangements with First Nations, lenders, loan insurers and others, the Fund will facilitate market-based housing over the long term.

The Fund began operations with a \$300 million contribution from the Government of Canada. In March 2008, the First Nations Market Housing Fund was established through an Indenture of Trust in the province of Ontario. CMHC established the trust under Section 28 of the CMHC Act. Accordingly, the purposes of the trust fall within the framework of the National Housing Act (NHA). The contribution cannot be used to pay for the building of houses. It is used to provide a partial collateral security.

The Fund's core operations include the program activities of the Credit Enhancement Facility and the Capacity Development Program. These program activities are supported by the additional Fund operations of Investments and General Administration.

CMHC is appointed the Manager of the Fund for an initial five year period to April 2013. Management of the Fund in subsequent years of the planning period will be the subject of exploration in 2012.

Governance

The governance, management and operations of the Fund are in accordance with the terms and conditions of the Fund's enabling documents which include an Indenture of Trust and a Funding Agreement with CMHC designed to protect the federal funding and set parameters for the administration of the funding over the long term. A Management Agreement between CMHC and the Fund is also in place.

The Trustees provide governance and leadership and are stewards of the Fund. They are strong, informed and engaged individuals. The Trustees are responsible for the Fund achieving its objectives and ensuring prudent investment of assets, financial accountability, the safeguarding of assets and regular reporting of results. In support of these responsibilities, the Trustees have established five committees – Audit Committee (4 members including an alternate); Investment Committee (2 members); Human Resources Committee (2 members); Operations Committee (2 members); and, a Governance Committee (3 members). Mandates and responsibilities have been set out for each committee

Financial Reporting

The Trustees appoint an auditor of the Fund annually subject to the approval of the Minister for CMHC. The external auditor conducts an audit of the Fund to obtain reasonable assurance that the financial statements present fairly, in all material respects, the financial position of the Fund as well as the results of its operations and that this information is prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and law. In carrying out these responsibilities, the Trustees ensure that appropriate financial systems and related internal controls are in place to provide reasonable assurance that financial information is reliable, assets are safeguarded and transactions are properly authorized and in accordance with relevant legislation and policies of the Fund.

The annual plan and budgets of the Fund are submitted to the Minister for CMHC for approval through the Business Plan. An annual report, including the audited financial statements, is submitted to the Minister for information purposes and then made public.

PART TWO: Strategic Direction & Analysis

Strategic Direction

In early 2011 the Fund's Trustees and Staff undertook their third annual strategic scan to guide adjustments to the 2012-2016 Business Plan. As developed in 2010, the Vision of the Fund is that...

*Every First Nation family has the opportunity to have
a home on their own land in a strong community.*

By building on the critical strategic issues identified in the 2009 and 2010 strategic planning sessions, the Fund was also able to identify opportunities to fine tune its strategies and operational activities. The consistency amongst the strategic issues is seen as a reflection of the fundamental shifts that the Fund has been established to facilitate. The Fund sees significant progress being made in terms of First Nations' organizational, community and individual receptivity, participation and demand for market housing and the services offered through the Fund. The Fund also recognizes that securing the outcomes and impacts inherent in the purposes and design of the Fund requires a commitment to continuous improvement within a secure and consistent initiative.

The priorities from the 2011 strategic planning session, all of which are directly linked to the Indenture of Trust, are:

- 1) Increasing the supply of market-based housing on-reserve;
- 2) Increasing individual self-sufficiency and responsibility for housing in First Nation communities; and
- 3) Charting a path to greater First Nation control of the Fund.

To work in tandem with the Fund's participation in the design, conduct, reporting and implementation of the evaluation, the Fund anticipates adjusting the Business Plan in the following areas:

- Continue to fine tune the Fund's programs and services as required;
- Strengthen the partnership between the Fund and national/local First Nations leadership, particularly in terms of promoting participation in market housing;
- Revise communication messages and materials to support more direct awareness and participation by First Nations leadership and First Nations members;
- Develop a plan for convening Fund specific forums at the regional and national level to engage partners, leadership and community members in the promotion and participation of the Fund; and
- Conduct research on best practices and options for "greater First Nations control".

Environmental Scan

The Fund must always be aware that there are certain external forces that the Fund can control and influence going forward and others that we must simply adapt to as we grow and evolve. These external forces have implications on internal activities of the Fund including, but not limited to, the First Nation environment and competition.

The capacity of First Nation communities to move their housing agenda forward is a challenge. Many communities see the Fund as a key housing option for their First Nation and have a willingness and interest in participating but lack the capacity to do so. In some cases First Nations would like to move forward but do not have serviced lots for building. First Nation governments are often over-burdened with competing priorities including the provision of housing for their members. According to the June 2011 Assembly of First Nations (AFN) Fact Sheet on First Nations Quality of Life, First Nations are experiencing a housing crisis with approximately 85,000 housing units required across the country. Of the current housing stock, about 44% needs major repairs and another 15% require complete replacement. Additionally, there are many barriers that must be removed to advance housing and community development including potable water; appropriate sewage treatment; roads and services; and other necessary services required to support sustainable growth.

