# Credit Unions and Housing Affordability: Canadian Trends and Opportunities

CONESTOGA
SOCIAL INNOVATION LAB

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Canadian Credit Union Association

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## EXECUTIVE SUMMARY

Rising housing prices are creating affordability challenges for renters and homeowners, leading many Canadians to live in inadequate, unaffordable, or unsuitable housing (Claveau 2020). Credit unions, as member-driven financial cooperatives, have a responsibility to support solutions to improve housing affordability for members and ensure that affordable housing is available in Canadian communities.

There are eleven trends in financial products with potential impacts on housing affordability representing opportunities for credit unions to consider when expanding their financial products.

**Shared Equity:** Investors purchasing a share in the future value of a home collect a return when the home is sold, or the homeowner buys out the investor.

**Rent-to-own:** Investors sign a lease and purchase agreement with renters, who, after a certain amount of time, have the ability, and possibly the obligation, to purchase the home outright.

**Impact Investments**: Investors focus on achieving a return while addressing an environmental or social cause, such as improving housing affordability.

**Thematic Savings Products**: Specialized Guaranteed Investment Certificates (GICs) focused on addressing issues where the proceeds are invested directly into affordable housing projects or donated to a housing charity.

**MLI Select**: A CMHC insurance product that guarantees a multiunit residential mortgage, allowing housing providers to receive a lower mortgage rate and longer amortization periods. Affordable housing projects may garner a further reduction in insurance premiums through this product.

**Co-Ownership Mortgages**: A mortgage product that allows two or more people – who are not married or in a common law relationship – to purchase a home together.

**Mortgages for Non-Traditional Homes**: An umbrella term created to encompass several emerging categories of homes which will require mortgages, such as secondary units and accessory dwelling units, shipping container homes, laneway homes, tiny homes, and properties on leased land.

**Halal Mortgages**: A co-investment product designed to comply with Islamic tenets against paying interest, which facilitates Muslim home ownership.

**New Cooperative Housing**: Government grants and loans targeted at increasing the amount of traditional cooperative housing in Canada will expand the cooperative sector, simultaneously two new cooperative housing models, Union: Sustainable Development Co-operative (Union Co-op) and Community Wealth Co-operative Corporation, have the potential to scale rapidly.

**Pooled Accounts**: Some credit unions allow affiliated housing cooperatives and non-profits to pool their deposits, providing a higher interest rate to the entire pool for each individual housing provider.

**Grants & Donations**: Credit unions provide funding to affordable housing providers, rent banks, rent guarantee funds, and organizations addressing homelessness; coordinated efforts have the potential to expand the scope of community impact.

Examining these trends reveals seven specific opportunities which are particularly worthy of further consideration for credit union implementation to improve housing affordability in Canada.

1. Create a partnership with shared equity provider Ourboro to offer mortgages to Ourboro clients
2. Refer non-profits and cooperatives seeking to purchase or develop affordable housing to a specific credit union-affiliated organization to offer MLI Select
3. Expand the Vancity Community Foundation Affordable Housing Fund across Canada to ensure non-profits and cooperatives can access seed grants and pre-development loans.
4. Offer a Community Builder GIC to allow members to safely invest their values while providing a revenue source for affordable housing projects.
5. Provide financing to Home Opportunities' Co-operative Development Corporation clients through a bulk mortgage product to support affordable homeownership.
6. Participate in the Coldest Night of the Year by donating, sponsoring teams, and encouraging staff and members to participate in the fundraising event to address homelessness in communities across Canada.

Credit unions, acting collectively, are uniquely positioned to create and implement solutions to Canada's housing challenges that improve affordability for members while inspiring fundamental change in the real estate market.

# INTRODUCTION

The Canadian housing market faces significant challenges related to affordability, accessibility, and suitability (Government of Canada, 2024). Credit unions, as financial cooperatives, have been actively involved in the housing market since their inception by providing residential mortgages to households and commercial mortgages and loans for developers and landlords. The current housing market and credit unions' historical role in supporting members' needs raises expectations that credit unions will support solutions to improve housing affordability generally and contribute to specific affordable housing projects.

Housing affordability is a broad term referring to housing that is financially accessible to Canadians. The Canadian Mortgage and Housing Corporation (CMHC) defines housing affordability as housing that accounts for less than 30% of a household's pre-tax income (CMHC, 2018). In contrast, affordable housing is a specific term defined as the provision of homes set aside for low to middle-income households (CMHC, 2018).

Across Canada, 40% of renters are in unaffordable housing, and 17% of homeowners face housing costs exceeding 30% of their incomes (British Columbia, 2021). When housing conditions are considered, 45% of renters live in inadequate, unaffordable, or unsuitable housing (Claveau, 2020)[1].

These housing challenges have been building over the past three decades. Canada experienced the fastest real home price appreciation amongst Organization for Economic Co-operation and Development (OECD) countries between 2005 and 2022. During this time real inflation-adjusted home prices increased by 137%, four times faster than the OECD average (34%) (WRCR, 2023). Rapidly escalating home prices made it more difficult for first-time home buyers to enter the Canadian market while simultaneously pushing up rates for rental properties. It is the renters in the lowest income brackets who feel this squeeze of rising home prices most directly.

In Ontario, a single individual working full-time at minimum wage would make $2,648 per month before taxes (Government of Ontario, 2024). Calculating 30% of this amount yields $794.40 a month to be spent on housing without exceeding the affordability threshold set by CMHC. The average price of a two-bedroom apartment in Toronto, Ontario, is $2,671.00 per month (CMHC, 2024b). Renting a standard two-bedroom apartment would consume slightly more than a month's pay. The pressing demand for effective housing solutions has never been more critical in Canada, underscoring the urgent need for comprehensive and innovative approaches to both housing affordability and affordable housing.

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[1] Inadequate housing refers to a household that requires major repairs (Claveau 2020). Unsuitable housing is determined by the National Occupancy Standard and refers to housing that does not have enough bedrooms to support the size and composition of the household (Claveau, 2020).

Rising rental prices have created significant challenges for various marginalized demographic groups. Young adults, especially those aged 25 to 29, are the most likely age group to have recently moved into a rental household (Statistics Canada, 2023). Additionally, one in six immigrants who arrived in Canada between 2016 and 2021 (16.7%) were recent renters[2]. Among racialized communities, Latin American (11.9%), Arab (10.3%), and Black (9.7%) populations were the most likely to be recent renters in 2021 (Statistics Canada, 2023). These communities face structural inequalities which amplify the challenges associated with unaffordable housing (CMHC, 2019). Recent renters, especially those from marginalized communities, are seeing a greater impact from the increasing costs of housing since they are more vulnerable to the significant rent hikes observed in Canadian cities in recent years. For example, the average rental cost for purpose-built apartments with two bedrooms had a substantial increase, rising from 5.6% in the previous year to 8.0% between October 2022 and October 2023 (CMHC, 2024). Urban areas such as Calgary and Edmonton experienced some of the steepest increases. In addition, the rents for units that saw turnover were 13% higher compared to units that did not experience turnover in 2023, highlighting the financial burden on recent renters (CMHC, 2024). This trend exacerbates existing inequalities, as marginalized groups are already more vulnerable to economic pressures.

