

Index-Linked Mortgage (ILM) / Federal Co-operative Housing Program (1985–1991)

Program Objective

- to provide assistance for co-operative housing to promote security of tenure for households unable to access homeownership.

Program Features

- unilateral federal program
- income-mixing
- NHA-insured long-term index-linked mortgage loan from private lender for 100 per cent of eligible co-op costs
- loan amortized over 30-35 years—real (i.e., after inflation) interest rate fixed for full period
- mortgage payment adjusted annually at rate of change in CPI, less 200 basis points
- annual operating assistance to reduce initial housing charges to a level equivalent to market-rental rates for similar accommodation
- subsidy adjusted up or down annually at the same rate as the ILM mortgage payment is adjusted
- one-time reduction of assistance after year 15, if maximum occupancy charges are less than 85 per cent of market rental rate for similar accommodation—increase equal to five per cent of housing charges, phased in as necessary
- a co-operative-financed security of tenure fund to assist households whose incomes drop and for whom no rent supplement is available
- a stabilization fund to assist co-operatives in defined circumstances
- rent supplements available for maximum of 50 per cent of units under separate federal/provincial cost-shared rent supplement program (all provinces and territories): co-op to use its best efforts to house at least the minimum percentage of assisted households specified in operating agreements (in no case less than 15 per cent).

CMHC Authority under Co-op Operating Agreement

- right to register agreement or notice of it on title
- right to inspect co-op's books, records and accounts at any reasonable time on reasonable notice
- right to inspect property and require remedial repairs
- CMHC concurrence required for change in indexed replacement reserve contribution
- right to require annual information to assure itself of co-op's compliance with fundamental purpose and obligations under operating agreement
- right to request explanations of information in audited financial statements and, for statistical purposes, other information readily available to co-op
- CMHC approval required of any contract for management services, other than an employment contract

- various remedies in event of breach of operating agreement, including suspension or termination of assistance
- CMHC approval required for investment of replacement reserve and security of tenure funds outside of eligible investments listed in agreement
- co-op may not mortgage or encumber property without CMHC's approval
- co-op may not sell or otherwise dispose of all or part of property without CMHC's approval, both as to sale and as to disposition of proceeds
- co-op may not lend or give away co-op funds, other than reasonable donations, or underwrite obligations of a third party, without CMHC's approval (restriction does not apply to members' capital and accumulated surpluses)
- CMHC approval required for changes to incorporation documents and by-laws that would change co-op's non-profit status
- CMHC approval required to adjust the mortgage amortization period or make any prepayment of the ILM.

Accountability Framework

- operating agreement
- annual audited financial statement
- co-op auditor verifies funding of reserves
- co-op fully responsible for operating results.