Increasing competition amongst lenders results in better conditions for First Nations. The Fund has demonstrated tangible benefits gained for First Nations backed by the Fund with the emergence of lower interest rates being offered in some cases. Further, helping First Nations establish new relationships with Fund-participating lenders has opened new doors for First Nations to contract for other services (lending for commercial ventures for example) or negotiate for improved and more cost-effective services from their existing lender provider.

At the outset the Fund was projected to qualify 265 First Nations for credit enhancement and back 25,000 privately financed dwelling units over its first ten years “if conditions were right.” It has been demonstrated in the first four years of operations that conditions may not always be “right.” In other words, conditions may not be conducive to a First Nation applying or qualifying for the Fund’s backing, or to having their members ready, able and willing to borrow for their housing. The Fund will continue to expend its best efforts to reach its targets while adapting to the external factors contributing to the Fund’s challenges in achieving the projected results.

It is imperative to keep in mind that the way things are done in a First Nation community is unique and different across the country. The Fund is committed to respecting culturally relevant and appropriate approaches to respond to First Nations on a case-by-case basis. There is not a one-size-fits-all solution to “hurry up” the process.

Long Term Objectives

The purpose of the Fund is to facilitate the availability of financing for and the accessible supply of market-based housing in First Nations communities. The Fund will also help to create the capacity in First Nations communities to become self-sufficient in developing and sustaining market-based housing, thereby contributing to the social welfare and civic improvement of First Nations communities and their residents. First Nation communities have a large population of youth under 25 that are the future homeowners and leaders of their communities.

An over-arching goal is to create an option for First Nation members to move away from a system that depends almost entirely on subsidies from government at all levels, to a system that provides to First Nation residents the same housing opportunities and responsibilities in their communities as other Canadians.

Another over-arching goal of the Fund is independence, but this will be gradual and the Trustees recognize this can only occur if there is demonstrated success through the core objectives and activities of the Fund. It is understood that achieving this goal will include a series of steps including exercising good governance, increasing the perception of the Fund as a separate entity from government, and a clear understanding of the conditions for a transfer of control from the Government of Canada to First Nations. The Trustees believe the time to demonstrate strength and explore options toward independence is during the five year planning period.

The objectives of the Fund are to develop and provide the following on a long term non-profit basis:

- a) a facility to support the availability of private-sector financing without government subsidies in First Nation communities, despite the constraints relating to the nature of title, the provision and enforcement of security, and the communal ownership of property; and
- b) a means to support the development of the capacity of First Nation communities to a stage where private-sector financing can successfully be made available to them.

Evaluation

As set out in the foundational documents, the CMHC-led evaluation began in 2011. This performance evaluation strategy addresses the relevance of the Fund and continuing need for it, the success and impacts of the program, and its cost effectiveness through an examination of several issues. The AANDC-led evaluation in early 2012 will look at the environment and the policy impacts of the Fund. The Fund has been actively engaged in the evaluation process with CMHC and AANDC. The results are expected to influence the Fund's planning for the 2013-2017 period.

Risk Management

There is always some degree of uncertainty which could affect the ability to achieve objectives. The goal of risk management is not to eliminate risk, but rather to ensure that existing and emerging risks are identified and managed in a balanced manner.

The Fund has in place a Risk Management Policy that provides guidance on the effective management of risks within and across the Fund organization in pursuit of the Fund's business objectives. On a quarterly basis, staff carries out a formal risk assessment and the Fund Manager provides a written Risk Management report to the Trustees.

Risks that may be relevant to the operation of the Fund are grouped into three broad categories including business risks, reputation risks and operational risks (including financial).

Within the strategic context of the Fund, the above-noted categories identify risk types that may impede the achievement of objectives. Not all risks will be relevant to the Fund at all times. These categories guide the assessment of potential risks that are relevant at a given point in time to the achievement of the Fund's long term goals and annual business objectives.

PART THREE: How the Fund Works

How the Fund Works

Through its Credit Enhancement Facility, the Fund provides a partial financial backstop for housing loan guarantees made to financial institutions by a qualified First Nation. Participation in the Fund is available to those communities and financial institutions which choose to apply and qualify.

The Fund's Access Criteria is the basis for the assessment and qualification for Credit Enhancement. The Access Criteria is based upon three pillars: Financial Management; Good Governance; and Community Commitment and Evidence of Demand for Market-based Housing.

Once the Fund qualifies a First Nation under the Credit Enhancement Facility, the First Nation will make arrangements with a lender or lenders to facilitate its citizens' access to financing. This financing will help to build, buy or renovate a home on reserve and on settlement lands where appropriate, that could either be homeownership or rental tenure. Due to the communal nature of the land, the First Nation must guarantee the housing loans of its citizens. Individual First Nation citizens do not apply directly to the Fund.