CMHC estimates that Canada will require between 2.27 and 3.53 million housing units to address the current housing shortage by 2030. This number is in addition to the units already forecasted to be built (CMHC, 2022). The shortfall underscores the urgent need for a robust and coordinated response from all levels of government through policy changes and targeted spending (Tranjan, 2023).

Canada's federal and provincial governments have taken notice of the problems in the housing market and are enacting several pieces of legislation to address the issues, most notably the National Housing Strategy (NHS). The NHS is the largest federal housing program Canada has ever set out, with an investment of $82 billion to help Canadians access affordable housing (Government of Canada, 2024). This program aims to increase the availability of affordable housing, reduce chronic homelessness, improve housing conditions, and ensure the housing market's long-term viability (Government of Canada, 2024). While this investment is significant, it is worth noting that housing advocates expressed concern that the funding falls short of what is needed to address Canada’s housing challenges (Houle, 2023).

Credit unions, as organizations that operate according to the seven cooperative principles, are ideally positioned to play a role in supporting these government actions[3]. Historically, credit unions across Canada have supported groups traditionally marginalized by mainstream financial institutions to address socioeconomic disparities, like those now being exacerbated by the

[2] Recent renters are rental units where all members of the household have moved into the dwelling within the past year (Statistics Canada, 2023).

[3] The Seven Cooperative Principles are: 1. Voluntary and Open Membership; 2. Democratic Member Control; 3. Member Economic Participation; 4. Autonomy and Independence; 5. Education, Training and Information; 6. Cooperation among Cooperatives; and 7. Concern for Community.

housing market (Anakpo et al., 2023; CCUA, 2023; Horan, 2023). Credit union actions can build on this history and their knowledge of the mortgage market. Canadian credit unions hold 8.1% of residential mortgages in Canada (CCUA, 2023). Desjardins, in Quebec, holds another 8.3% of the residential mortgage market (CCUA, 2023). Thus, collectively, cooperative financial institutions provide more mortgages than any other lender except the Royal Bank of Canada (CCUA, 2023). Credit unions, as financial cooperatives closely aligned with the values of their members, are well-positioned to introduce and scale innovations that make housing affordable for Canadians. Canadian credit unions can help to address housing affordability in Canada by focusing on eleven trends.

### The Housing Continuum

The housing continuum enables policymakers, communities, and services providers to understand the broad range of housing needs. It comprises housing situations on a spectrum of affordability from homelessness to emergency shelter to transitional housing to supportive housing to community housing to affordable housing, and finally market housing (CMHC, 2018). An ideal housing market would eliminate, or at least significantly reduce, the number of homeless individuals and those accessing emergency shelters in favour of other options. The availability of options from transitional to affordable housing is crucial, as it offers secure housing options for individuals and families who might otherwise face homelessness or housing instability.


***Figure 1: The Housing Continuum (CMHC, 2018)***

## SHARED EQUITY

Shared equity is currently being explored as a mechanism to make homeownership more accessible to Canadians. Shared equity providers act as co-investors, purchasing a share in the future value of a home. Investors can partner with a homeowner rather than be a landlord by working with shared equity providers who manage pools of funds for real estate investors. The investments of shared equity providers grow when homeowners' houses appreciate. If the homes appreciate in value, the shared equity provider distributes the returns to investors.

Shared equity aids homeowners in putting a 20% down payment on a home purchase, thus saving the cost of CMHC mortgage insurance and reducing their monthly mortgage payments.

This also allows Canadians to purchase homes over a million dollars, which legally requires a 20% down payment.

The percentage of the down payment that each party contributes translates into the percentage of equity in the home. The models vary slightly on the specific approach. In the Ourboro model, for example, the downpayment determines how the home's appreciation is shared when it is sold (Ourboro, 2024). If a homeowner contributes 25% of the down payment and Ourboro contributes 75%, the homeowner will receive 25% of the home's available equity. When the home is sold, the person who lives in the home gets their mortgage principal payments back, then the remaining equity is split with the homeowner receiving 25% of the equity and the shared equity investor receiving 75% of the remaining equity. If the home hasn't increased or has decreased in value, Ourboro shares in the loss (Ourboro, 2024; Ourboro, n.d.). The investment gain or loss in this model is, therefore, equal to investment in the home.

CMHC similarly offered a shared equity product specifically targeting first-time home buyers. This CMHC program provided 5% of the purchase price of a home or up to 10% of the cost to construct a new home. The CMHC model required homeowners to pay back a percentage equal to the value of the total home when they sold or by buying back the equity stake within 25 years of living in the home (CMHC, 2024c). Like the Ourboro model, CMHC shared gains or losses in the value of the home. However, unlike Ourboro, CMHC's equity stake was equal to a percentage value proportional to the entire home, whereas Ourboro's equity stake was proportional to the percentage of the downpayment contributed. The CMHC model required buyers to be below an income cutoff threshold. The CMHC program was discontinued in March of 2024. It is unlikely that a for-profit company would offer a similar program due to the limited return on investment. Currently, no credit unions are known to offer a shared equity product or to have partnered with a shared equity company to provide mortgages to their customers.

## Shared Equity Opportunities for Credit Unions

Shared equity products, if created with customer/member needs in mind, have the potential to improve financial outcomes for Canadians. Some general opportunities exist for credit unions wishing to engage in a shared equity model, and one specific opportunity also exists as Ourboro is currently seeking to enter partnerships with credit unions.

### Partner with Shared Equity Providers to Issue Mortgages

The most straightforward way that credit unions could participate in the shared equity market would be to offer mortgages to clients of shared equity providers and to promote shared equity products to existing members. A legal agreement would be required with the shared equity providers and some due diligence would need to be done to ensure that the resulting mortgages could be financed through securitization programs. The most important work in this approach would be to ensure that the resulting shared equity product would be of value to members. Shared equity products vary, with some approaches likely leaving members better off waiting to buy and continuing to rent. However, offering shared equity products through partner organizations would be consistent with the level of risk credit unions currently take and should be a high priority as providing access to shared equity approaches has the potential to become an expected offering in the mortgage market.

*Specific Opportunity: An Ourboro Partnership*
Ourboro is a shared equity provider that is currently seeking lenders within Canada to issue mortgages to their clients. A partnership would involve adapting the legal mortgage template Ourboro uses with their existing lenders to a credit union and then issuing mortgages to clients while promoting the Ourboro model available to credit union members. Mortgages with Ourboro clients are eligible for bulk insurance and are securitizable with the Canadian Mortgage and Housing Corporation. It may also be possible for credit unions to invest directly in Ourboro capital pools, which are used to provide funding for shared equity products. This would aid in expanding the amount of capital that is available for shared equity in Canada.

### Invest in Shared Equity Funds

In addition to the option of providing shared equity clients with mortgages, a credit union could seek to invest capital directly in a shared equity provider. Two options could exist: a credit union could invest directly in the organization creating the shared equity pools of funds, or a credit union could invest in the funding pools. Investing in the company directly would be a higher-risk investment than is typically made by credit unions. Investing in the pools of funding would also carry higher risks than are typically made by credit unions, but this approach is more consistent with the types of investments typically made by credit unions.

