



Expanding Your Housing Options
Financing for First Nations Communities

2009-2013
Business Plan Summary



For more information on the First Nations Market Housing Fund, we invite you to visit our website at www.fnmhf.ca or call **1 866 582 2808**.

You may also contact us at info@fnmhf.ca



Foreword

This is a summary of the 2009-2013 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 opened for business on May 5, 2008. The Summary of the 2009-2013 Business Plan also includes a summary of the planned 2008 activities.

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Introduction

On April 20, 2007, the Government of Canada announced that it would provide \$300 million for a First Nations Market Housing Fund (the "Fund"). Canada Mortgage and Housing Corporation (CMHC) established the Fund, as a separate trust, under its authorities, in March 2008 and contributed, on behalf of the Government, the \$300 million. Accordingly, the purposes of the trust fall within the framework of the National Housing Act (NHA).

In May 2008, the Fund opened its doors for business. The First Nations Market Housing Fund is the first national fund to enable First Nations to gain easier access to private sector housing financing options.



From left, Monte Solberg, Minister for Human Resources and Social Development and Minister for Canada Mortgage and Housing Corporation (CMHC) and Chuck Strahl, Minister for Indian and Northern Affairs Canada and Federal Interlocutor for Métis and Non-Status Indians, announce the official opening of the First Nations Market Housing Fund, in Ottawa, Monday, May 5, 2008. They were joined by Ruth Williams, Vice-Chairperson of the First Nations Market Housing Fund, Rick Simon, Assembly of First Nations Regional Chief of Nova Scotia and Newfoundland, John Beaucage, Chairperson of the First Nations Market Housing Fund.

Historically on reserve homeownership rates have been low as traditional mortgages could not be readily obtained from lenders. A major barrier to attracting private financing on communally held land is the inability to offer the land as security that a financial institution could access in the event of loan default. While respecting communal land ownership, the Fund will give First Nations people living on reserve or on First Nations settlement lands where appropriate, a better chance to own their own home by providing a backstop for private sector loans. The Fund will assist First Nations to take steps so that their members can obtain loans from financial institutions to build, buy or renovate a home on reserve to either live in or to rent to others.

Through arrangements with First Nations and lenders, the First Nations Market Housing Fund can assist in expanding market-based housing on reserve by providing access to proven financial tools for homeownership in First Nations communities. The Fund will not only help to increase the housing supply, but will also provide First Nations communities, families and individuals with the means to build equity and generate wealth.

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.

Message from the Chairperson

Ahneen,

First of all, I would like to introduce myself. My name is John Beaucage and I am the elected Grand Council Chief of the Anishinabek Nation. I am proud to be the first Chairperson of the First Nations Market Housing Fund.



Good housing for a First Nation family isn't just built on a foundation – it **IS** a foundation that contributes to the health and self-sufficiency of our community members. The First Nations Market Housing Fund is a unique funding initiative that will enable First Nations to provide additional housing options to their community members. This Fund will provide an investment opportunity to establish a true housing market on reserve, where traditionally, a housing market may not have been sustainable.

The Fund may assist capacity development for those First Nations wishing to advance homeownership opportunities in their communities and thereby enhancing First Nations financial expertise.

Over the years, I have seen first-hand, communities who have established strong housing programs based on good policy and concepts of market housing. With these come choices for their citizens that have given them opportunities to choose the type of housing they want to live in, based on their family composition, their finances and their desires.

When we speak of First Nations communities, we don't generally speak of upper and lower class. We are all one people – emerging Nations. A collective of communities, families and citizens. Economically however, we have a strong working, middle class. Our emerging middle class needs to have access to the same quality of life that other Canadians take for granted.

More and more, First Nations people are taking responsibility for their own lives. They want to own their own homes, contribute to their communities and become economically independent. Establishing an on reserve housing market is another step towards First Nations self-sufficiency.

We are pleased to share our 2009-2013 Business Plan Summary with you as a means to communicate the exciting work that the Fund will be undertaking in its initial years of operation. The First Nations Market Housing Fund is the first national fund to enable First Nations to gain easier access to private sector housing financing options. Housing needs are great in many communities so our goals are ambitious.