If a borrower defaults on an eligible loan, the lender will seek compensation from the First Nation. Should the First Nation not honour its obligation as guarantor, the lender will be able to turn to the Fund for compensation up to the amount of Credit Enhancement accumulated by the lender for loans made in the community.

The Fund also has a Capacity Development Program which provides funding for First Nation communities that meet or are close to meeting the Fund's criteria for the Credit Enhancement Facility, but have areas which need further development. Funding for capacity development supports the provision of training, advice and coaching which focuses on developing market-based housing capacity for qualified First Nations and citizens of these communities. Capacity Development develops policies and people to make stronger communities able to attract and sustain investments in market-based housing.

Business Activities Description

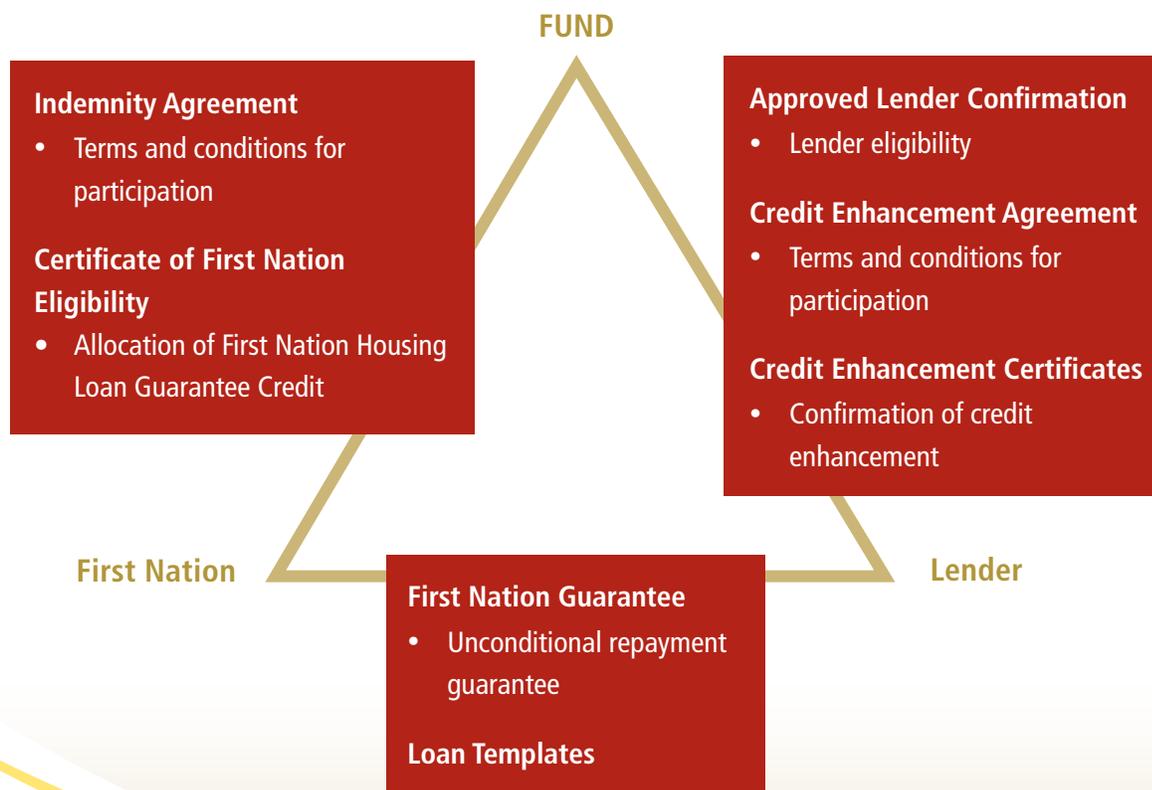
The core business activities of the Fund include the following Program Activities:

- Credit Enhancement Facility (CE)
- Capacity Development Program (CD)

Ancillary to the core business activities are Investment Activities. The Fund is supported by General Administration.

CREDIT ENHANCEMENT FACILITY

Three relationships exist in the Fund's provision of Credit Enhancement. Each relationship represents a set of conditions, commitments and activities under the umbrella of the Fund. The following diagram provides a visual summary of these relationships and the form of agreements under which the Fund provides its Credit Enhancement.



Core Activities

The operational activities in relation to the Credit Enhancement Facility include qualification and selection of eligible First Nations; business development services; marketing and communications; selection of eligible lenders; compliance monitoring; processing and payment of claims; and creating and providing reports.

CAPACITY DEVELOPMENT PROGRAM

The Fund's Capacity Development (CD) Program is participatory in nature and is designed to work hand in hand with a First Nation's priorities to create and agree upon a Capacity Development plan. Capacity development may be delivered in a variety of formats such as the provision of training, advice and/or coaching or policy development – all focussed on ensuring that eligible First Nations are equipped with the tools they need to implement and sustain market housing programs as a viable option for their members.

