

On-Reserve Housing Loan Program



Home financing for:

- construction of a new home
- purchase of an existing home
- refinancing of existing home debt
- major and minor renovations

Whether you're going to build your own home or purchase your home, at BMO Bank of Montreal® we understand your concerns and we are here to help.

What's inside:

- Working together to create an On-Reserve Housing Loan Program
- Steps to buying a home
- Money-saving strategies
- Optional BMO Protection Plans offered by BMO
- Other programs supported by BMO



Working together to create On-Reserve Housing Loan Programs¹

BMO works diligently with First Nations to craft financing solutions that will help provide affordable housing for their members.

The BMO On-Reserve Housing Loan Program is designed to meet the specific needs of your community. The program provides members the opportunity to own their own home through access to housing loans. Housing loans are available to those that qualify, to help build, buy or do major home renovations to a family-owned home.

BMO On-Reserve Housing Loan Program

BMO works closely with First Nations and their members to provide our On-Reserve Housing Loan Program without Federal Government assistance. The program is designed to the specific needs of a First Nation and provides members the opportunity to own their own home through access to housing loans to build, purchase or complete major renovations to an owner-occupied, single-family dwelling².

BMO On-Reserve Home Renovation Loan Program

BMO has a financing option to help First Nation members with minor renovations to upgrade existing single-family, owner-occupied homes located on First Nation territory. Our On-Reserve Home Renovation Loan Program provides eligible borrowers personal loans from \$5,000 to \$25,000 to renovate homes, to improve energy efficiency or to create a healthier home environment³.

Create a housing loan the way you want it

Deciding on a housing loan can be a challenge. How can you tell what options are best for you? At BMO, we offer solutions to help you create a housing loan the way you want it!

On-Reserve Housing Loan building blocks

Before you begin to create a housing loan, here are a few useful terms that are the foundation of every housing loan.

- **amortization** – the number of years it will take you to repay the housing loan in full, up to 25 years
- **fixed interest rate** – interest rate stays the same to the end of a selected term
- **housing loan payment** – the payments you make on a regular basis to repay the principal and interest on your housing loan
- **principal** – the amount of money you borrow for a housing loan
- **term** – the rate and the length of time of a housing loan agreement, for example, a 5-year term. When the term expires, you can renew for another term.

Steps to buying a home

Perhaps you're ready to start looking right away. Maybe you're planning to buy in a few years. Either way, you need to be financially prepared and comfortable enough to make one of the biggest purchases of your lifetime.

At BMO, we're here to provide you with a personalized solution to help you with every step of the home-buying process. Of course, we offer a wide variety of home loan options. But we also offer solutions to help you save for your down payment, as well as provide information that makes the search for your ideal home easier. Simply stated, we're here to help... every step of the way.

Step 1: How much can we afford?

The down payment is the money you put towards the total cost to buy, build or complete major renovations. It can often be the most challenging part of buying, building or renovating your own home. It must come from your own resources.

You may qualify for a housing loan with as little as a 5% down payment to buy, build or renovate a home.

Possible sources for your down payment:

- home buyer's grant offered by your First Nation
- investments
- savings
- gift from an immediate relative such as parents or grandparents that is not repayable

Step 2: Choosing the features and options that fit your needs

A home loan should match your individual financial priorities, whether that is security, flexibility, or a combination of both.

- Choose from a fixed rate term of 1 to 5 years.
- Shorter terms may be attractive if you believe interest rates will drop.
- Longer terms preferable if a stable home loan payment amount is important to your budget and your peace of mind.

Step 3: Application

The applicant confirms the On-Reserve Housing Loan or On-Reserve Home Renovation Loan Program has been established for their First Nation. Once approved, members are able to apply for individual loans. The applicant completes an application⁴ with a representative at their designated BMO branch. At this first meeting, the BMO representative will go over the program application and process in detail.

Conditional approval

Upon approval of your housing loan, BMO will provide you and your First Nation with a conditional approval⁷. The conditional approval will confirm:

- your financing is guaranteed based on your current financial situation and a satisfactory credit review, subject to property appraisal (if applicable) and approval by your First Nation
- the purpose of the loan, i.e. to build, buy a home or do major home renovations
- how much you can borrow
- what your fixed interest rate will be (for the term you have chosen)
- how much your payments will be
- your amortization period

Step 4: Other estimated costs to keep in mind

Apart from your housing loan payments, there are other costs to buying, building or renovating a home. It is wise to budget another 3% to 4% of the total purchase, construction or renovation cost for additional expenses⁶ such as:

- property insurance (for coverage against fire and other standard risks)
- administration fee⁷ (if applicable)
- legal fees (if applicable)
- house inspection fees (if applicable)
- appraisal fees (if applicable)

Money-saving strategies

BMO offers money-saving strategies that can help you be home loan-free faster and reduce your interest costs. Take a closer look.

1. Increase your payment frequency

You have the option of paying weekly, bi-weekly, semi-monthly or monthly. The more frequent your payments, the faster you will pay down your housing loan. Increasing your payments to weekly, bi-weekly or semi-monthly can save you money. For greater savings, consider accelerated weekly or bi-weekly payments. Accelerated weekly payments are calculated as a monthly payment divided by four. Over the year, that is equivalent to adding an extra month's payment.