We encourage First Nations interested in establishing an on reserve housing market or expanding existing homeownership opportunities to contact us for more information on how the Fund can assist your community. We would also like to hear from organizations that are hosting events or meetings related to homeownership on reserve. We are committed to spreading the word about the Fund's programs and to assisting First Nations to take steps so that their members can obtain loans from financial institutions to build, buy or renovate a home on reserve or settlement lands where appropriate.

Through partnerships with First Nations and lenders, it is our sincere hope that the First Nations Market Housing Fund will provide our First Nations communities with another option to provide homes for our people.

Meegwetch



John Beaucage
Chairperson of the Trustees
First Nations Market Housing Fund

Mandate

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. An over-arching goal is to move to a system that provides to First Nations residents the same housing opportunities and responsibilities in their communities as other Canadians.

Management and Organization

Canada Mortgage and Housing Corporation (CMHC) established the Fund, as a separate trust and provided the initial \$300 million to capitalize the Fund. Accordingly, the purposes of the trust fall within the framework of the National Housing Act (NHA).

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

Control of the Fund is vested in nine trustees who have been drawn from First Nations, the Government of Canada and the financial communities. Of the nine Trustees, six are appointed by the Minister for CMHC and three are appointed by the Minister for the Department of Indian Affairs and Northern Development (DIAND). The CMHC Minister appoints a Chairperson and a Vice-Chairperson from among the Trustees.



Board of Trustees pictured left to right: Eric Menicoche (NT); Benoit Taillon(QC); Randall Swanson(MB); Ruth Williams (Vice-Chairperson) (B.C.); Dean Ozanne(AB); Jim Prodger (NS); Gail Shawbonquit(ON); Maurice Biron(ON). Seated: John Beaucage (Chairperson) (ON).

The core operations of the Fund include: Credit Enhancement Facility; Capacity Development Program; Investments; and General Administration.

CMHC is appointed the Manager of the Fund for the initial five year period.

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 governs the day-to-day management.

The Trustees provide governance and leadership and are stewards of the Fund. 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 carrying out these responsibilities, the Trustees have established an Audit Committee and set out its Mandate. The Trustees are also overseeing the creation of a risk management framework for the Fund.

Financial Reporting

The Trustees appoint an auditor of the Fund subject to the approval of the Minister for CMHC. The external auditors conduct audits 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 CMHC, as Manager of the Fund, maintains appropriate financial systems and related internal controls 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.

CMHC, as Manager of the Fund, provides reports to the Audit Committee of the Fund on a regular basis in respect to the financial performance and risks.

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

Long Term Objectives

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 Nations communities, notwithstanding 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 Nations communities to a stage where private-sector financing can successfully be made available to them.

Long Term Performance Measures

The CMHC Minister plans to carry out an evaluation of the Fund in its fourth year of operations to assess the performance of the Fund. This assessment will look at the following measures:

- a) Has the Fund increased First Nations individual self-sufficiency and responsibility for housing on reserve?
- b) Has the Fund reduced reliance on federal funding?
- c) Has the Fund established a structural platform for long-term change in housing provision and outcomes on reserve?
- d) Has the Fund increased the supply of market-based housing on reserve?

How the Fund Works

Participation in the Fund is available to those communities which choose to apply and qualify. First Nations will need to be assessed under the Fund's Access Criteria in order to be eligible for the Fund's Credit Enhancement Facility.

The amount of financial backing provided by the Fund in relation to a specific First Nation is determined once a First Nation is assessed as eligible. Eligible First Nations make an arrangement with a participating lender(s) to facilitate members' access to housing loan financing. Individual First Nation members do not apply directly to the Fund. The First Nation will guarantee the members' housing loans.

Lenders must apply to participate with the Fund. In order to be eligible for the Fund's Credit Enhancement, a lender must have an arrangement in place with a First Nation under which the community would provide guarantees for housing loans made by the lender.

The Fund will provide a partial financial backing for the lender. The lender can access the Fund if the borrower fails to repay the loan and the First Nation does not honour its obligation to step in, using its own resources, to remedy the default.

Summary of Five Year Plan

The First Nations Market Housing Fund's business plan reflects the Fund's mandate and direction provided by the Board of Trustees.

The main business activities of the Fund are categorized as follows:

Program Activities:

- Credit Enhancement Facility
- Capacity Development Program

Support Activities:

- Investments
- General Administration

The Summary outlines the core activities and objectives under each business area and discusses key issues and drivers. Key initiatives, strategies and projected results are also presented.