### Creating Shared Equity Products

Creating a shared equity product would be the most intensive involvement for a credit union. Under this approach, a separate subsidiary business or Credit Union Shared Services Organization (CUSO) would likely need to be created. Developing the business plan and model itself would be the first step. Finding investors, whether credit unions or other partners, would be a key success factor. The new business would need to develop legal agreements with investors, home purchasers, and mortgage providers (i.e. credit unions). Marketing the program to clients and building partnerships with real estate agents and mortgage brokers would be a priority. This approach has the potential to be lucrative and impactful but would require a significant allocation of resources; it would also be an approach that is of a higher risk than is typical for credit unions.

## RENT-TO-OWN

Rent-to-own programs in Canada allow Canadians to move into a home by leasing it first and then later purchasing it. The model generally follows two formats. Under the most common approach, Canadians move into a home of their choosing and rent it out for one or more years. They then purchase the home at a fixed future price. Under this program, Canadians select a home they wish to purchase and then investors purchase the home. A lease agreement and purchase agreement are created between the investor and the home's residents. The investors then take a downpayment from the residents of the home and collect regular monthly payments. The resident, and not the investor, is responsible for the maintenance and upkeep of the property (often with some restrictions). After a period of time, the residents have the ability, and sometimes the obligation, to purchase the home from the investors at a set price. The price will involve an appreciation in the value of the home over time, but this locks in the risk to the purchaser of a large increase in the housing market.

An alternative model largely made viable due to CMHC Investments (CMHC, 2024a, Brend, 2022), involves builders developing homes and apartments as specific rent-to-own units which are then occupied by tenants who will eventually purchase. These tenants make monthly payments converted either partially or fully to equity. Once again, after a set period, the tenants purchase the home from the developer or investors. With the CMHC Rent-to-Own Stream for Housing Providers program discontinued (CMHC, 2024a) this model may be more difficult to offer.

If there is stagnation or a decrease in housing, then a rent-to-own program, depending on how it is structured, could lead to a resident being required to purchase the home at a higher price than it would sell for on the open market (de Rose, 2021). Rent-to-own programs can also lead to a loss of downpayments and equity contributions in some models if the tenant does not go through with the home purchase (Brend, 2022). The rent-to-own model is generally designed for those who wish to purchase a home and have poor credit or are having difficulty making a downpayment.

In many cases, the costs and risks associated with a rent-to-own program suggest that tenants would be better off staying in their current rental or finding a market rental and delaying purchasing while they save for a down payment and improve their credit scores.

The credit union partnerships identified with rent-to-own companies have typically focused on financing developers launching rent-to-own products as part of new buildings.

## Rent-to-Own Opportunities for Credit Unions

Rent-to-own programs represent an opportunity to improve financial outcomes for some Canadians, but their current structure limits their value. Credit unions exploring rent-to-own models should focus on opportunities that improve members' long-term financial well-being in keeping with their system of values.

### Create a Rent-to-Own Business

Credit unions, either collectively or individually, could explore creating a subsidiary company or CUSO that offers a rent-to-own product that is member-friendly. Developing the business plan and model itself would be the first step. The new business must develop legal agreements with investors and leaseholders/home purchasers. Soliciting investors, potentially credit unions, would be a key success factor. If the model was carefully designed, this approach has the potential to have a substantial impact on Canadians but also carries a high degree of risk for credit unions. The profitability of this model may also be difficult for credit unions trying to prioritize improving members' financial well-being, as rent-to-own programs have typically relied upon government support to make the models cost-effective.

### Partner with Developers to Offer Rent-to-Own programs

Community Savings Credit Union successfully partnered with a developer to launch a rent-to-own program in Vancouver, British Columbia. Future credit union partnerships with developers building condos could include the financing of a rent-to-own program as part of the partnership. Some concessionary financing terms could be offered to encourage this and/or the partnership could involve pre-approving the home lease/purchasers for mortgages. However, this approach may be difficult with the end of the CMHC Rent-to-Own Stream for Housing Providers program.

### Invest in Rent-to-Own Funds

Some existing rent-to-own providers offer the opportunity to invest in funds or specific rent-to-own projects. A credit union could invest directly in these products, or they could attempt to buy an equity stake in a rent-to-own company. Investing in these funds or purchasing an equity stake in a rent-to-own company carries a higher risk than is typically taken by a credit union. An investment of this nature should be considered carefully to ensure that the partnership leads to a net benefit for the leasers/home purchasers and that it is an appropriate risk-adjusted return.

## Community Savings Rent-to-Own Program

This Community Savings Rent-to-Own program is the result of a partnership between Community Savings Credit Union and Cascadia Green Development. The program centres on a housing development called INNOVA, located in the City of North Vancouver, which consists of 168 residential homes, childcare centers, commercial space, and communal areas (North Shore News, n.d.). Community Savings designated eight of these homes as part of the rent-to-own program, providing homebuyers with the opportunity to allocate their rent payments towards the down payment of their home (North Shore News, n.d.).

In this program, shortlisted applicants sign a purchase rental agreement and pay $5,000 upfront. The price of the house is then set, and applicants pay another $5,000 to receive the key. Over a two-year period, market-rate rent will be paid on their assigned home. And at the end of this term, the full amount of their rent payments, as well as their two $5000 initial payments, will be credited towards their downpayment (North Shore News, n.d.).

Vancouver as the most expensive major city in Canada to purchase a home, with current average prices being over $1.3 million (WOWA, 2024a, WOWA, 2024b), saving for a downpayment can be difficult, particularly for first-time homebuyers. It is, therefore, not surprising that over 700 applications were submitted for the eight units that were a part of this rent-to-own program (Culbert, 2024). This project was a funding recipient of the now discontinued Rent-to-Own Stream for Housing Providers from CMHC (CMHC, 2024a).

## IMPACT INVESTMENTS

Impact investments focus on providing financial returns while also addressing environmental and social issues (Bugg-Levine & Emerson, 2011). Essentially, impact investing is about supporting projects that align with an organization's environmental or social values (Glencross et al., 2017). Impact investments exist on a continuum alongside traditional investing, responsible investing, and philanthropy (See Table #1). Impact investing itself can be divided into thematic impact investing, which focuses on achieving a market rate of return while addressing a social or environmental cause, or impact first investing, which focuses on having a positive impact on a social or environmental challenge first, with financial returns the secondary consideration (Glencross et al., 2017).

<table>
<tr><th></th><th colspan="2">Responsible Investing</th><th colspan="2">Impact Investing</th><th></th></tr>
<tr><td>Traditional Investing</td><td>Ethical Investing</td><td>Sustainable Investing</td><td>Thematic Impact Investing</td><td>Impact First Investing</td><td>Venture Philanthropy</td></tr>
<tr><td colspan="4">Seeking Competitive Returns</td><td></td><td></td></tr>
<tr><td></td><td colspan="5">Mitigating Environmental, Social, & Governance [ESG] Risks</td></tr>
<tr><td></td><td></td><td colspan="4">Pursuing Environmental, Social, and Governance Opportunities</td></tr>
<tr><td></td><td></td><td></td><td colspan="3">Focusing on Measurable High-Impact Solutions</td></tr>
<tr><td>Investments are made in housing generally that is developed or provided for ownership or rent with the primary focus on financial returns</td><td>Investments are made in housing generally that is developed or provided for ownership or rent with financial return the focus with some opportunities screened out for ESG or ethical considerations</td><td>Investments are made in housing generally that is developed or provided for ownership or rent with a focus on market returns while considering environmental factors and investors advocate for improvements in sustainability</td><td>Investments which provide affordable housing where a market rate of return can be achieved</td><td>Investments in affordable housing that accept a lower than the market rate of return</td><td>Donations to affordable housing projects or investments that accept no rate of return or a rate of return very close to zero</td></tr>
</table>

***Table 1: Housing Investing Continuum (adapted from Glencross et al., 2017, p. 17).***

In impact first investing, expectations for financial returns are lower than in traditional investing. This flexibility in expectations around profit can allow for more innovative projects to have a better chance at securing capital through impact investors than through traditional sources. Projects that are deemed to be risky, that incorporate untested models or new partnerships, can sometimes find the support they need to get off the ground through impact investing. Yet, paradoxically, capital in impact investing tends to be risk-averse (Harji & Hebb, 2021). Though investors are willing to accept a lower return, they tend to focus on projects that they are confident will succeed.

