



<i>Financial Administration Act</i>	Program	PEI Home Renovation Programs
	Subject	Forgivable Loan Agreements
Effective Date: September 29, 2015		Authorized by:
Revised Date:		Deputy Minister, Teresa Hennebery

1.0 PURPOSE

1.1 To describe the circumstances and process to forgive loans issued through the December 2013 and June 2014 intakes of the PEI Home Renovation Programs (PEIHRP).

2.0 DEFINITIONS

2.1 **Disbursement Date:** the date of the last payment of funding made to, or on behalf of, an applicant to the PEIHRP, with such funding being part of the Forgivable Loan.

2.2 **Forgivable Loan:** funding approved to be used to complete renovations to the principal residence of an applicant to the PEIHRP.

2.3 **Principal Residence:** a property, owned alone or jointly with other individuals, which serves as the primary dwelling of the applicant for at least six months, plus a day, during any calendar year including the period between November and March of each year. Only one location can be designated as an applicant’s principal residence at any one time. Rental and seasonal properties are not considered to be principal residences.

3.0 POLICY STATEMENT

3.1 Applicants from the December 2013 and June 2014 PEIHRP intakes who received a forgivable loan are required to own and reside in the principal residence for which the forgivable loan was received for sixty (60) months following the final disbursement date of the forgivable loan.

3.2 An amount equal to one sixtieth (1/60) of the forgivable loan shall be forgiven on each monthly anniversary of the disbursement date and the principal then owing shall be reduced accordingly.

3.3 The principal of the forgivable loan will become due and payable if:

- all the terms and conditions of the forgivable loan are not met; and

- any statements, verbal or written, made by the PEIHRP applicant or by a contractor completing renovations to the principal residence of the applicant on the applicant's behalf in relation to this forgivable loan or in applying for funding under the PEIHRP are found to be false.
- 3.4 On the first day of the sixtieth (60th) month after the disbursement date, the forgivable loan amount shall be forgiven and there shall then be no further monies owing.
- 3.5 If the applicant sells, or changes the use through renting of the principal residence to which the forgivable loan relates prior to the end of the sixty (60) months, the applicant will be in default of the terms of the forgivable loan and must repay the remaining balance of the forgivable loan amount.
- 3.6 If the applicant dies prior to the end of the sixty (60) months, the applicant's estate must repay the outstanding principal balance of the forgivable loan when the principal residence is sold. The amount of outstanding principal balance of the forgivable loan will be based on the sale date of the principal residence.
- 3.7 If the applicant no longer resides in the principal residence as a result of a change in health necessitating a move to a community care facility or a long term care facility, the applicant must repay the outstanding principal balance of the forgivable loan when the principal residence is sold. The amount of outstanding principal balance of the forgivable loan will be based on the sale date of the principal residence.

4.0 PROCEDURE STATEMENT

- 4.1 PEIHRP staff will identify applicants who are required to repay forgivable loans.

Annual Geolinc Verification

- 4.2 PEIHRP staff will use Geolinc to verify that the principal residence continues to be registered in the applicant's name.
- 4.3 If PEIHRP staff identify that an applicant is no longer a registered owner of the principal residence, PEIHRP staff will investigate whether or not the applicant continues to reside in the principal residence.
- 4.4 If PEIHRP staff confirms that the applicant no longer resides in the principal residence, the applicant will be contacted to discuss repayment of the remaining balance of the forgivable loan.
- 4.5 PEIHRP staff calculates the amount of the forgivable loan that is repayable by the applicant and informs the applicant of the amount in writing.

- 4.6 PEIHRP staff will contact the applicant to arrange a repayment schedule. Any repayment schedule will be confirmed to the applicant in writing.
- 4.7 PEIHRP staff document results of the investigation and repayment in the applicant's file.