SUMMARY OF 2009 OBJECTIVES

<p>Credit Enhancement Market the Credit Enhancement Facility</p>	<p>Key Initiatives</p> <ul style="list-style-type: none"> Facilitate First Nations applications to the Fund <p>Measures</p> <ul style="list-style-type: none"> 30 New Qualified First Nations 2 New Qualified Lenders 1,200 Units Approved
<p>Capacity Development Implement the Capacity Development Program</p>	<p>Key Initiatives</p> <ul style="list-style-type: none"> Develop Capacity Development tools where identified gaps exist Implement the plans developed in 2008 Ongoing monitoring of training plans <p>Measures</p> <ul style="list-style-type: none"> Number of First Nations assisted by Capacity Development funds that become eligible for Credit Enhancement.
<p>Investment Services Effectively Manage Investment Services</p>	<p>Key Initiatives</p> <ul style="list-style-type: none"> Review the Statement of Investment Policy Grow the Fund <p>Measures</p> <ul style="list-style-type: none"> Investment income is sufficient to meet Fund objectives

Administrative Services
Manage Administrative Services

Key Initiatives

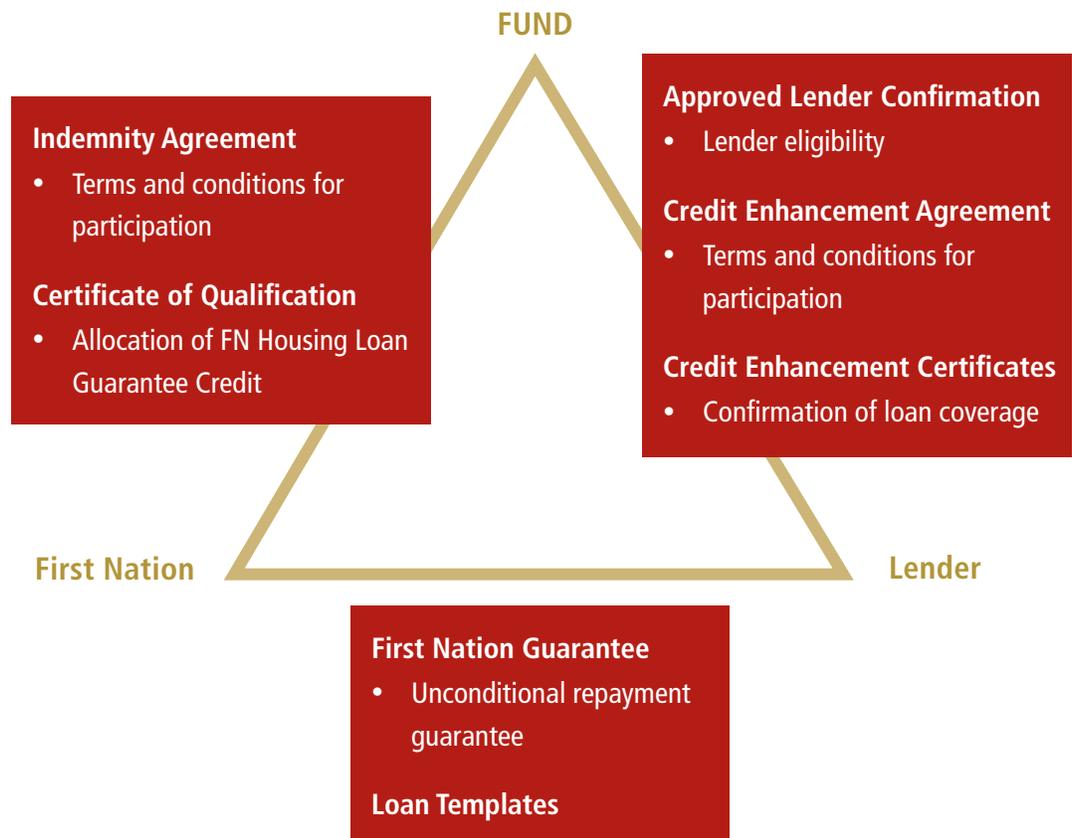
- Pursue a not-for-profit tax ruling
- Develop a Human Resources Policy

Measures

- Obtain a tax ruling
- Approval of Business Plan
- Human Resources Policy approved

CREDIT ENHANCEMENT FACILITY

Three relationships exist within the provision of the Credit Enhancement Facility. Each relationship represents a set of conditions, commitments and activities under the umbrella of the Fund. The diagram below 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:

- Business Development Services – the development, implementation, delivery and administration of business development services for the purposes of increasing interest in both the Credit Enhancement Facility and the Capacity Development Program.
- Qualification and Selection of Eligible First Nations – the assessment and qualification of First Nations for participation in both the Credit Enhancement Facility and the Capacity Development Program.
- Selection of Eligible Lenders – the confirmation of NHA-Approved Lender status or review of lender to assess equivalency.
- Compliance and Monitoring – the ongoing monitoring to ensure compliance with the Credit Enhancement Facility terms and conditions.
- Processing and Payment of Claims – the processing of eligible claims against the Credit Enhancement Agreements.
- Reporting

OBJECTIVE 1: Market the Credit Enhancement Facility

Overview: The Credit Enhancement Facility provides assurances to third party lenders that repayment of financing arranged for housing in a qualified First Nations community will be honoured up to the limit of the agreed upon Credit Enhancement in the event that the qualified First Nation fails to fulfill its responsibility for the repayment of a loan default.

Issues and Drivers

- The on-reserve population is growing at twice the Canadian average. This demographic surge places increasing pressure on the housing supply. Demand for housing outstrips supply.
- There is a lack of housing supply, choice and affordability on reserves and much of the existing housing stock is in poor condition.

- A major barrier to attracting private funding on reserve land is the inability to offer the land as security that a financial institution could access in the event of loan default since it is protected by the Indian Act from seizure by non-Indians and in any event is typically communally owned.
- The Fund represents an additional mechanism to deal with on-reserve housing needs on a market basis and will complement and not replace existing public and private programs and initiatives.
- Homeownership rates are low.

Key Initiatives

- Target ready or near-ready First Nation communities through on-site visits, web-based information and networking opportunities.
- Target non-participating lenders.
- Pursue identified networking opportunities.

Strategy

The Fund will develop annual engagement strategies for targeting First Nations and lenders.

Projected Activity

	2008 Estimate	2009	2010	2011	2012	2013
New Qualified FNs	15	30	25	20	25	30
Cumulative Qualified FNs	15	45	70	90	115	145
New Units Approved	300	1,200	1,600	1,550	2,350	3,225
Cumulative Units	300	1,500	3,100	4,650	7,000	10,225

It is planned that at the end of thirty-six (36) months of operations (mid 2011), the Fund will have qualified 80 First Nations. This will result in loans for approximately 3,800 dwelling units on First Nation lands or First Nation settlement lands where appropriate, being financed by loans from private lenders. Over ten years, if conditions are right, these totals are planned to reach 265 qualified First Nations and 25,000 privately financed dwelling units. This will be achieved with the \$300 million contribution received by the Fund being used strictly for Credit Enhancement. Operating costs will be funded from revenue earned from investing the \$300 million.

CAPACITY DEVELOPMENT PROGRAM

In order to effectively partner with First Nations to increase the market housing component of the housing supply on reserve, the Fund will cause capacity development activities to be carried out to ensure that interested First Nations are equipped with the tools they need to make market housing a reality for their members and to qualify for access to Credit Enhancement.

Capacity development focuses on the three pillars of the Access Criteria (Financial Management; Good Governance; and Community Commitment and Evidence of Demand for Market-Based Housing) and is directed towards a community's attainment and/or improvement of its standing in relation to one or more of the Fund's Access Criteria. First Nations selected to qualify under the Capacity Development Program will be prioritized based on the resources available and as such will be targeted to those communities closest to meeting the Fund's Access Criteria. The Program will be participatory in nature in that the Fund works with the First Nation to create and agree upon a Capacity Development plan.

Core Activities

The operational activities in relation to the Capacity Development Program include:

- Approving First Nations for use of Capacity Development funding through the evaluation process based on the Fund's Access Criteria.
- Working with eligible First Nations to create Development Plans appropriate to the specific needs of that First Nation.

- Prioritizing the disbursement and use of Capacity Development funding in accordance with the Capacity Development plans and within the maximum amount provided for in the Business Plan.
- Creating and providing reports to the Trustees with respect to the activities under the Capacity Development Program.
- Developing new capacity development tools on an ongoing basis to remain current with the needs of First Nations developing market-based housing.