In 2023, in Canada, $14 billion in assets under administration were placed in impact investments. This is a small part of the $2.8 trillion in investments that consider Environmental, Social, and Governance (ESG) issues when investing (RIA, 2023). There are certainly opportunities for investors to have more impact in the market. Community Land Trusts (CLTs), for example, promote affordable housing by holding property for long-term social and environmental purposes. Yet, the expansion of CLTs is being held back due to a lack of access to impact first capital, which is willing to wait years before seeing a return (Horan, 2023). Impact investments, like these have the potential to provide additional affordable rental housing in communities across Canada[4].

Currently, many credit unions make impact investments. First West Credit Union, for example, has created a $10 million impact investment fund and is in the process of deploying it. Many other credit unions make more targeted impact investments on an ad hoc basis.

## Impact Investment Opportunities for Credit Unions

Opportunities for impact investments by credit unions related to housing affordability or affordable housing are plentiful. Many credit unions have made partnerships with local organizations to issue commercial mortgages or construction financing to affordable housing projects. Some credit unions have even found partnerships to support social innovations more generally (See box for an example from Assiniboine). In addition to the ability of credit unions to expand financing directly into affordable housing projects and create general partnerships, two specific opportunities exist for credit unions.

### Capital Connect

Capital Connect is a platform provided by CMHC to support developers and investors to connect for housing projects. The platform represents an opportunity for investors to find new partnerships with developers and non-profit organizations seeking to build and provide housing. First Ontario is the only credit union currently listed on the platform as seeking to make investments in housing projects. Capital Connect is a free platform and requesting access is an easy way to find new potential housing development financing opportunities.

[4] It is worth noting that the overall impact of an investment in affordable housing can vary depending on the definition of affordable housing. For example, a project offering a percentage of units below average market rent could still be above 30% of the income of the actual tenants.

### Invest in Impact Investment Funds

The most straightforward way that credit unions could participate in impact investments is to invest directly into a fund focused on providing impact investments. By putting money into an impact investment fund, the credit union only needs to pick the fund; then, they can leave the individual investment decisions up to the fund partner. Investments in impact investment funds will have implications for risk-weighted capital ratios, which should be considered when deciding how much to invest.

*Specific Opportunity: VCF Affordable Housing Fund*
The Vancity Community Foundation (VCF) Affordable Housing Fund is seeking to scale up across Canada. The program provides pre-development and early-stage funding through grants and low-cost loans to support community organizations' development and acquisition of affordable rental housing. VCF is currently seeking partner credit unions to invest in the fund and assist in bringing the program to more communities across Canada.

### Vancity Community Foundation Affordable Housing Fund

The Vancity Community Foundation (VCF) initially designed the Affordable Housing Fund to support the development of affordable housing in British Columbia, Canada. The fund provides grants, loans, and equity investments to support community-based housing projects, typically in the early formation stages, that may have difficulties in obtaining conventional funding (VCF, 2024). An initial investment by Vancity and CMHC enabled the fund to launch.

An essential feature of the fund is its ability to provide low-interest loans and financial guarantees, effectively alleviating the financial strain on nonprofit organizations and co-operatives. This financial assistance allows these groups to carry out construction, refurbishment, and acquisition initiatives with the goal of increasing the accessibility of affordable housing. The fund frequently collaborates with government bodies, private investors, and other nonprofit organizations, thereby maximizing its influence through co-operative endeavors.

VCF's approach encompasses not only the provision of financial resources but also the promotion of innovation and sustainability in housing solutions. The fund prioritizes projects that integrate sustainable building methods, inclusive design, and community-oriented planning. The VCF Affordable Housing Fund, therefore, enhances the long-term sustainability and liveliness of communities. After significantly contributing to the resolution of the housing crisis and the promotion of fair and equal housing access in British Columbia, VCF is seeking to scale the Affordable Housing Fund across Canada.

### Create an Impact Investment Fund

Larger credit unions wishing to have a significant impact in terms of societal benefit and helping their membership recognize the purpose of a credit union, may wish to explore developing an impact investment fund. This approach would allow the credit union to pick specific opportunities of interest. Using this approach requires the credit union to develop expertise in selecting the appropriate investments. Credit unions creating their own impact investment fund will need to consider the impact the fund may have on capital ratios.

# THEMATIC SAVINGS PRODUCTS

Guaranteed Investment Certificates (GICs) are low-risk investments, where the return is guaranteed by either provincial or federal deposit insurance. They typically require a minimum initial deposit, and investors choose a fixed term ranging from a month to multiple years.

Many credit unions offer GICs which are focused on investing in a value-based manner. Market-linked GICs, for example, are offered by several credit unions where the return on the investment is based on the performance of a portfolio of companies that have been screened for environmental and social values.

Some credit unions have also created specialized GICs focused on housing affordability. These fall into two categories. In the first category are GICs which are designed so that some of the interest earned on the GICs is donated to a non-profit or charity. In the second category are GICs where every dollar invested in the GIC is put into affordable housing projects within the community[5].

GICs, where credit unions explicitly invest the principle in affordable housing projects, serve a dual purpose. First, and foremost, they provide funding within a community for affordable housing. Secondly, they help members explicitly recognize that investing in the local credit union contributes to local community projects.

## Thematic Savings Product Opportunities for Credit Unions

Offering thematic GICs focusing on affordable housing represents a low-risk opportunity for credit unions to consider. Creating these types of GICs requires some straightforward tweaks on a product which every credit union in Canada offers.

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[5] Since credit unions are so heavily invested in mortgages within the communities they serve, it could be argued that every GIC is in a way invested in housing affordability generally.

### Donation-Based Affordable Housing GICs

Credit unions wishing to create a donation-based GIC would start by picking a charity or non-profit focused on housing in the community they wish to support. Once a partnership is developed the GIC is marketed highlighting that a donation will be made based on a percentage of the total GICs that are invested at the credit union. Local chapters of Habitat for Humanity have been a popular choice for partnerships for several credit unions. If Habitat for Humanity GICs are created widely within the system, this could lead to credit unions generally being known as partners with local Habitat chapters.

### Affordable Housing GICs

Creating an affordable housing GIC program would involve selling GICs at a market rate and then investing a corresponding amount in affordable housing projects within the community.