It is recognized that capacity development needs identified through the First Nation's self-assessment and the Fund's assessment process may take up to three years to deliver and achieve. The timeframe is determined by the priorities of the First Nation and their readiness to effectively take on the identified capacity development initiatives. The Fund acknowledges that each First Nation has their own set of priorities to balance with the time and resources they have available. The goal is to ensure that participants are able to undertake capacity development at their pace in order to ensure a successful outcome.

Core Activities

The operational activities in relation to the CD Program include approving use of CD funding for First Nations who have been assessed; working with eligible First Nations to create CD Plans appropriate to the specific needs of that First Nation; identifying qualified consultants to meet CD needs; prioritizing the disbursement and use of CD funding; providing ongoing monitoring and evaluating; creating and providing reports; and developing new CD tools on an ongoing basis.

INVESTMENT ACTIVITIES

The Fund is self-sustaining due to the capital contribution received from the Government of Canada. Investment income supports the operations of the Fund and program activities of the Credit Enhancement Facility and the Capacity Development Program. The management of the investment portfolio is undertaken to minimize volatility of expected investment results and cash flows in order to achieve the following objectives:

- Maintain sufficient liquidity in order to meet business requirements as they arise.
- Preserve and grow capital to maintain and expand the capacity of the Fund to carry out its core activities.

Core Activities

The operational activities in relation to investments are performed by the Investment Manager under the direction of the Trustees and include investing the assets in accordance with the Statement of Investment Policy and the annual Investment Strategy; maintaining a custodial account for the holding of securities; monitoring and providing regular performance and position reporting; advising the Trustees on actual or anticipated issues arising out of the Investment Services; and proposing amendments to the Statement of Investment Policy.

GENERAL ADMINISTRATION

To remain a strong organization that is able to fulfill its mandate, the Fund draws on sound financial and risk management, efficient and reliable information technology processes and systems and effective human resources management. All of the Fund's general administrative services support the Fund's objectives.

Core Activities

The operational activities in relation to Administrative Services include financial services including managing the Fund's bank accounts, processing Fund expenditures, preparing necessary reports and statements, filing required returns and preparing the Business Plan and Annual Report; Human Resources services including hiring, supervision, establishing goals and expectations and conducting performance reviews; providing all goods and services necessary; and, maintaining the Fund's policies, procedures and guidelines.

Summary of Five Year Plan

The following table illustrates the planned results of the operations of the Fund for the 2012-2016 planning period (CE refers to Credit Enhancement, CD refers to Capacity Development):

Projected Activity	2011 Original Plan	2011 Updated Plan	2011 Actual	2012	2013	2014	2015	2016
Applications								
<i>Received</i>	39	40	19	48	48	48	48	48
<i>Cumulative</i>	77	77	56	125	173	221	269	317
Approved First Nations								
<i>CE and CD (*52% of apps)</i>	23	23	10	25	25	25	25	25
<i>CD Only (48% of apps)</i>	21	22	4	23	23	23	23	23
<i>CE after CD (40% of CD only will qualify for CE after 2 years, another 40% after 3 years)</i>	1	1	0	5	13	18	18	18
New Qualified First Nations for Credit Enhancement								
<i># First Nations</i>	24	24	10	30	38	43	43	43
<i>Cumulative</i>	41	37	23	67	105	148	191	234
Units/Loans Approved								
<i># New Units/Loans</i>	153	117	2	333	603	945	1,332	1,719
<i>Cumulative</i>	162	117	2	450	1,053	1,998	3,330	5,049
Lenders								
<i># Qualified (cumulative)</i>	9	9	7	9	9	9	9	9

* Based on results to date (2008-2010), 52% of the applications received are anticipated to qualify for credit enhancement in the year in which they are received. Of those approved for CD only in the year in which they are received, 40% are anticipated to qualify for Credit Enhancement after 2 years and 40% are anticipated to qualify after 3 years of capacity development. It is estimated that 20% of applications approved for CD only will not proceed to qualify for Credit Enhancement.

The "2011 updated plan" figures for "Approved First Nations" reflect higher values than the applications received figure of 40 would generate. There was not sufficient time to completely process five of the applications received in the latter part of 2010 therefore these applications were carried forward to the calculations for 2011.

The First Nations Market Housing Fund’s Business Plan reflects the Fund’s mandate and direction provided by the Board of Trustees. The summary table below outlines the main business activities of the Fund including the strategic direction identified by the Trustees, objectives, key initiatives and measures.