OBJECTIVE 2: Implement Capacity Development Programs

Overview: The Capacity Development Program supports the provision of training, advice and coaching that focuses on developing market-based housing capacity for clients and is tailored to the individual needs of First Nations as determined through the evaluation process. This assistance may also enhance the professional development of housing inspectors, housing managers, land managers and finance officers.

Issues and Drivers

- Capacity Development is limited to 50% of the prior year's net income (defined as investment and other income less any expenses incurred during the year) plus any carry forward of unexpended capacity development amounts.
- 2009 is the first year that funding is available for Capacity Development.
- It is recognized that not all First Nations are in a position, at this time, to meet the Access Criteria required to access the Fund.
- It is anticipated that there will be considerable demand for Capacity Development within the Fund. The spending available by the Fund will be directed on a prioritized basis.

Key Initiatives

- The Fund's projected 2008 net income will allow for the implementation of the Capacity Development plans initiated during the 2008 application process.
- Further Capacity Development plans will be considered resulting from the 2009 application process where the approved funding level is not exceeded.

- Ongoing monitoring of training sessions to ensure that the contractor verification process resulted in value for money with respect to the training provided.
- Develop training tools and materials to address any gaps between those services available in the market-place and the needs of eligible First Nation communities.

Strategy

The implementation of the Capacity Development Program in 2009 will see the Fund's efforts focused on the Request for Proposal process to develop a list of standing offers for training providers. In addition, the Fund will commence the funding of those training plans developed and will continue to do so over the 2009 – 2013 planning horizon.

Planned Funding Available for Capacity Development	2008 Actual	2009	2010	2011	2012	2013
Funding \$M	0	1.55	3.43	2.76	3.09	3.15

Projected Activity

The Fund's primary measure will be the number of First Nations assisted by Capacity Development funds that become eligible for Credit Enhancement.

In addition, the Fund will track the degree of First Nations' participation in Fund-sponsored Capacity Development activities, the degree to which First Nation members indicate the Program assisted in making a homeownership decision and the number of First Nation members who enter into homeownership.

INVESTMENTS

The Fund is self-sustaining through the investment of its contribution and the reinvestment of a portion of revenues. 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:

- Earn sufficient returns to be able to fulfill the objectives of the Fund.
- Maintain sufficient liquidity in order to meet business requirements as they arise.
- Preserve and grow capital.

Core Activities

The operational activities in relation to investments are performed by the Investment Manager and include:

- Investing the assets in accordance with the Statement of Investment Policy and the annual Investment Strategy.
- Establishing and maintaining a custody 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.
- Proposing amendments to the Statement of Investment Policy.

OBJECTIVE 3: Effectively Manage Investment Services

Overview: All investment activity conforms to the requirements of the Fund's Statement of Investment Policy. The Statement of Investment Policy sets out the governance and management roles pertaining to the investment management of the Fund's assets and defines and controls the risk and return expectations of the Fund through quantitative limits on investment holdings.

In addition to the Statement of Investment Policy, the Fund develops an annual Investment Strategy.

Issues and Drivers

- 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.

Key Initiatives

- Review the Statement of Investment Policy.
- Grow the Fund.

Strategy

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.

Projected Activity

The Investment Strategy of the Fund is intended to achieve sufficient returns to cover administrative expenses, provide for Capacity Development and grow the Fund.

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.

General administration for the necessary support of the day-to-day activities of the Fund will be performed by the Fund Manager.

Core Activities

The operational activities in relation to Administration Services by CMHC as Fund Manager and by Fund staff include:

- Financial services including managing the Fund's bank accounts, processing Fund expenditures, preparing and filing returns, preparing the Business Plan and Annual Report and paying the fee to the Manager.
- Human Resources services including hiring, supervision, establishing goals and expectations, conducting performance reviews, etc.
- Providing all goods and services necessary (e.g. adequate office space, equipment and supplies, reception and office administration services, IT goods, services and support, insurance requirements, HR services and translation services).
- Maintaining the Fund's policies, procedures and guidelines.

OBJECTIVE 4: Effectively Manage the Administration of the Fund

Finance

The Fund Manager is responsible for the integrity and objectivity of the Fund's financial statements and must ensure that they are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Fund maintains appropriate financial systems and related internal controls to provide reasonable assurance that the financial information is reliable, that the assets are properly safeguarded and that the transactions are properly authorized.