## Affordable Housing GICs - Kindred Credit Union

Kindred Credit Union in collaboration with the Waterloo Region Community Foundation (WRCF), developed an Affordable Housing GIC and Loan product. Introduced in 2022, the GICs earn investors a competitive, guaranteed rate while supporting loans to providers of affordable permanent housing. This program supports both owned and rented affordable housing projects in southwestern Ontario and is Canada's first affordable housing GIC and loan product (Business View Magazine, 2023).

These GICs are available for all investors and are eligible for non-registered RRSP, RRIF, and TFSA accounts (Kindred Credit Union, n.d.). There are tiered rates offered based on the amount invested, with a minimum of $500 required. Purchasers earn a fixed rate on principal and can decide if it is reinvested or paid to a Kindred account. From investors' deposits, loans are provided to fund housing projects in southwestern Ontario.

Waterloo Region has experienced high population increases in recent years and was ranked as Canada's fastest growing metropolitan area from 2022-2023 (Waterloo EDC, 2024). Because of this, the demand for affordable housing options is especially urgent to accommodate this increasing demand.

This program was created to offer cost-efficient, fast acting capital for both not-for-profit and for-profit affordable housing providers who otherwise might miss out on opportunities or not have the ability to bid on projects (Kindred Credit Union, n.d.). Organizations can apply for a loan through Kindred and those operating in the Waterloo Region can potentially receive additional funding from WRCF.

Developing this type of program necessitates marketing the program itself to investors and to organizations seeking financing to build or acquire affordable housing

*Specific Opportunity: Expand the Affordable Housing GIC and Loan*
Kindred Credit Union's Affordable Housing GIC and Loan is an example of a product where funds invested in the GIC support local affordable housing providers through loans. It was initially developed in partnership with a local community foundation. Members invest in a four-year GIC and Kindred uses the money to fund loans to affordable housing providers' projects. The four-year GIC term roughly matches the average duration of the term being sought by affordable housing providers seeking mortgages and loans. Kindred encourages other credit unions across Canada to offer a similar product and could share their experience as needed.

## MLI SELECT

The CMHC provides multi-unit mortgage loan insurance for acquiring or building residential rental properties. This insurance assures the lender by guaranteeing that the mortgage will be paid or CMHC will cover the losses. If these properties meet affordability, accessibility, and environmental goals they can participate in a product called MLI Select, which offers several benefits over standard CMHC rental housing insurance (CMHC, 2022).

The MLI Select program allows loan-to-value ratios of up to 95% on existing builds or loans for construction of up to 95% on new builds, debt coverage ratios as low as 1.1, and amortization periods of up to 50 years. The specific terms depend on meeting criteria that earn points based on the percentage of units at 30% of the median renter income, energy efficiency and greenhouse gas reductions, and meeting accessibility targets in at least 15% of the units.

Once MLI Select is in place the mortgage qualifies to be included in a National Housing Act (NHA) Mortgaged Backed Securities (MBS) Affordability-Linked Pool, which carries lower insurance fees than other mortgages. The NHA MBS groups, or pools, of mortgages are sold to investors with payments guaranteed by CMHC. These pools are a low-cost way for lenders to finance mortgages as they are effectively guaranteed by the Government of Canada. CMHC collects a fee on these mortgages which is lower for Affordability-Linked Pools. A fee, for example, on a five-year Affordability-Linked Pool is 0.3% (30 basis points) whereas it is 0.5% (50 basis points) to 1.40% (140 basis points) for other NHA MBS Pools (CMHC, 2020). In addition, only 20% of the Affordability-Linked Pool must be part of the MLI Select program for the entire pool to qualify for the lower fees.

When organizations purchase rental properties, they typically apply for MLI Select shortly after an agreement is in place. The timelines for MLI Select approval (typically 3 to 6 months but can be significantly longer) means that the purchase will usually take place before the MLI Select insurance is in place. In these circumstances, the borrower will enter a month-to-month variable rate mortgage (possibly interest only) until the purchase takes place. During this time, changes in the prime rate will immediately change the short-term interest rate paid by the borrower and changes in the bond market interest rates will change the long-term mortgage rate. This uncertainty can be a significant challenge for non-profits and cooperative organizations.

Only a few credit unions or banks owned by credit unions participate in the MLI Select program. Assisting with writing the insurance application requires specialized expertise that is difficult to develop. In addition, MLI Select insured mortgages have a very low interest rate and a narrow spread, making it difficult to offer these profitably.

## MLI Select Opportunities for Credit Unions

Given the specialized expertise required to participate in the MLI Select program, the opportunities for credit unions to offer the insurance directly to members are limited to the credit unions that have developed this specialization. Some opportunities may exist through partnerships between credit unions or with organizations external to the system.

### Advocate for a Guaranteed Timeline for MLI Select Approval for Non-profits

Uncertainty related to approval timelines for the MLI Select program creates pricing risk for non-profits. The uncertainty also makes it very difficult to develop a swap product to lock in interest rates that are reasonably priced. Part of the uncertainty in CMHC underwriting approval for the MLI Select program could be potentially addressed through a standardized loan agreement that was pre-approved for non-profits, charities, and cooperatives. The Canadian Credit Union Association and individual credit unions could support, and possibly lead efforts by non-profits, charities, and cooperative housing organizations to lobby for guaranteed approval timelines for the MLI Select program for charities, non-profits, and cooperatives.

### Refer MLI Select Opportunities

Credit unions could also decide this is not expertise the system has or should develop. In this circumstance, it may be appropriate to refer these projects to another organization. Ideally, a credit union system-owned bank or a specific credit union could be encouraged to accept referrals to ensure organizations seeking a commercial multiunit residential mortgage from a credit union have access to the MLI Select program. Providing this access to non-profits, charities, and cooperatives who may not be otherwise familiar with the MLI Select program may particularly help to make their affordable housing projects successful.

*Specific Opportunity: Refer MLI Select Projects to a System Organization*
The MLI Select program offers the most cost-effective way to secure a mortgage for affordable housing in Canada, however, evidence from key informants suggests the program is underutilized by non-profit housing providers. Some existing credit unions (First Ontario) and credit union owned banks (League Savings and Mortgage and Vancity Community Investment Bank) assist non-profits, cooperatives, and developers in applying to MLI select. Other credit unions could pick one or more of these organizations and refer potential MLI Select projects here. Currently, in Atlantic Canada, League Savings and Mortgage is used for this purpose.

Referrals for MLI Select for purchases of existing buildings by non-profits could be made immediately after the initiating credit union assists in arranging an open short-term mortgage. Construction financing for new projects could be handled by the credit union the non-profit currently does business with and then the takeout financing could be referred to the lead credit union for possibly a small referral fee if the deal is closed, or this could simply be done as an example of *cooperation amongst cooperatives*. These types of referrals, while they may cost some individual credit unions business, would help improve the finances of the non-profit partner and be an example of credit unions doing what is best for their members.

## CO-OWNERSHIP MORTGAGES

With housing costs rising faster than inflation (Boisvert, 2022), co-ownership is expected to become more popular. Essentially, a co-ownership model allows two or more people – who are not married or in a common law relationship – to purchase a home together. Homeowners can choose to enter this type of agreement with family members, friends, or even strangers.

A co-ownership mortgage is a bit more complicated than a standard mortgage as it requires contemplating multiple scenarios such as one party wanting to sell, death of a party, or divorce. Legal agreements are, therefore, essential at the outset to ensure everyone understands their obligations.