PEIHRP Notified of Change

- 4.8 PEIHRP staff receives notification from the applicant that the applicant no longer resides in the principal residence.
- 4.9 PEIHRP staff confirms that the applicant no longer resides in the principal residence and contacts the applicant to discuss repayment of the remaining balance of the forgivable loan.
- 4.10 PEIHRP staff calculates the amount of the forgivable loan that is repayable by the applicant and informs the applicant of the amount in writing.
- 4.11 PEIHRP staff will contact the applicant to arrange a repayment schedule. Any repayment schedule will be confirmed to the applicant in writing.
- 4.12 PEIHRP staff document results of the investigation and repayment in the applicant's file.

5.0 ATTACHEMENTS

Forgivable Loan Agreement

Forgivable Loan Agreement

THIS AGREEMENT made this ____ day of _____, 20__ (the “Effective Date”)

BETWEEN: Prince Edward Island Housing Corporation, a Crown corporation, having its head office at Charlottetown, in Queens County, Prince Edward Island (hereinafter referred to as the "PEIHC")

OF THE FIRST PART

AND:

(hereinafter referred to as the "Homeowner")

OF THE SECOND PART

WHEREAS the PEIHC is responsible for the administration and delivery of the PEI Home Renovation Programs (“PEIHRP”);

AND WHEREAS the PEIHC is required to enter into an agreement with each approved applicant under the PEIHRP in order to confirm the terms and conditions of funding provided to an approved applicant;

AND WHEREAS the Homeowner has applied to the PEIHRP for financial assistance to complete needed renovations on the Homeowner’s Property located at _____ (the “Project”) and has been approved for such assistance under the PEIHRP, subject to the terms and conditions as more particularly set out in this Agreement.

NOW THEREFORE WITNESSETH the Parties agree that the terms and conditions of their relationship are as follows:

1. DEFINITIONS

1.1 In this Agreement the following definitions apply:

- a. “Agreement” means this Agreement including all Schedules;
- b. “Disbursement Date” means the date of the last disbursement to the Homeowner of funds forming part of the Forgivable Loan Amount;
- c. “Effective Date” means the date of this Agreement;
- d. “Forgivable Loan Amount” or “Forgivable Loan” means the funding amount approved for the Project under this Agreement, as set out in clause 3.1;
- e. “Parties” means both PEIHC and the Homeowner, and “Party” means either of them;
- f. “PEIHRP” means the Prince Edward Island Home Renovation Programs established by PEIHC;

Initials _____ / _____ / _____

Date _____ / _____ / _____

- g. "Project" or "Projects" means the application(s) of the Homeowner under the PEIHRP which has been approved by PEIHC;
- h. "Promissory Note" means the promissory note required to be executed by the Homeowner pursuant to clause 3.2 of this Agreement and attached as Schedule "B";
- i. "Property" means the real property owned by the Homeowner and on which the Project will be completed;
- j. "Request for Renovation Project Increase Form" means the form to be completed by the Homeowner pursuant to clause 4.3 of this Agreement and attached as Schedule "C";
- k. "Statement of Disbursements" means the form attached as Schedule "D";
- l. "Term" means the term of this Agreement as defined in clause 2.1 of this Agreement.

2. TERM

2.1 Notwithstanding the date of signing of this Agreement, the term of this Agreement shall begin on the Effective Date and end on the date which is sixty (60) months after the Disbursement Date, as detailed in the PEIHRP Statement of Disbursements (the "Term").

3. FORGIVABLE LOAN AMOUNT AND FORGIVENESS SCHEDULE

3.1 The Forgivable Loan Amount approved for the Project under the terms and conditions of this Agreement is \$XXXX.XX.

3.2 The Homeowner shall execute a Promissory Note for the Forgivable Loan Amount in the form set out in Schedule "B" attached to this Agreement, and dated the Effective Date, in order to confirm the obligation of the Homeowner for the Forgivable Loan Amount.

3.3 Any change to the Forgivable Loan Amount set out in clause 3.1 shall only occur on compliance with clause 4.3 of this Agreement. If a change to the Forgivable Loan Amount is approved under clause 4.3 of this Agreement, a new Promissory Note shall be executed by the Homeowner in accordance with clause 4.4 and the Forgivable Loan Amount under this Agreement shall be deemed amended to be an amount equivalent to the Forgivable Loan Amount as set out in the new Promissory Note, without any further amendment to this Agreement being required. It is confirmed and agreed by the Homeowner that any such revised Promissory Note cancels and replaces any Promissory Note dated prior to the revised Promissory Note.