The following examples assume a \$100,000 home loan at 4.25% interest, amortized over 25 years.⁸



	Monthly	Accelerated weekly
Payments	\$539.66	\$134.92
Housing loan repaid	25 years	20 years, 5 months
Total interest	\$61,875	\$52,380
Interest saved		\$9,495

2. Shorten your amortization period

Homeowners usually aim to pay off their housing loan in 25 years. However, reducing the amortization period by five or ten years can make a huge difference in interest costs.



Amortization period ⁹			
	25 years	20 years	15 years
Monthly payments	\$539.66	\$617.25	\$750.40
Total payment	\$161,898	\$148,140	\$135,072
Total interest	\$61,875	\$48,123	\$35,057
Interest saved		\$13,752	\$26,818



Other ways
we're here
to help.



Optional BMO Protection Plans¹⁰

Optional BALANCE PROTECTION – Life and Critical Illness insurance

Life Insurance

Should the unexpected occur, it's comforting to know that the balance on your insured debt will be paid off or reduced. You may already have some insurance, but would it be enough to cover all of your debts and for your family to maintain their lifestyle if something were to happen to you?

Critical Illness Insurance

We may not like to think of it, but a critical illness can strike at any time. With critical illness insurance, the balance on your debt will be paid off or reduced for a covered critical illness. Critical illness insurance is only available when purchased with life insurance.

Optional PAYMENT PROTECTION – Disability and Job Loss insurance

Disability Insurance

Should you become disabled by injury or illness, disability insurance will pay or reduce your regular payments towards

your debt for approved claims. Focus on your recovery and let disability insurance make the payments on one of your biggest financial commitments.

Job Loss Insurance

Losing a job is never easy. In the event of an involuntary loss of employment, let us pay or reduce the payments on your debt with job loss insurance. Job loss insurance is only available when purchased with disability insurance.

Important Information about these coverage options

For more information about optional insurance for your housing loan, including exclusions, limitations and conditions applicable to each coverage option, contact your local BMO Bank of Montreal branch, visit bmo.com or call BMO at 1-866-881-9054. A sample Certificate of Insurance is available online. The BMO Protection Plan is insured and underwritten by Canadian Premier Life Insurance Company, which operates under the brand name Securian Canada. For complete information about the BMO Bank of Montreal On-Reserve Housing Loan Program, contact your local BMO Bank of Montreal branch or visit bmo.com/indigenousbanking

Other programs supported by BMO

First Nations Market Housing Fund

The First Nations Market Housing Fund is an innovative initiative established by the Federal Government to give First Nation members greater access to housing loans on-reserve and on settlement lands. BMO is a participating lender for First Nations who qualify for the Fund. For more information, visit the First Nations Market Housing Fund at fnmhf.ca

Section 95 & Section 10 Housing Loan Programs

Financing for housing loan programs insured by Canada Mortgage and Housing Corporation (CMHC) and supported by a Certified Band Council Resolution and a Ministerial Loan Guarantee is also provided by BMO for new or existing residential housing on-reserve.

Under CMHC's On-Reserve Non Profit Housing Program (Section 95), Band Councils may have access to financing to provide suitable, adequate and affordable rental housing on-reserve.¹¹

Under CMHC's Loan Insurance Program On-Reserve with Ministerial Loan Guarantee (Section 10), Indigenous persons living on-reserve or Band Councils may have access to financing for the construction, purchase and/or renovation of a single-family home or multiple residential rental property.¹²

Learn more: www.cmhc-schl.gc.ca



Learn more

bmo.com/indigenousbanking



¹ Approval and credit limit are subject to BMO's usual credit requirements.

² Subject to On-Reserve Housing Loan Program Availability and options as designed by your individual First Nation

³ Subject to On-Reserve Home Renovation Program availability and options designed by your individual First Nation.

⁴ Proof of income is required for the loan application.

⁵ A conditional approval may be subject to other conditions. There are several steps to the on-reserve housing loan application before funds are released. We advise not to commit to any purchase, building contracts, material purchases or commencement of renovations until you receive final approval from Bank of Montreal and your First Nation contact. Visit your local BMO branch for details.

⁶ Other costs may apply.

⁷ Administration fee is at the discretion of the First Nation and may vary from program to program.

⁸ Per annum, calculated half-yearly, not in advance. The rate shown is an example only and is not necessarily applicable to an actual housing loan.

⁹ Assumes the same interest rate applies for entire amortization period.

¹⁰ For more information, ask for a copy of the BMO Protection Plan Mortgage & Line of Credit Certificate of Insurance. The BMO Protection Plan is insured and underwritten by Canadian Premier Life Insurance Company, which operates under the brand name Securian Canada. Subject to qualifications/conditions being met. Not all insurance options are available on all lending products.

Group Policy no. 51007-G Part B for Life Insurance

¹¹ & ¹² Some conditions and restrictions apply.

Group Policy no. 51007-G Part C for Disability and Job Loss Insurance

Group Policy no. 21559 for Life, Disability and Job Loss Insurance

Group Policy no. 57904 for Critical Illness Insurance.