Several credit unions are offering or exploring offering co-ownership mortgage products. Some of the offered mortgages have a limit on the number of people that can apply for the co-mortgage, others require a minimum down payment, and some even allow for each person to personalize the terms of their portion of their mortgage.

### Co-ownership Mortgages Opportunities for Credit Unions

According to a Leger survey, 6% of homeowners co-own a property with someone who is not their spouse or a romantic partner (Cugliari Allegritti, 2023). These partnerships have a wide variety of configurations, for example, individuals that co-own recreational properties, those that co-own investment properties, parents that co-own, while living separately, to help a child purchase an unaffordable house, and those that cohabitate together. With the co-ownership market expected to grow, providing a co-ownership mortgage offering may become an expected service for financial institutions (Stratton, 2023).

#### Co-Ownership Mortgages

Credit unions developing co-ownership mortgages should focus on adapting their mortgage into a custom legal template for a co-ownership mortgage. Credit unions developing co-ownership mortgages will want to ensure that members seeking these products get legal advice on their obligations.

## MORTGAGES FOR NON-TRADITIONAL HOMES

In addition to co-ownership mortgages, several other non-traditional types of homes are emerging on the market. Many of these can be serviced by adapting existing mortgage or lending products and agreements, but they may warrant separate marketing to indicate to members seeking assistance that credit unions can help.

Non-traditional homes (for lack of a better term) include homes that fall under several categories such as secondary units and accessory dwelling units, shipping container homes, laneway homes, tiny homes, and properties on leased land. In addition, legislative changes in British Columbia have made fourplex development easier, which will likely lead to an increase in developments. Government incentives are likely to also increase the building of secondary units, laneway homes, and accessory dwelling units (Canada, 2024).

Credit unions are already well positioned to offer mortgages or loans in most or even all these non-traditional circumstances.

### Mortgages for Non-Traditional Homes Opportunities for Credit Unions

Most credit unions can offer mortgages and loans for a variety of housing types using existing legal agreements. Opportunities for credit unions in this space, therefore, primarily hinge on ensuring the services available are known to members of the credit union. Some opportunities may also exist in British Columbia or in municipalities where the development of fourplexes is being encouraged through legislation and zoning bylaws.

#### Promote Types of Mortgages Available at Credit Unions to the Membership

Members may not be aware that credit unions can provide mortgages or loans to build non-traditional homes like accessory dwelling units or tiny homes. Credit unions in markets where there appear to be opportunities for the development of non-traditional homes should consider what type of lending they can readily support and promote these opportunities to the membership.

### Fourplex Financing and Supports

British Columbia recently passed legislation to make it easier to build up to four units on a lot designed for a single-family home (Carrigg, 2024). In addition, some municipalities outside of British Columbia, such as Halifax, Calgary, Toronto, and Kitchener, are also making it easier to do multiplex housing on residential land (City of Kitchener, 2024; City of Toronto, 2023; Ryan, 2024; Moore, 2024). Credit unions can already finance these properties using existing mechanisms, but developers or even existing homeowners may do the actual re-development of these types of properties. Credit unions may wish to consider what specialized support they can offer for redevelopments and the building of fourplexes. This represents a market that credit unions could potentially excel in through specialization as the opportunities are likely too small to be of widespread interest to the large banks in Canada.

## HALAL MORTGAGES

The term *halal* indicates something that complies with Shariah, or Islamic religious law. Islamic tenets against paying interest or accepting interest payments present a significant barrier to Muslim home ownership, due to the structure of traditional mortgages. Halal mortgages are more like rent-to-own or shared equity models of purchasing a home than standard mortgages.

Western financial institutions offer three major types of halal mortgages: Murabaha, Musharaka, and Ijarah (Mazloum 2024). For a Murabaha house purchase, a lender will buy the property and resell it to the buyer with an agreed-upon profit margin. Musharaka house purchases resemble a co-ownership model. The homebuyers and the lender jointly purchase the home. They own shares in the home based on the percentage of the purchase price each contributes. The lender charges the homebuyer a fee for using the part of the property they do not yet own, and over time the homebuyer purchases the remainder of the lender's shares in the home. Ijarah mortgages involve a lender purchasing the property and leasing it to the homebuyer at a fixed rent. Ijarah mortgages are like rent-to-own programs, where part of the monthly rent payments goes towards the purchase of the home. In the meantime, the lender earns money from the rent. Ijarah mortgages typically involve a 25-year contract, longer than other halal mortgage options, ending with full ownership by the homeowner.

The value of halal mortgage products is that they make home ownership accessible to Muslims who obey Shariah law and who cannot afford to purchase a home outright. However, these types of mortgages are open to criticism due to their high costs. Credit unions seeking to offer halal mortgages to Muslim members need to be aware that they will take on higher risk due to a lack of regulations and a lack of eligibility for mortgage insurance. Halal mortgages typically require a down payment of at least 20% because they cannot be insured (True North Mortgage, 2024)

An added risk for credit unions (and an added cost for homebuyers) is that low-cost money potentially available to fund halal mortgages may not be halal either. The risks and costs can increase when funding sources for halal mortgages are limited to those that comply with Shariah law. Finally, the number of financial institutions offering halal mortgages is so limited that lack of competition drives costs up even further. Halal mortgages are an average of 4% more costly than conventional mortgages (Heydari, 2024).

Halal mortgage costs are expected to decline as major banks and other large financial institutions enter the market. The 2024 federal budget announced plans to increase access to halal mortgages in Canada, which is expected to expand the halal mortgage market (National Post, 2024).

The recent emphasis on halal mortgages by the federal government represents an opportunity for credit unions to develop mortgage products for their Muslim members. The Muslim population of Canada has doubled in the past 20 years, reaching 4.9% of the population in 2021 (Statistics Canada 2022). Nearly 50% of the Muslim population in Canada live in rental housing (Heydari, 2022). This is partially a reflection of the wider issue of unaffordable housing in Canada. However, unlike other Canadians, Muslim Canadians face the additional barrier of costly and frequently unavailable halal mortgages. The large potential market for halal mortgages represents an opportunity for credit unions to better serve their Muslim members. Assiniboine Credit Union has been offering a halal mortgage (Musharaka) for over ten years.

## Halal Mortgage Opportunities for Credit Unions

The Halal mortgage market is currently underserved. A Halal mortgage offer, if it mirrors a rent-to-own or a shared equity approach, could potentially appeal to non-Muslim members thus potentially increasing the opportunity. Two options exist for credit unions wishing to offer a Halal mortgage.

### Find a Partner to Offer Halal Mortgages

The most straightforward way credit unions could begin to make Halal products available to their members would be to partner with an existing Halal mortgage provider. This could be done for a small referral fee or simply as a service to members seeking such a product.

### Begin Offering Halal Mortgages

Credit unions could explore developing their own Halal options. This approach would be more difficult as the source of funds for Halal mortgages should not be interest-bearing products, thus it will be difficult for credit unions to find internal funding sources to pay for a Halal mortgage product. A credit union wishing to offer a Halal mortgage may want to consider creating a subsidiary and directly investing capital into it to avoid these complications, though this approach would have an impact on credit union capital ratios. A central or group of credit unions could come together to create a partner organization to offer Halal mortgages which would allow all credit unions to refer to a single entity affiliated with the credit union system.