Initials _____ / _____ / _____
 Date _____ / _____ / _____

3.4

- a. During the period from the Effective Date to the Disbursement Date there shall be no forgiveness of the Forgivable Loan Amount or any portion thereof.
- b. On each monthly anniversary date of the Forgivable Loan Agreement during the period beginning on the Disbursement Date and ending on the end date of the Term, an amount equal to one sixtieth (1/60) of the Forgivable Loan Amount shall be forgiven and the principal then owing shall be reduced accordingly. On the first day of the 60th month after the Disbursement Date, one sixtieth (1/60) of the Forgivable Loan Amount shall be forgiven and there shall then be no further monies owing.

4. CONDITIONS OF LOAN

- 4.1 Any renovations started or completed by the Homeowner prior to the signing of this Agreement will not be eligible for the Forgivable Loan.
- 4.2 The Homeowner shall only use the Forgivable Loan Amount to pay for the Project detailed in Schedule A to this Agreement.
- 4.3 If the Homeowner wishes to change the Project, including any wish to change the Forgivable Loan Amount, the Homeowner must first notify PEIHC in writing of the change request, the reason for the change request and a new contractor's quote to complete the changes. The Homeowner shall submit a *Request for Renovation Project Change Form* to request approval of the changes to the renovation project. Upon receipt of such request, PEIHC shall evaluate and either approve or deny the change request. PEIHC will notify the Homeowner in writing of such approval or denial. The Homeowner shall not allow the contractor to begin any work on the changes to the project until written approval has been provided by PEIHC. Approved changes shall be incorporated into this Agreement, including the Schedules, in accordance with clause 3.3 and clause 4.4 herein.
- 4.4 If the changes to the Project approved by PEIHC under clause 4.3 include an approved change to the Forgivable Loan Amount, the Homeowner will execute a revised Promissory Note to reflect the new Forgivable Loan Amount.
- 4.5 Any invoices submitted by the Homeowner for work resulting from a change to the Project will not be eligible for assistance under the PEIHRP unless the Homeowner has first received approval from PEIHC under clause 4.3 and complied with clause 4.4 herein.
- 4.6 Any invoices submitted by the Homeowner for any work not first approved by PEIHC will not be eligible for assistance under the PEIHRP.
- 4.7 The Homeowner shall submit the *PEIHRP Request for Payment Form* to PEIHC in order to request payments be made to contractors or suppliers.

Initials _____ / _____ / _____
Date _____ / _____ / _____

- 4.8 The Homeowner must complete the Project and submit the *PEIHRP Request for Payment Form* by [DATE] XXX XX, XXXX or the Forgivable Loan Amount may be cancelled.
- 4.9 Upon completion and payment of all invoices related to the Project, PEIHC will provide a PEIHRP Statement of Disbursements to the Homeowner detailing all amounts related to the Project including the balance of the Forgivable Loan Amount and Promissory Note. The Homeowner will have 45 days following the date of receipt of the PEIHRP Statement of Disbursements to review and advise PEIHC of either the Homeowner's consent or disagreement with the information and amounts within. On the earlier date of the Homeowner's consent or the expiration of the 45 days, the amount on the PEIHRP Statement of Disbursements shall be accepted by both Parties as the Forgivable Loan Amount.
- 4.10 In order for the Forgivable Loan Amount to be forgiven fully, the Homeowner must continue to own and reside in the Property until the end of the Term. If the Homeowner sells the Property or changes the use of the Property through renting prior to the end of the Term, the Homeowner will be in default of the Forgivable Loan and must notify PEIHC of the default and arrange to repay the remaining balance of the Forgivable Loan Amount as set out in the Promissory Note.
- 4.11 The outstanding balance of the PEIHRP Forgivable Loan will become due and payable if:
- a. all the terms and conditions of this Agreement are not met; and
 - b. any statements made by the Homeowner or by a contractor on the Homeowner's behalf in relation to this Agreement or in applying for assistance under the PEIHRP are found to be false.