The Objectives are:

1. **Implement the Credit Enhancement Facility**
2. **Deliver Capacity Development Programs**
3. **Effectively Manage Investment Services**
4. **Effectively Manage the Fund**

STRATEGIC DIRECTION:		
Increase individual self-sufficiency and responsibility for housing in First Nation communities.		
<p><i>Objective 1:</i> <i>Implement the Credit Enhancement Facility</i></p>	<p>Key Initiatives:</p> <ul style="list-style-type: none"> Focus on First Nations that are already approved for CE to facilitate loans being available and units getting built/renovated Ensure lender/First Nation agreements are in place for loans to be issued to community members Facilitate the application process for interested First Nations 	<p>Measures</p> <ul style="list-style-type: none"> # of new qualified First Nations # of new qualified lenders # of units approved
<p><i>Objective 2:</i> <i>Deliver Capacity Development Programs</i></p>	<p>Key Initiatives:</p> <ul style="list-style-type: none"> Work towards ensuring First Nations that receive CD funds become eligible for CE in as timely a manner as possible Support and work with First Nations to identify needs and ensure CD training is meeting these needs Develop tools where identified gaps exist 	<p>Measures</p> <ul style="list-style-type: none"> # of First Nations assisted by CD funds that become eligible for CE # of First Nations approved for CD only Tangible new strength demonstrated in the community as a result of CD funding

STRATEGIC DIRECTION:

Maintain a forward-looking, sustainable and strong financial and investment management strategy.

*Objective 3:
Effectively Manage
Investment Services*

Key Initiatives:

- Review the Statement of Investment Policy
- Preserve and grow capital

Measures

- Investment income is sufficient to meet Fund objectives

STRATEGIC DIRECTION:

Chart a path to greater First Nation control of the Fund.

*Objective 4:
Effectively Manage
the Fund*

Key Initiatives (Finance):

- Continue the process to obtain confirmation from CRA that the Fund is exempt from paying income taxes
- Support the evaluation of the Fund through active participation
- Implement revised accounting standards, as required

Measures

- Tax exempt status confirmed
- Fund demonstrates engagement on the evaluation outcomes
- Revised accounting standards in place
- Approval of 2013 Business Plan

Key Initiatives (Human Resources):

- Implement the Fund's Human Resources Policy
- Provide staff training / mentoring to support Fund activities

Measures

- Staff engaged in accordance with Fund's Human Resources Policy
- Training courses taken and results implemented

OBJECTIVE 1.0: Implement the Credit Enhancement Facility

Challenges

- Applications are being received and approved but lender agreements need to be pursued and community members need to be informed to ensure that loans are available to community members.
- There are often inadequate staff resources/time in First Nation communities to support the Fund's application process.
- There are diverse differences in First Nation housing from region to region.
- There is still a lack of knowledge about the Fund's products in some First Nation communities and with some lenders.

The Fund is continuing with an aggressive strategy to ensure that all approved First Nations get agreements in place with lenders to facilitate the flow of loans to community members. Fund staff will continue to be focussed on this as a priority and work with the lenders and First Nations to ensure loans translate into getting units built or renovated for First Nation families.

Other considerations include the status of ongoing applications, identifying new target-ready or near-ready First Nation communities through expanded points of contact (auditors, bank managers, contractors, land developers, professional First Nation associations, etc.) as well as further identifying target geographic areas for workshops.

The Fund will continue to adapt, improve and streamline the application process to meet the needs of First Nations and the Fund in the most timely and effective manner possible while respecting the capacity and time limitations of First Nations. Communicating with First Nations who have already experienced the process will assist with developing a strategy to better serve other First Nations. Putting First Nations in touch with each other will also help.

The Fund will pursue every opportunity to become engaged with Tribal Councils and Provincial/Territorial Organizations (PTOs) to present the Fund's offerings and host targeted application processing workshops in all regions where appropriate.

OBJECTIVE 2.0: Deliver Capacity Development Programs

Challenges

- Not all approved First Nations are in a position to develop initial plans for capacity development training delivery.
- It is recognized that not all First Nation communities are in a position, at this time, to meet the Access Criteria required to access the Fund to back loans but they should be encouraged to apply anyway in order to access capacity development funding.
- Maximizing Capacity Development delivery and demonstrating success will increase momentum.
- Regional diversity among First Nations affects the approach, criteria and processes related to capacity building training and plans.

The Fund's efforts will focus on the funding and delivery of initiatives contained in training plans agreed upon between each First Nation and the Fund. This process for capacity development includes customization of initiatives for each First Nation, the development of templates and other tools that will help the First Nation implement and sustain Credit Enhancement. The Fund will work with approved First Nations to ensure that the capacity development assistance received prepares and sustains them for Credit Enhancement implementation.

Although the Fund will draw from the Standing Offer Holders first, Fund staff will assist the First Nations with arrangements with other consultants and institutions where appropriate.

Where appropriate and/or once they are approved for Credit Enhancement, the Fund will profile these First Nations as success stories for other communities that are already working towards capacity development or are considering the Fund as a housing option.

The Fund recognizes the importance of working with potential partners who are already working on capacity building exercises with First Nations in various parts of the country. These efforts should be complemented and enhanced by the Fund and not duplicated or seen as competition. Some First Nations have developed positive working relationships with consultants in the area of capacity building and this is encouraged and supported by the Fund as it relates to the three pillars.