## NEW COOPERATIVE HOUSING

The Government of Canada is investing $1.5 billion into cooperative housing, which represents the largest investment in the system in 30 years (CMHC, 2024b). This funding is a welcome opportunity to reinvigorate the cooperative housing sector. Cooperatives are likely to be seeking assistance as they look to expand their operations or launch new entities, using the traditional cooperative housing model where the tenants are the members of the cooperative. While much of this Government of Canada funding will go to building and purchasing new traditional cooperative housing, there are also opportunities for innovative models to emerge, which credit unions should try and encourage.

Even before the announcement of this funding, two new models of cooperative housing had emerged: Union: Sustainable Development Co-operative (Union Co-op) and Community Wealth Co-operative Corporation (which is partnered with Home Opportunities).

Union Co-op, a for-profit cooperative, is focused on supporting the purchase and development of housing that is permanently affordable in the Waterloo Region. The cooperative, to date, has purchased one building with 58 units through the support of its members and impact investments made by foundations, including the Vancity Community Foundation. People with a connection to Waterloo Region can join Union Co-op by purchasing a $500 membership. Residents of buildings owned by Union Co-op can also join the cooperative at a lower rate. Members are provided with the opportunity to run or vote for the board of directors, to provide input into how the cooperative is run through surveys, to participate on committees supporting the cooperative, and with an opportunity to purchase additional investment shares. In addition, Union Co-op allows impact investments on specific projects from institutional and accredited investors. These investments are designed to earn a modest return and can be described as Impact First Investments. The Union Co-op model is designed to be readily scaled to cities across Canada where residents wish to invest in their communities to protect existing affordable housing units or to develop new affordable housing projects.

Home Opportunities is a non-profit development consultant that serves Co-operative Development Clients and focuses on building residential homes at prices affordable to low- and middle-income families. Currently, Home Opportunities is developing properties in Guelph, Toronto, Owen Sound, Tofino, and Brampton. The model focuses on providing a high-quality dwelling while keeping costs low by avoiding unnecessary luxuries, using simple designs, and eliminating costly optional upgrades. Where possible Home Opportunities accesses government loans to further reduce carrying costs. The HOCW model offers units at fair market value and uses a combination of deferred profits, deferred municipal expenses, and shared equity to reduce the carrying cost to half of the purchase price. These sources of financing are paid back when the homes are sold or on a voluntary basis. Each funding source gets its proportionate share of the profit from the sale.  The profit and its share of the equity growth goes to Community Wealth Co-operative Corporation, which will then re-invest this money back into supporting the development of more homes that will be available for lower-income owners. Since the model does not require any grants or subsidies homes can be built and sold regardless of the market conditions.

Union Co-op was supported by Vancity Community Investment Bank through their successful application to the MLI Select program and by providing a mortgage. Home Opportunities is seeking partnerships with credit unions to provide a portion of the bulk loans (secured by a pool of individual mortgages) required to help purchasers of Home Opportunities properties.

## Opportunities for Credit Union to Support New Cooperative Housing

The sixth cooperative principle, cooperation amongst cooperatives, suggests that credit unions have a special responsibility to support the launch and growth of cooperatives in the housing space (Rodgers, 2015). Supporting housing cooperatives can be done using traditional mortgages but assistance tailored to meet the specific needs of cooperatives should be strongly considered.

### Provide Financing to Cooperative Housing Providers

Traditional cooperative housing providers require grants and donations to launch and usually to expand. Credit unions could provide some donations but with the Government of Canada extending funding to cooperatives, credit unions could also extend mortgages to cooperatives. If a credit union wishes to support cooperation amongst cooperatives, these mortgages could even be offered at concessionary rates. Some impact investment opportunities may also present themselves to credit unions and are worth considering.

*Specific Opportunity: Provide Financing to Home Opportunities*
The Home Opportunities Community Wealth Model model requires bulk loans, which support the provision of individual mortgages to people who purchase the homes they develop. The model is set up to finance between 30-50% of a project through a loan from a credit union or credit union syndication. This loan (possibly structured as a commercial mortgage) is used to issue mortgages directly to the purchasers of Home Opportunities projects. The model is premised on at least two-thirds of the loan as a conventional fixed-rate mortgage, with regular payments made by Community Wealth using monthly mortgage payments provided by the homeowners. The remaining loan, no more than one-third, is on a variable payment basis. Community Wealth makes these payments (including accumulated interest obligations) either when a homeowner voluntarily chooses to buy out the variable portion of their home loan or when the homeowner sells the home. The minimum guaranteed rate of return is the same as for the conventional loan. If the market appreciation is greater than the conventional rate, the rate of return increases to match this amount. For the partnering credit union, the model is designed such that these bulk loans are a profitable investment opportunity. The repayments, ideally, will match or exceed the cash flow provided by the conventional loan over the first 10 years and beyond. The amount paid in any given year however will vary..

# POOLED ACCOUNTS

Vancity, Coast Capital Savings, and Alterna have developed unique products to support non-profit and cooperative sector housing organizations to earn a better return on their reserve funds. Housing providers gather reserve funds to pay for expected and unexpected maintenance. These funds typically are placed in low-risk investments like savings accounts or guaranteed investment certificates to ensure they will be available if needed.

The Pooled Account Program allows cooperatives and non-profits affiliated with specific associations to earn a better rate of return on their savings. The credit union pays a rate to all members of the association that reflects the rate they would obtain if their investments were pooled together into one account, rather than invested individually. The funds can also provide a small percentage return to the association (for example the Co-operative Housing Federation of British Columbia or the British Columbia Non-Profit Housing Association).

## Pooled Fund Opportunities for Credit Unions

Pooled Funds are a good example of credit unions adhering to the sixth cooperative principle, cooperation amongst cooperatives, when supporting cooperative housing associations and they are also an example of the seventh principle, concern for community, when supporting non-profit housing associations (Rodgers, 2015). Better coordination and scaling up of these programs could allow the system to have a larger impact.

### Coordinate and Expand Pooled Funds for Housing Organizations

Offering services to housing and cooperative associations can have the largest impact for the individual housing providers if they pool with one credit union partner. Ideally, one credit union would take the lead in each province with housing providers and another credit union with cooperative housing providers. The model works best when every housing organization is pooled together with the same credit unions. Some partnerships could be created amongst credit unions if an organization is above the provincial deposit insurance threshold. Credit unions taking the lead should work to provide additional tailored banking help to cooperative housing organizations or non-profit housing providers.

# GRANTS & DONATIONS

One of the most common ways that credit unions support affordable housing projects is through grants and donations. Credit unions support a variety of charities and non-profits addressing homelessness, supporting housing affordability, and building affordable housing.

Habitat for Humanity, a national program which offers affordable homeownership through local chapters across Canada, is a particularly popular choice for many credit unions to support. Credit unions also aid other local affordable housing providers by assisting their campaigns to raise money to build or purchase new affordable rental housing buildings. Additionally, some credit unions support rent banks in their communities. Rent banks assist renters who fall behind on their rent payments due to unexpected emergencies, risking eviction. Credit unions might also consider rent guarantee funds, where rental payments are guaranteed to the landlord if they take on a tenant who has the capacity to pay but faces barriers to finding housing due to a lack of rental history or other factors.