Issues and Drivers

- In 2006, the Canadian Accounting Standards Board (AcSB) announced its decision to adopt the International Financial Reporting Standards (IFRS) by converting GAAP to IFRS over a five-year transition period. The AcSB has suggested that enterprises begin planning for this conversion early given the complexity of the undertaking. While not-for-profit organizations are not required to apply these new standards, they may choose to adopt them should they desire. In 2009, the Fund will be assessing whether or not to apply these standards.

Key Initiatives

- Complete the process to obtain a not-for-profit tax ruling.

Human Resources

CMHC, as Fund Manager, is responsible for the provision and management of staffing for the Fund. In doing so, the Fund benefits from CMHC's considerable experience in managing resources. Until such time as the Fund directly engages staff, all staff of the Fund are provided from CMHC and are therefore managed in accordance with CMHC's human resources policies.

Issues and Drivers

- Existing Fund staff are temporarily assigned by CMHC as Fund Manager. The Fund will need to develop its own Human Resources Policy in order to directly engage its own staff.

Key Initiatives

- Develop a Human Resources Policy to support the engagement of the Fund's own staff.

Marketing

The primary focus of the Fund in terms of marketing activities will revolve around promoting awareness of the Fund and its services directly to First Nations and lenders.



The Fund attended the Assembly of First Nations (AFN) 29th Annual General Assembly which took place at the Quebec City Convention Centre July 15-17th, 2008. Pictured are Deborah Taylor, Executive Director and Robert Restoule, Program Manager-Credit Enhancement and Capacity Building.

Issues and Drivers

- The Fund is a newly created entity and as such its services may not be well known to First Nations communities, lenders and Aboriginal organizations at large.

Key Initiatives

- Develop and deliver collateral to publicize the Fund.
- Foster relationships with First Nation communities, First Nation members, lenders, First Nation organizations, housing providers and professionals so as to inform them of the Fund's offerings.
- Encourage take-up of the Fund's programs and services through active promotion of same.

Communications

The Fund's website will serve as the forum for the most current public information about the Fund's programs and services. Where internet services are not available due to location and access to technology, written collateral will be available by way of direct mailings or upon request.

Issues and Drivers

- As the Fund is a new entity, communication efforts must be proactive and strategic to reach First Nation communities, lenders and Aboriginal organizations at large.

Key Initiatives

- The Fund has identified a number of planned communication-related activities such as attendance at Aboriginal conferences and events that provide an appropriate forum to exhibit and network with First Nation clients and stakeholders.
- The Fund will establish relationships with Aboriginal professional associations to promote awareness of the Fund and possibly to fill Capacity Development training needs and gaps.
- Media Relation outreach e.g. advertising in Aboriginal papers, radio or television as appropriate.

Risk Management

Risk is inherent in all business activities. There is always some degree of uncertainty which could affect an organization's ability to achieve its 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.

Issues and Drivers

- Risk types that may be relevant to the operation of the Fund have been grouped into three broad categories:
 - Business risks – risks which can fundamentally affect the ability of the Fund to deliver on its mandate;
 - Reputation risks – risks associated with how the Fund is perceived by stakeholders including individual borrowers, First Nations, lenders, insurers, the media and the wider public; and
 - Operational risks including Financial – risks associated with the ability of the Fund to generate sufficient cashflows to meet its financial requirements including credit, market and liquidity and also to operational risks generally related to the effective use of the Fund's resources in carrying out its business functions such as people, internal processes and/or systems.
- Risk management is an ongoing process which is integral to the day-to-day operation of the Fund.

Key Initiatives

- At least once per year, carry out a formal risk assessment and provide a written Risk Management report to the Trustees.
- Each year, a business plan will be developed to plan work and set targets for activities relating to the achievement of objectives, including the estimation of required resources and will include the identification, assessment and management of relevant risk that may affect the ability of the organization to achieve the planned objectives.

Financial Plan

The Fund commenced operations in May 2008 with the initial contribution of \$300 million from CMHC on behalf of the Government of Canada. The Financial Plan presents the overall results anticipated in 2008 and over the planning horizon from 2009 to 2013.