5. WAIVER OF LIABILITY OF PEIHC

- 5.1 The Homeowner is completely responsible for the quality and adequacy of any Project, or part thereof, carried out under this Agreement, and agrees that in no event shall the PEIHC be liable to anyone in whole or in part for the Project or any part of the Project, including any loss or claim by anyone that may result from the Project. The PEIHC makes no representation or warranty for the Project or any part of the Project. Without limiting the foregoing, the Homeowner is completely responsible for the quality, adequacy and fitness for purpose of any materials, supplies, goods or services involved in the Project, which includes responsibility for ensuring compliance with any and all applicable regulatory requirements, including any building code, electrical code, safety code, municipal bylaw or provincial or federal regulation or statute.

Initials _____ / _____ / _____
 Date _____ / _____ / _____

6. GENERAL

- 6.1 This Agreement, including Schedules “A”, “B”, “C”, and “D” constitutes and expresses the entire agreement of the parties hereto and, subject to clause 3.3 herein, any amendment or addition thereto shall be in writing and signed by the respective parties.
- 6.2 This Agreement is not assignable or transferable by the Homeowner.
- 6.3 The PEIHC has the right to assign this Agreement, upon written notice being provided to the Homeowner.
- 6.4 This Agreement shall be interpreted and applied in accordance with the laws and in the Courts of the Province of Prince Edward Island.
- 6.5 The headings are inserted in this Agreement for reference only and shall not form part of the Agreement.

IN WITNESS WHEREOF the parties thereto have executed this Agreement as of the day and year above written.

Signed in the presence of) Prince Edward Island Housing Corporation
)
)
)
)
)
_____) _____
)

Signed in the presence of)
)
)
)
)
_____) _____
)

Initials _____ / _____ / _____
Date _____ / _____ / _____

SCHEDULE "A"

**To Forgivable Loan Agreement between the Prince Edward Island Housing Corporation
and _____ dated the ___ day of _____, 20XX**

Approved Projects

The Homeowner may use Forgivable Loan Amount to complete the following Projects:

Program	Project	Approved Forgivable Loan
PEI Home Renovation Program		
Total Forgivable Loan Amount		<u>\$XXXX.XX</u>
Note: The Homeowner is responsible for any renovation costs in excess of the Forgivable Loan amount.		

Initials _____ / _____ / _____
Date _____ / _____ / _____

SCHEDULE "B"

**To Forgivable Loan Agreement between the Prince Edward Island Housing Corporation
and _____ dated the ___ day of _____, 20XX
PEI HOME RENOVATION PROGRAMS PROMISSORY NOTE**

TO: PRINCE EDWARD ISLAND HOUSING CORPORATION

FROM: (Insert Homeowner(s) full names)

DATE: _____, 2015 (the "Effective Date")

FOR VALUE RECEIVED, (INSERT HOMEOWNER(S) FULL NAMES), herein referred to as "the Homeowner", hereby promises to pay to the PRINCE EDWARD ISLAND HOUSING CORPORATION (subject to the conditions hereinafter contained), the principal sum of \$_____ in lawful money of Canada ("Forgivable Loan Amount"), payable as follows:

1. The term of this Promissory Note shall begin on the Effective Date and end on the date which is sixty (60) months after the Disbursement Date as defined below (the "Term").
2. During the period from the Effective Date to the date of the last disbursement of the Forgivable Loan Amount to the Homeowner (the "Disbursement Date") there shall be no forgiveness of the Forgivable Loan Amount or any portion thereof.
3. On each monthly anniversary date of the Forgivable Loan Agreement between the Homeowner and the Prince Edward Island Housing Corporation, during the period beginning on the Disbursement Date and ending on the end date of the Term, an amount equal to one sixtieth (1/60) of the Forgivable Loan Amount shall be forgiven and the principal then owing shall be reduced accordingly. On the first day of the 60th month after the Disbursement Date, one sixtieth (1/60) of the Forgivable Loan Amount shall be forgiven and there shall then be no further monies owing.
4. No interest is payable hereunder.