### Jubilee Fund Rent Guarantee Program

The Jubilee Fund Rent Guarantee Program supports people who face barriers due to their lack of rental history (i.e. at-risk women, previously incarcerated individuals, newcomers to Canada, and youth-coming-out-of-care) to access stable, safe, and affordable housing (Burns, 2022). The program participants often face obstacles when trying to access housing due to an inability to provide first and last month's rent. The program helps by co-signing with the renter and guaranteeing their rent. The program also offers other types of support, like going to the viewing of an apartment with the potential tenant (Burns, 2022). The fund can act as a guarantor for up to 40 applicants per year (Jubilee Fund, 2018).

This program's operational funding comes from government support, grants from foundations, donations from individuals and financial support from corporations. Assiniboine Credit Union has invested in this program and has been a financial partner to the Jubilee Fund (Burns, 2022).

## Grant & Donation Opportunities for Credit Unions

There are several grant and donation opportunities for credit unions to consider if they wish to address homelessness or support providing affordable housing in their communities. Credit unions are best positioned, as local organizations, to know where they can have the most impact in their communities. An opportunity may exist to coordinate efforts to maximize collective impact.

#### Pick a Housing Charity to Support as a System

If the credit union system wishes to demonstrate a commitment to addressing housing affordability and reducing homelessness, picking a specific charity to support at a national level could demonstrate to members and Canadians credit unions' values. Picking a charity that many credit unions already support and has a national presence, such as Habitat for Humanity, and expanding support in a coordinated manner would be a natural way to coordinate donations.

#### Pick a Charity to Support Locally

Individual credit unions, similarly, can demonstrate a commitment to addressing housing affordability and reducing homelessness, by picking a specific charity to support within the community. Many local organizations offer innovative programs like rent banks and donations can help support new housing developments.

*Specific Opportunity: Support the Coldest Night of the Year*
At least 30 different credit unions participated in the 2024 Coldest Night of the Year fundraising walk[6]. With walks taking place in every province, the credit union system could rapidly expand involvement with the Coldest Night of the Year by donating directly to the associated charities and by encouraging members and staff to participate on credit union teams. Each of the big five banks participated in some way in this event. The credit union system could set an annual goal to collectively outraise each individual big five bank. Through a coordinated systemwide effort, credit unions could make an even bigger impact on addressing homelessness through our involvement in the Coldest Night of the Year. Two large cooperatives, The Co-operators and Federated Co-operatives Limited[7], also participated in 2024, suggesting that the credit union system could work with other cooperatives to expand involvement in the Coldest Night of the Year across the entire cooperative movement, thus aligning with the seventh cooperative principle, concern for community (Rodgers, 2015).

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[6] Credit unions participating included: Alterna Savings, Atlantic Edge Credit Union, Caise Alliance, Coast Capital Savings, Coastal Communities Credit Union, Comtech Fire Credit Union, Consolidated Credit Union, Desjardins, Envision Financial, First Ontario, Kindred, Fusion Credit Union, Ganaraska Financial Credit Union, Gulf and Fraser, Interior savings, Kawartha Credit Union, Lakeland Credit Union, Libro, Mainstreet Credit Union, Meridian, NDCU, Northern Credit Union, PenFinancial Credit Union, Reddy Kilowatt Credit Union, Revelstoke Credit Union, SASCU, Servus Credit Union, Valley Credit Union, Westoba Credit Union, and YNCU.
[7] However, only two Mutuals Prince Edward Island Mutual Insurance company and Assumption Life were listed as participants.

# CONCLUSION

The housing challenges currently facing Canada took decades to create. Addressing the depth of the current issues will require coordinated efforts from the private sector, all levels of government, and civil society. Ultimately, federal leadership through policy action, targeted spending, and system coordination is needed to solve the problems faced in housing markets (Tranjan, 2023). The credit union system can play a role by implementing innovative solutions to demonstrate that alternative approaches to creating housing affordability are possible.

Housing is one of the top concerns amongst Canadians, with many renters thinking they will never own a home (Simpson, 2023). Credit unions as cooperative financial institutions are uniquely positioned to provide solutions that are tailored to meet the needs of members specifically and Canadians generally.

Credit unions trying to address housing affordability should consider eleven trends and potential opportunities: Shared Equity, Rent-to-own, Impact Investments, Thematic Savings Products, MLI Select, Co-Ownership Mortgages, Mortgages for Non-Traditional Homes, Halal Mortgages, New Cooperative Housing, Pooled Accounts, and Grants & Donations.

Within these trends, seven specific opportunities emerge for credit unions and the credit union system to consider pursuing. If enough individual credit unions act on these opportunities individually or in a coordinated manner, the collective impact on Canadian housing markets can be significant.

- A partnership with shared equity provider Ourboro to offer mortgages would support the expansion of share equity products generally while offering members seeking to purchase their first home a mechanism to provide a larger down payment.
- If the credit union system begins to broadly refer non-profits and cooperatives to a specific credit union system affiliated organization that offers MLI select, it will aid in reducing project costs on affordable housing projects, ensuring their sustainability.
- Expanding the Vancity Community Foundation Affordable Housing Fund across Canada can further enhance the ability of non-profits and cooperatives to implement new projects by providing them access to seed grants and pre-development loans.
- Credit unions choosing to offer a Community Builder GIC can provide a mechanism for members to safely invest according to their values while providing a revenue source for affordable housing projects in local communities.
- The Home Opportunities model represents a unique opportunity to expand homeownership in an affordable manner. If a few credit unions work together with the Co-operative Home Ownership Sector to provide a bulk mortgage product it will facilitate the rapid expansion of this model and the Community Wealth Co-operative Corporation.
- The Coldest Night of the Year fundraising walk brings together charities across Canada to raise money to address homelessness. Credit unions can appreciate the value of this type of cooperation. Collectively the credit union system can support this fundraiser by donating, sponsoring teams, and encouraging staff and members to participate in community across Canada.

The MLI Select program, Affordable Housing Fund, and Community Builder GIC can collectively work together to provide a coherent Canadian credit union program for affordable housing providers, which takes the project from conception (the Affordable Housing Project), through to financing construction or acquisition (the Community Builder GIC), to final long term mortgage financing (MLI Select).

Supporting the scaling up of Ourboro, Home Opportunities model presents an opportunity for credit unions to facilitate the growth of new innovative mechanisms to improve housing affordability. Eventually, scaling up this model can help to correct the imbalances in the housing market.

Finally, by supporting the Coldest Night of the Year fundraising walk, credit unions can demonstrate concern for community, engage members in addressing affordable housing challenges, and work towards reducing homelessness in Canada.

Credit unions wishing to address housing affordability issues can focus first on improving affordable access to the housing market for members. Ultimately, the credit union system's goal should be to facilitate the efforts of government and civil society to correct the injustices within the housing market (Miner & Novkovic, 2020). When credit unions initiate an innovation in Canada, others see its success and follow suit. This is illustrated by the many firsts in credit union history: credit unions were the first to lend money to women in their own names, the first to offer open mortgages, the first to offer loans on character, and many others (Alberta Credit Unions, 2017). Credit unions were created to solve the problems faced by members but in doing this, credit unions create solutions that inspire fundamental changes for the better in Canadian society.

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