The Fund is expected to provide backing to financial institutions beginning in 2009. The Fund's accumulated Credit Enhancement coverage cannot exceed the net worth of 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 guarantee of 10 percent, is projected as follows:

Accumulated Credit Enhancement Coverage	2008 Estimate	2009	2010	2011	2012	2013
Cumulative Units	300	1,500	3,100	4,650	7,000	10,225
Expected Lending Value	\$45M	\$225M	\$465M	\$698M	\$1,050M	\$1,534M
Accumulated Coverage	\$4.5M	\$22.5M	\$46.5M	\$69.8M	\$105.0M	\$153.4M

During its initial year of operation, the Fund has been engaged in discussions with external auditors to determine the appropriate accounting treatment for any possible future claims against its Credit Enhancement coverage. For the purposes of this Financial Plan, claims against the Fund's credit enhancement have been projected on a cash flow basis. There are no projected claims against the Fund's credit enhancement 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 which must provide the first line of defence for the lender.

The Fund is expected to be self-sufficient and it is not permitted to borrow. Revenues for the Fund generate 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 to grow the Fund for further Credit Enhancement backing.

Investment return assumptions are projected to increase over the forecast period as the Fund implements its investment strategy. Operating expenses are anticipated to be relatively stable

over the planning period. Initial start-up costs for the Fund are expected to be expensed or capitalized as appropriate in 2008. These costs are required to be reimbursed to CMHC by the end of 2009. Available funding for Capacity Development is based on the difference between the previous year's investment and other income less any expenses and therefore program expenses are only projected to commence in the Fund's second year of operation.

The Fund is seeking to obtain a tax exempt status from the Canada Revenue Agency (CRA). Although a response from the CRA may not be received until some time in 2009, the Plan has been prepared on the premise that the Fund will not pay income taxes.

The Fund's financial year is the calendar year. The financial statements for the planning period follow.

STATEMENT OF OPERATIONS	\$	2008 Estimate	2009	2010	2011	2012	2013
Revenue							
Amortization of Deferred Contribution		3,310,000	4,646,000	6,536,000	6,229,000	6,468,000	6,652,000
Total Revenue		3,310,000	4,646,000	6,536,000	6,229,000	6,468,000	6,652,000
Expenses							
Administration Expenses - Start-Up		1,079,000	-	-	-	-	-
Administration Expenses - On-Going		2,231,000	3,099,000	3,086,000	3,156,000	3,363,000	3,477,000
Cap. Development Expenses		-	1,547,000	3,450,000	2,773,000	3,105,000	3,175,000
Claim Expenses		-	-	-	-	-	-
Evaluation Expenses		-	-	-	300,000	-	-
Total Expenses		3,310,000	4,646,000	6,536,000	6,229,000	6,468,000	6,652,000
Excess of Revenue over Expenses		-	-	-	-	-	-

STATEMENT OF CHANGES IN DEFERRED CONTRIBUTION \$	2008 Estimate	2009	2010	2011	2012	2013
Balance, beginning of period	-	303,093,000	309,992,000	315,538,000	321,748,000	328,097,000
Contributions Received	300,000,000	-	-	-	-	-
Investment Income	6,403,000	11,545,000	12,082,000	12,439,000	12,817,000	13,200,000
Recognized as Revenue to match Expenses	(3,310,000)	(4,646,000)	(6,536,000)	(6,229,000)	(6,468,000)	(6,652,000)
Total Deferred Contribution End of Period	303,093,000	309,992,000	315,538,000	321,748,000	328,097,000	334,645,000

STATEMENT OF CASH FLOWS \$	2008 Estimate	2009	2010	2011	2012	2013
Cash Flow provided by (used in) Operating Activities						
Excess of Revenue over Expenses	-	-	-	-	-	-
Items Not Affecting Cash: Amortization of Capital Assets	25,000	51,000	45,000	40,000	35,000	24,000
Net Increase in Deferred Contributions	3,093,000	6,899,000	5,546,000	6,210,000	6,349,000	6,548,000
	3,118,000	6,950,000	5,591,000	6,250,000	6,384,000	6,572,000