THIS NOTE IS SUBJECT TO THE FOLLOWING CONDITIONS:

5. This Note is executed in accordance with the terms and conditions of the PEI Home Renovation Program ("PEIHRP") and the Forgivable Loan Agreement between the Homeowner and the Prince Edward Island Housing Corporation dated the Effective Date (the "FLA").
6. Forgiveness of the Forgivable Loan Amount, or any portion thereof, as set out above will only be granted provided the Homeowner has complied with all terms and conditions of the PEIHRP and the FLA.
7. In the event the Homeowner fails to comply with the terms and conditions of the PEIHRP or the FLA, or if at any time it comes to the attention of the Prince Edward Island Housing Corporation that any of the statements, representations or warranties made by the Homeowner in the funding request are false, the Homeowner promises to pay the Forgivable Loan Amount to the Prince Edward Island Housing Corporation, on demand.

Initials _____ / _____ / _____
Date _____ / _____ / _____

8. This Note is not negotiable, transferable, or assignable, except as may be permitted by the PEIHRP and the FLA, and except as follows:

This Note may be assigned by the Prince Edward Island Housing Corporation to whomever the Prince Edward Island Housing Corporation determines at any time, upon written notice being provided to the Homeowner.

DATED AT Charlottetown, Queens County, Prince Edward Island this ____ **day of** _____ **2015.**

Witness Signature Required

per:

Date

Initials _____ / _____ / _____
Date _____ / _____ / _____

SCHEDULE "C"

To Forgivable Loan Agreement between the Prince Edward Island Housing Corporation

Request for Renovation Project Change Form

Please fill in this form to request approval of a change to your renovation Project. For example, fill in this form if you wish to not complete part of the Project, or, if when the contractor started the Project, additional issues were discovered that resulted in increased Project costs. Any change that increases Project costs must be approved before your contractor starts the work related to the change. You must provide a detailed and updated quote from your contractor explaining the reason for the change and any increased Project cost. We will advise you in writing if the change to your renovation Project is approved and provide you with a new PEI Home Renovation Programs Promissory Note to sign. The new PEI Home Renovation Programs Promissory Note will reflect your new Forgivable Loan Amount. Any increased Project cost greater than the eligible loan based on your household size and income must be covered by you.

Homeowner Names:	Property address: Street #/City/Province/Postal Code:	PID #:	Telephone:

List all Project changes and cost increases to be approved and attach detailed contractor quotes for each item (continue on back if not enough space)

Name of Contractor or Supplier	Renovation Project Item	Cost Increase / (Decrease)
		\$
		\$
		\$
Total change requested:		\$

Homeowner Declaration: I have reviewed the revised quote(s) submitted by the contractor (and I have attached them to this form). I have a clear understanding of the change and that any increased cost related to the eligible PEIHRP renovation Project is a fair monetary value to complete the renovation. I understand that any change request completed without prior approval of the PEI Home Renovation Programs will be my responsibility. I understand that any increased Project cost greater than the available Forgivable Loan based on my household size and income will be my responsibility.

Homeowner Signature:	Date:
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Reminder – Please attach your updated quotes when submitting this form

and _____ dated the ___ day of _____, 20XX

Initials _____ / _____ / _____
Date _____ / _____ / _____

SCHEDULE "D"

**To Forgivable Loan Agreement between the Prince Edward Island Housing Corporation
and _____ dated the ___ day of _____, 20XX
Statement of Disbursements**

Name:		PID:		
Date	Program	Contractor	Description	Amount Paid
Forgivable Loan Amount				
Please review the Statement of Disbursements and advise us of any concerns or discrepancies in the details. If you do not advise us of any concerns within 45 days of your receipt of this letter we shall consider that you are in agreement with total amount paid on your behalf and that you accept this amount as your Forgivable Loan Amount.				

Initials _____ / _____ / _____
Date _____ / _____ / _____