OBJECTIVE 3.0: Effectively Manage Investment Services

Challenges

- Investment income is lower on secure investments.

The Investment Manager prepares an annual Investment Strategy for the approval of the Trustees. The Investment Strategy identifies the investment instruments, asset mix and the risks of the strategy in keeping with the Statement of Investment Policy. The Fund follows a passive investment strategy.

The Investment Manager uses an investment management style that is conservatively implemented with a long term horizon within the Fund's permitted asset classes. The long-term expectations for the risk and return of the portfolio are generally consistent with those of 5-year Government of Canada bonds. Real returns are subject to inflation.

During the planning period the Fund will develop criteria for Investment Management Services and seek proposals for services beginning in 2013.

OBJECTIVE 4.0: Effectively Manage the Fund

Challenges

- Working toward future independence in a thoughtful, strategic manner with consideration to the Foundation Agreements; i.e. Indenture of Trust, Funding Agreement, and Management Agreement.

The Fund will review the Foundation Agreements to determine opportunities to take on additional activities. Those that may be implemented only with the approval of the Trustees will be pursued. The Fund will also look at ways to demonstrate the fulfillment of the mandate and put the Fund in a state of readiness for greater independence.

The Fund will continue to pursue all available avenues to support its position as a non-taxable entity for income tax purposes with the Canada Revenue Agency (CRA), the Department of Finance and/or the courts if necessary. The Fund will remain engaged with CMHC and AANDC on the outcomes of the evaluations completed in 2012 and plans to actively participate in the follow-up activities including the development and implementation of recommendations where appropriate. The Fund will remain current on all new information pertaining to the revised accounting standards for Government Non-Profit Organizations (GNFPOs).

The Fund will hire staff with First Nation familiarity of regional perspectives, positions, and political landscapes as an option to move forward effectively. The Fund will support the staff with training as required, team building and will ensure that internal communications are effective to inspire retention of engaged personnel.

PART FOUR: Financial Plan & Budgets

The Financial Plan presents the overall results anticipated in 2011 and over the planning horizon from 2012-2016.

The Fund commenced operations in May 2008 with the initial contribution of \$300 million from CMHC on behalf of the Government of Canada. The Fund provides a partial financial backstop or “credit enhancement” to a First Nation’s housing loan guarantee made to financial institutions. The Fund began providing Credit Enhancement to financial institutions in early 2011.

The Fund’s accumulated Credit Enhancement coverage cannot exceed the net worth of the Fund with net worth being defined as the difference between what the Fund owns and what it owes. As long as the Fund remains a going concern, the deferred contribution is not considered to be an amount owing by the Fund. The accumulated coverage over the planning period, based on the number of planned units, an average loan amount of \$150,000, and the Fund’s Credit Enhancement of 10 percent, is projected as follows:

ACCUMULATED CREDIT ENHANCEMENT COVERAGE	2011 Plan	2011 Updated	2011 Actual	2012	2013	2014	2015	2016
Cumulative Units/Loans	162	117	2	450	1,053	1,998	3,330	5,049
Expected Lending Value (\$M)	24.30	17.55	.13	67.50	157.95	299.70	499.50	757.35
Accumulated Coverage (\$M)	2.43	1.76	.013	6.75	15.80	29.97	49.95	75.74

The Fund has engaged in discussions with its external auditors to determine the appropriate methodology for valuing its backstop under the Credit Enhancement Facility. At the time of writing this plan the actual valuation methodology had not been determined. As such, for purposes of this Financial Plan, claims against the Fund’s backstop continue to be projected on a cash flow basis, consistent with last year’s Plan. There are no projected claims against the

Fund's backstop during the planning period. While some individual borrower defaults are projected during this planning horizon, it is anticipated that the level of defaults can be managed by the First Nation communities which must provide the first line of defence to the financial institutions.

The Fund is expected to be self-sufficient, and it is not permitted to borrow as stipulated in the Indenture of Trust. The capital contribution provides for future claim expenses. Revenues for the Fund are generated from the investment of the initial \$300 million contribution. Cash in-flows from investment returns cover operating expenses for administration, capacity development, and evaluation costs. Earnings beyond these expenses provide for possible future claim expenses, and grow capital to maintain and expand the capacity of the Fund to carry out its core activities.

In 2009, the Fund completed the implementation of its investment strategy. Investment returns over the planning period are forecast to steadily increase from 3.71% in 2012 and steadily increase to 3.86% in 2016. These returns represent an increase compared to the forecasted returns in the 2011-2015 Plan. The increase is a result of the strengthening of the Canadian economy in 2011. This forecast takes into consideration current investments and projected interest rates. These investment returns will provide sufficient cash flow to cover the Funds operating expenses and provide funding for the Capacity Development Program. Any excess will be reinvested to expand the Fund's Credit Enhancement and Capacity Development offerings.

