

Ministry of Housing

Ministère du Logement

Assistant Deputy Minister's Office

Bureau du sous-ministre adjoint

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NOV 18 2016

Ontario

November 14, 2016

Mr. Fern Dominelli  
Chief Administrative Officer  
Manitoulin-Sudbury District Services Board  
210 Mead Boulevard  
Espanola, Ontario P5E 1R9

Dear Mr. Dominelli:

**Re: Ontario Competitive Financing Renewal Process**

I am writing to inform you about developments regarding the Ontario Competitive Financing Renewal Process for social housing mortgages.

As you know, the Ministry of Housing uses the Ontario Competitive Financing Renewal Process (i.e. bulk tendering) to obtain affordable financing for social housing mortgage renewals. This process has been in place for 19 years and is a service provided by the ministry for Service Managers and housing providers.

Every month, mortgages that come up for renewal are bundled together into two groups, 5-year term and 10-year term, and offered for tender to different lending institutions by the Ontario Financing Authority (OFA). Lenders submit bids for the right to renew all the mortgages that were included in the tender. The lender with the lowest interest rate bid wins the tender.

The Ontario Competitive Financing Renewal Process offers many advantages to Service Managers and housing providers (e.g. low interest rates), but it also comes with limitations. One of the main limitations is that all mortgages must have homogeneous qualities (e.g. renewing on the same month for a 5-year term). The absence of homogeneous qualities makes it impossible for the ministry to include all mortgages in the mortgage renewal tender.

We are now reaching the stage where some social housing mortgages are beginning to approach their maturity. Unfortunately, the Ontario Competitive Financing Renewal Process cannot accommodate mortgage renewals for projects that have mortgages with less than 5 years remaining until maturity.

Effective January 1, 2017, the ministry will no longer co-ordinate on behalf of Service Managers and housing providers the renewal of municipally-administered social housing projects that have less than 5 years remaining until mortgage maturity.

As a result, Service Managers and housing providers will have to assume responsibility for arranging mortgage renewals for these social housing projects.

Our records indicate that social housing projects in your service area will not be impacted by this change in the next five years. Therefore, no action is required on your part.

Should you have any questions regarding the mortgage renewal process please feel free to contact Keith Extance, Director, Housing Funding and Risk Management at 416-585-7524 or by email at [Keith.Extance@ontario.ca](mailto:Keith.Extance@ontario.ca).

Sincerely,

A handwritten signature in black ink, appearing to read 'Janet Hope', with a long horizontal flourish extending to the right.

Janet Hope  
Assistant Deputy Minister

Attachment

# Ministry of Housing

## *Frequently Asked Questions*

### **Changes to the Ontario Competitive Financing Renewal Process**

**Q1. Why is the ministry transferring responsibility for arranging mortgage renewals with less than 5 years remaining until maturity to Service Managers and housing providers?**

**A1.** The ministry is not transferring its mortgage renewal services function to the housing sector.

The ministry will continue to facilitate and co-ordinate mortgage renewals of all social housing projects that can be tendered through the Ontario Competitive Financing Renewal Process.

Unfortunately, this process cannot accommodate mortgage renewals of projects that have less than 5 years remaining until mortgage maturity.

**Q2. Why can't the ministry find a lender for my project that has two and a half years remaining until maturity through the Ontario Competitive Financing Renewal Process?**

**A2.** The Ontario Competitive Financing Renewal Process is similar to a bulk procurement / collective purchasing program. It only works when there are many mortgages with the same characteristics renewing on the same month.

For example, many lenders will submit bids for the right to renew \$10 million worth of mortgages renewing on December 1, 2016 for a 60-month term. In contrast, no lenders will submit bids to renew one \$300,000 mortgage renewing on December 1, 2016 for a 31-month term.

**Q3. How many mortgages that cannot be renewed through the Ontario Competitive Financing Renewal Process are out there?**

**A3.** According to our records, approximately 60 mortgages across Ontario will need to be renewed outside the Ontario Competitive Financing Renewal Process in the next five years. Service Managers and housing providers are best positioned to arrange mortgage renewals for these local social housing projects.

The Ministry of Housing will continue to arrange mortgage renewals for the remaining 800 social housing projects within the Ontario Competitive Financing Renewal Process in the next five years.

**Q4. I do not know anything about arranging renewals for commercial mortgages. Who can I turn to for help?**

**A4.** We recognize that commercial mortgage renewals may be an unfamiliar area for some Service Managers and housing providers. Therefore, the Ministry will continue to provide support to all Service Managers and providers who seek such support.

Our toll-free Social Housing Mortgage Renewal line 1-866-228-3863 will continue to be operational and our website will soon contain mortgage renewal tools and resources.

Service Managers and housing providers who have projects that have less than 5 years remaining until mortgage maturity will receive reminder letters from the ministry 12 months in advance of a mortgage renewal. This 12-month period will be sufficient for Service Managers and housing providers to engage in dialogue with local lending institutions.

**Q5. What are my options if I have a project in my portfolio that cannot be renewed within the Ontario Competitive Financing Renewal Process (i.e. has less than 5 years remaining until maturity)?**

**A5.** There are generally three options. The appropriate option will depend on your specific local circumstances.

Under option 1, a Service Manager and a housing provider may choose to simply pay out the mortgage on the renewal date, provided they have funds available to do so.

Under option 2, a Service Manager and a housing provider can approach financial institutions they already work with, such as their local bank branch, and see if one of these institutions would provide mortgage financing. They can also approach the existing mortgage lender and ask if the lender would renew the project's mortgage for the remaining term.

Finally, under option 3, a Service Manager and a housing provider can seek a new lender on their own or with the assistance of a commercial mortgage broker.

**Q6. I have a social housing project where the mortgage is provided by Canada Mortgage and Housing Corporation (CMHC) through the Direct Lending Program. The mortgage has less than 5 years remaining until maturity. Do I have to take it upon myself to arrange mortgage renewal for this social housing project?**

**A6.** No, you do not. The Ministry of Housing will continue to co-ordinate renewals of all CMHC-funded mortgages, even mortgages that have less than 5 years remaining until maturity.