

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

Blair Hamilton - CHDG/CHF Canada

Nigel Mohammed - Assiniboine Credit Union

Shirley Lord - Old Grace Housing Co-op

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Context

20 year federal absence in affordable housing

- Province still active, but new finance model

- Member shares required now range from  
\$18k to \$120k+

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Context (cont'd)

Many projects mixing affordable & market

Share levels impacted by amenities and  
common space design choices

Differential share pricing is crucial to these  
mixes

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sources of Member Share Capital

a) existing personal assets

b) loan financing

c) charitable sources

d) government contributions

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Charitable Sources

SEED Wpg Asset Building Programs (partial)

Institutional Stakeholders (multi-stakeholder)

Foundation Partnership - Old Grace concept.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - Who They Are

Nonprofit which lends money to low income members of housing co-ops

Board of Directors elected by participating co-ops

National reach (USA), located in Georgia

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - How it Works

Sharecredit offers line of credit to approved participating co-ops

Co-ops lend the money to members, collects payments with housing charges

Share credit is capitalized by investor term notes with 5% return

(co-ops are shared equity; with cap on resale price of shares)

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - Loan Types

Share purchase loans are called "Home Purchase Loans", and require 20% down payment

Also offer small personal loans secured by member share and "home improvement loans".

Loan payments and housing charges cannot exceed 30% of monthly household income.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - Participating Co-ops

Must be in good shape with finances, taxes, insurance, policies, etc.

Initial fee of \$500 plus \$5/unit

Annual Line of credit fee = 1% of credit line maximum

One monthly invoice and one payment between Sharecredit and each co-op

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - Example of Wildwood Park (data circa 2010)

268 units, 1-4 bedrooms, in Atlanta, Georgia

Housing charges from \$367 to \$567 monthly

Leaving members can sell their shares to public, but maximum price is capped. Most members sell through the co-op.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - Example of Wildwood Park

2008 median household income \$24,545

(35% of Atlanta median income)

Median share purchase price \$5,524

Median down payment \$1,249

Median interest rate 9.5%

Purchasers who use loan 71%

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### Sharecredit Model - Example of Wildwood Park

As of study, no loans more than 90 days delinquent, no history of ever having foreclosed on a share purchase loan.

Almost all share purchase loans are fully paid off before the member moves from the co-op (5 year amortization under \$5000).

Even at 9.5% interest, members saw net growth in assets due to forced saving, reduced housing charges and capped gain.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

Sharecredit Model - Can This Work in Manitoba?

\$20k share purchase less \$4k down pmt = \$16,000 loan

5 year amortization = \$320 per month loan pmt.

\$900 housing charge + \$320 loan pmt = \$1220/month

\$1220 @ 30% = \$48,800 (*required household income*)

\* Need to split core membership share from additional shares required upon move in (MB Act).

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

Municipal Role

Outside of Winnipeg, municipalities have provided free land, bringing down member share requirement

City of Brandon purchased equivalent of 3 member shares to facilitate access for seniors with low net worth.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

55+ Issue

Need for bridge financing, particularly with new construction.

Members selling home can borrow but incur interest cost during construction (\$4k+)

Earliest members are effectively penalized by paying the most interest.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

55+ Issue - Rebate Solution

(courtesy Leo Desmarais - Tache Seniors Non-Profit)

Co-op member arranges bridge financing.

Co-op negotiates \$5k interest rebate as part of Province of MB contribution to affordable housing

On move-in, sale of member's house pays out bridge loan, co-op provides rebate of interest cost.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

### 55+ Issue - Member loans solution

Instead of \$40k member share, structure as \$1000 member share, and \$39k mandatory member loan.

Member loans accrues interest at prescribed rate until move-in, then drops to 0%.

Accrued interest offsets interest cost of bridge financing.

Accrued interest is paid to member in form of discounted housing charges.

## FINANCING MEMBER SHARES

CHDG 2016 SYMPOSIUM

THANK YOU

Questions/Discussion?