Administrative expenses in 2012 are anticipated to be greater than originally projected in the 2011-15 Business Plan. This is mainly due to an increase in the expense categories of Professional & Technical Services and Transportation. As the volume of First Nations working with the Fund grows, so too do the staff and travel expenses.

Considering the public policy perspective to provide for the social welfare and civic improvement of First Nations' communities, beginning in 2008 the Fund sought a ruling from the Canada Revenue Agency (CRA) that it is a tax-exempt organization. Bolstered by legal opinions the Fund believes it has a strong argument to support its tax-exempt status. The Plan has been prepared on the premise that the Fund will not pay income taxes. Should it be considered a taxable entity, the Fund has estimated its contingent liability for tax to be \$2,298,000 at the end of the planning period.

The Fund's financial year is the calendar year. The financial statements for the planning period are as follows:

STATEMENT OF OPERATIONS \$M	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Revenue								
Recognition of Deferred Contributions related to current year operations	2.610	5.439	5.406	6.972	7.806	8.112	8.319	8.453
Total Revenue	2.610	5.439	5.406	6.972	7.806	8.112	8.319	8.453
Expenses								
Administration	2.427	3.729	3.721	4.145	4.228	4.278	4.431	4.565
Capacity Development	.183	1.485	1.485	2.727	3.578	3.834	3.888	3.888
Claims	-	-	-	-	-	-	-	-
Evaluation	-	0.225	0.200	0.100	-	-	-	-
Total Expenses	2.610	5.439	5.406	6.972	7.806	8.112	8.319	8.453
Excess of Revenue over Expenses	-	-	-	-	-	-	-	-

STATEMENT OF CHANGES IN DEFERRED CONTRIBUTION \$M	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Balance, beginning of period	310.583	317.511	318.729	324.715	329.623	334.026	338.415	342.859
Investment Income	10.756	11.192	11.392	11.880	12.209	12.501	12.763	12.930
Recognized as Revenue to match Expenses	(2.610)	(5.439)	(5.406)	(6.972)	(7.806)	(8.112)	(8.319)	(8.453)
Total Deferred Contribution End of Period	318.729	323.264	324.715	329.623	334.026	338.415	342.859	347.336

STATEMENT OF FINANCIAL POSITION \$M	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Assets								
<i>Current</i>								
Cash and cash equivalents	8.169	6.439	6.474	6.572	6.661	6.748	6.837	6.926
Accrued interest receivable	1.747	1.288	1.293	1.315	1.332	1.349	1.367	1.385
Prepays	.050	-	-	-	-	-	-	-
	9.966	7.727	7.767	7.887	7.993	8.097	8.204	8.311
Long- term investments	309.224	315.533	317.212	322.037	326.356	330.643	334.981	339.350
Capital assets	.216	.165	.168	.111	.077	.075	.074	.075
Total Assets	319.406	323.425	325.147	330.035	334.426	338.815	343.259	347.736
Liabilities								
<i>Current</i>								
Accounts payable and accrued liabilities	.626	.130	.400	.400	.400	.400	.400	.400
	.626	.130	.400	.400	.400	.400	.400	.400
Deferred lease inducement	.051	.031	.032	.012	-	-	-	-
Deferred Contribution	318.729	323.264	324.715	329.623	334.026	338.415	342.859	347.336
Total Liabilities	319.406	323.425	325.147	330.035	334.426	338.815	343.259	347.736

Budgets

OPERATING BUDGET

The Operating Budget provides for administration expenses and the costs for capacity development as well as any evaluations, special reports or audits. It does not include the cost of claims under the Credit Enhancement Facility, which are projected separately in the pro-forma financial statements included in the Financial Plan.

The following table summarizes the requirements for the planning horizon. More details are provided in each of the sections that follow:

OPERATING BUDGET \$	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Administration Expenses	2,427,104	3,729,030	3,720,590	4,145,053	4,228,491	4,278,134	4,431,072	4,564,857
Capacity Development Expenses	183,382	1,485,000	1,485,000	2,727,000	3,577,500	3,834,000	3,888,000	3,888,000
Evaluation Costs	-	225,000	200,000	100,000	-	-	-	-
Total Operating Budget	2,610,486	5,439,030	5,405,590	6,972,053	7,805,991	8,112,134	8,319,072	8,452,857

Administration Expense Budget

The Administration Expense budget provides for expenditures in connection with the management of the Fund except for payments to lenders or loan insurers for claims under the Credit Enhancement Facility, the costs of the Capacity Development Program, and the costs of evaluations and special audits.

The Administration Expenses are covered by investment income which has been recorded against the Deferred Contribution and recognized as revenue only to the extent required by the current year's expenses. As provided for in the Indenture of Trust, Administration Expenses must not exceed the total amount set out in the approved budget.