STATEMENT OF CASH FLOWS \$	2008 Estimate	2009	2010	2011	2012	2013
Cash Flow provided by (used in) Investing Activities						
Acquisition of Capital Assets	(267,000)	(10,000)	-	-	-	-
Purchase of Long-Term Investments	(75,712,750)	(227,882,250)	(5,479,000)	(6,125,000)	(6,257,000)	(6,440,000)
	(75,979,750)	(227,892,250)	(5,479,000)	(6,125,000)	(6,257,000)	(6,440,000)
Cash Flow provided by (used in) Financing Activities						
Contribution from Government of Canada	300,000,000	-	-	-	-	-
	300,000,000	-	-	-	-	-
Increase in Cash and Cash Equivalents	227,138,250	(220,942,250)	112,000	125,000	127,000	132,000
Cash and Cash Equivalents beginning of period	0	227,138,250	6,196,000	6,308,000	6,433,000	6,560,000
Cash and Cash Equivalents end of period	227,138,250	6,196,000	6,308,000	6,433,000	6,560,000	6,692,000

STATEMENT OF FINANCIAL POSITION \$	2008 Estimate	2009	2010	2011	2012	2013
Assets						
Current Assets						
Cash and Cash Equivalents	227,138,250	6,196,000	6,308,000	6,433,000	6,560,000	6,692,000
	227,138,250	6,196,000	6,308,000	6,433,000	6,560,000	6,692,000
Long Term Investments	75,712,750	303,595,000	309,074,000	315,199,000	321,456,000	327,896,000
Capital Assets	242,000	201,000	156,000	116,000	81,000	57,000
Total Assets	303,093,000	309,992,000	315,538,000	321,748,000	328,097,000	334,645,000
Liabilities						
Deferred Contribution	303,093,000	309,992,000	315,538,000	321,748,000	328,097,000	334,645,000
Total Liabilities	303,093,000	309,992,000	315,538,000	321,748,000	328,097,000	334,645,000

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.

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

OPERATING BUDGET \$	2008 Estimate	2009	2010	2011	2012	2013
Administration Expenses	2,231,359	3,099,001	3,086,307	3,155,788	3,363,315	3,476,926
Capacity Development	0	1,547,000	3,450,000	2,773,000	3,105,000	3,175,000
Evaluation Costs	0	0	0	300,000	0	0
Administration Expense Start-Up Costs	1,078,399	0	0	0	0	0
Total Operating Budget	3,309,758	4,646,001	6,536,307	6,228,788	6,468,315	6,651,926

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 special evaluations.

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 over the 2009 – 2013 planning period. Non-personnel expenditures include such items as professional services fees (management and investment management fees), transportation, marketing and business premises.

ADMINISTRATION EXPENSE BUDGET	2008 Estimate	2009	2010	2011	2012	2013
Full-time Equivalents (FTEs)	8	8	8	8	9	9
Personnel/Benefits \$	19,919	30,449	31,426	32,435	36,276	37,450
Non-Personnel \$	2,211,440	3,068,552	3,054,881	3,123,353	3,327,039	3,439,476
Total Admin Expense Budget \$	2,231,359	3,099,001	3,086,307	3,155,788	3,363,315	3,476,926

Over the planning horizon, increases are projected due to inflationary pressures. There are minor fluctuations in certain budget lines as a result of changing assumptions. For example, travel costs fluctuate year over year on the basis of planned activities. Provision is also made for significant web development activity every other year. There is a one-time consulting provision for the development of Human Resource policies for the Fund in 2009.

Beginning in 2012, budgets are also adjusted to provide for the additional full-time equivalent in the Credit Enhancement Facility based on planned business volumes.

CAPACITY DEVELOPMENT BUDGET

The Capacity Development Program provides support for First Nation communities to assist them in qualifying under the Credit Enhancement Facility.

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

For the initial years, the level of spending is projected to equal the available funding. In future years, and with greater intelligence acquired through experience in working with both First Nation communities and service providers, this assumption will be revisited.

CAPACITY DEVELOPMENT BUDGET \$	2008 Estimate	2009	2010	2011	2012	2013
Available Funding	0	1,547,000	3,450,000	2,773,000	3,105,000	3,175,000
Total Budget	0	1,547,000	3,450,000	2,773,000	3,105,000	3,175,000

EVALUATION EXPENSE BUDGET

In the fourth year of the Fund's operation, the CMHC Minister will carry out, at the cost of the Fund, an evaluation of the Fund and its performance and management. The cost is estimated at \$300,000 and profiled in 2011.

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 \$	2008 Start-Up	2008	2009	2010	2011	2012	2013
Furniture and Equipment	177,000	0	10,000	0	0	0	0
Leasehold Improvements	90,000	0	0	0	0	0	0
Total Capital Budget	267,000	0	10,000	0	0	0	0



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