The following table provides a summary of the Administration Expense budget requirements for 2012-2016 planning period:

ADMINISTRATION EXPENSE BUDGET \$	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Full-time Equivalents (FTEs)	9	11	11	11	11	11	11	11
Professional & technical services	1,508,890	1,929,050	1,931,211	2,123,088	2,060,287	2,023,907	2,081,770	2,141,313
Travel	269,323	582,073	600,410	810,050	937,159	1,047,221	1,113,982	1,182,069
Trustee governance	227,073	254,555	331,213	349,161	356,768	364,736	371,943	379,293
Business premises	192,638	203,744	206,199	207,985	204,890	194,574	196,194	197,846
Computer & telecommunications	107,649	174,040	128,278	131,208	134,020	136,984	139,658	142,391
Other	121,531	585,568	523,279	523,561	535,367	510,712	527,525	521,945
Total Admin Expense Budget	2,427,104	3,729,030	3,720,590	4,145,053	4,228,491	4,278,134	4,431,072	4,564,857

The Fund has been operating for three full years and is now in a better position to project its expenses in order to achieve its objectives. The staffing complement is expected to increase to 11 full-time equivalents in order to meet the planned targets for credit enhancement and capacity development. The staffing of any additional positions will only occur as the business activity volumes warrant. It is anticipated that the Fund will be in a position to hire staff directly beginning in early 2012.

In 2010 and in 2011, the Fund continued to implement the enhanced business model to address the shortfall in First Nation applications and approvals for credit enhancement relative to the initial targets. This adoption of this model reflected an increase to the number of visits needed to a First Nation community in order to obtain, review and assess an application. As a result of the Fund's actual 2010 experience, the plan now reflects three post-application visits

rather than one in order to assist the First Nation in gathering any outstanding information for its application in addition to facilitating the First Nation and its members to build or renovate their housing once the First Nation has been approved for credit enhancement. As a result, the Fund's Travel budget continues to increase.

Within Other, the 2012 Marketing and Promotion budget includes a number of national and regional conferences and tradeshow to be attended by Fund staff. Attendance at these events provides excellent visibility for the Fund and the opportunity to speak directly with First Nation leadership, staff and individuals. Invitations to meetings in communities to promote the Credit Enhancement Facility are often a direct result of these interactions. In addition, the budget for promotional items will permit the Fund to continue its efforts in establishing its brand and make itself known to potential clients, consistent with its marketing strategy.

Capacity Development Budget

The purpose of the Capacity Development Program is to provide support for First Nation communities to assist them in qualifying under the Credit Enhancement Facility. It will also help strengthen those who do qualify to ensure that they have the needed foundation to implement and sustain market-based housing.

The Funding Agreement sets out the amount of resources available for Capacity Development, and this amount is to be specified in the annual Business Plan. The total amount is not to exceed 50% of the immediately preceding year's net income (defined as investment and other income less any expenses incurred during the year). Where the Fund expends less than the total maximum amount available in a given year, the Fund can carry forward unexpended amounts to future years. Cumulative carried-forward amounts will be in addition to the maximum total amount otherwise permitted. The plan reflects the reprofiling of available Capacity Development funding in 2011 to 2012 as the program continues to ramp up.

The budget provides for fees paid to external contractors in the delivery of the capacity development activities in First Nation communities.

CD BUDGET \$	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Planned Cumulative Unexpended Amount, Beginning of Year	5,289,127	11,860,583	9,178,551	10,686,756	10,413,730	9,037,735	7,398,168	5,732,132
Less: Planned Expenditures during Current Year	183,382	1,485,000	1,485,000	2,727,000	3,577,500	3,834,000	3,888,000	3,888,000
Sub-total	5,105,745	10,375,583	7,693,551	7,959,756	6,836,230	5,203,735	3,510,167	1,844,131
Add: Planned Funding Available from Current Year for Next Year *	4,072,806	2,876,485	2,993,205	2,453,974	2,201,505	2,194,433	2,221,964	2,238,572
Planned Cumulative Unexpended Amount, For Next Year	9,178,551	13,252,068	10,686,756	10,413,730	9,037,735	7,398,168	5,732,132	4,082,704

* One-half of planned net income for current year.

Evaluation Expense Budget

In the fourth year of the Fund's operation the Minister responsible for CMHC has been carrying out, at the cost of the Fund, an evaluation of the Fund. The cost is estimated at \$300,000, profiled over two years. While it is anticipated that the bulk of the work will be completed and paid for in 2011, it is envisioned that the writing of the evaluation report will occur in the early part of 2012.

CAPITAL BUDGET

The Capital Budget for furniture, equipment and business premises provides for the acquisition and replacement of assets and the fit-up of office space.

CAPITAL BUDGET \$	2010 Actual	2011 Approved Plan	2011 Updated Plan	2012	2013	2014	2015	2016
Furniture and Equipment	10,582	5,000	15,000	5,117	5,228	5,345	5,450	5,558
Leasehold Improvements	1,980	0	2,500	1,023	1,046	1,069	1,090	1,112
Total Capital Budget	12,562	5,000	17,500	6,140	6,274	6,414	6,540	6,670

***VISION:** Every First Nation family has the opportunity to have a home on their own land in a strong community.*



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