



NIAGARA
REGIONAL
HOUSING



NRH Notice

NUMBER: 04-05
DATE: July 16, 2004

Mandatory
 For Information

Applicable to:

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Municipal & Private Non Profit |
| <input checked="" type="checkbox"/> | Co-operatives |
| <input checked="" type="checkbox"/> | Federal Non Profits |
| <input checked="" type="checkbox"/> | OCHAP/CSHP |
| <input type="checkbox"/> | Rent Supplement |

SUBJECT: Rent/Housing Charge Collection and Arrears Policy

BACKGROUND

The Board of Directors has a fiduciary responsibility for the overall management, supervision and financial position of the housing corporation. Good financial management is an essential component and part of this responsibility is to ensure that the Corporation fulfils the financial responsibilities outlined in the *Social Housing Reform Act 2000* and associated regulations.

An essential component of good financial management is the collection of monthly rents/housing charges from all households. The collection of rents/housing charges allows the housing provider to operate according to their annual operating budget by ensuring that funds are available when needed and when planned to be spent. Households who fall into arrears not only jeopardize their own tenancy/membership but may also put the corporation in a poor cash flow position that can negatively impact on the organization's annual budget plans.

Low (or no) arrears is a sign of good management and indicates that effective arrears policies are in place.

The accumulation of arrears can ultimately lead to eviction. The eviction process, from first occurrence of arrears to eventual eviction, takes 4 to 6 months and typically, the household's arrears continue to increase during this time period. An effective arrears policy places emphasis on the aggressive steps taken by a provider at the first occurrence of arrears. Allowing the tenant/member to accumulate arrears does not help the household in the end. Few households in arrears can afford increased or additional payments to bring their accounts up-to-date. Typically, the household continues to fall behind to such a point that repayment is unattainable. This leads to eviction and ineligibility for rent-geared-to-income assistance due to the outstanding arrears.

There is little that housing providers can do to speed up the eviction process once it reaches the court/tribunal stage. Delays in obtaining hearing/court dates, required notice periods coupled with workloads of the Sheriff's Office are beyond the control of the housing provider. Housing providers must take aggressive action at the beginning of the process to avoid or limit the accumulation of arrears and the costs that accompany the court/tribunal process.

Definitions

NRH has established the following definitions for housing providers to assess their own level of arrears:

Arrears:

Defined as the total amount owing on the first of the month and includes arrears that are part of a repayment agreement, but excludes last month's rent/member deposit arrears.

Acceptable Level:

Defined as a maximum of 2.5% of the provider's total potential revenue.

Total Potential Revenue:

Defined as the total rent/housing charges from the market households plus the RGI rent/housing charge from households receiving subsidy (per the provider's current operating budget), but excluding the subsidy from NRH.

Providers whose arrears are consistently below 2.5% of their total potential revenue are considered to be managing arrears effectively. Providers whose arrears are above 2.5% of their total potential revenue must review their rent/housing charge collection and arrears policy and make appropriate revisions to strengthen their policy.

POLICY

An effective rent/housing charge collection & arrears policy should define and outline the rental/housing charge responsibilities of the household and include a consistent and incremental step-by-step approach to the collection of arrears, as follows:

Rent/Housing Charge Collection Policy should include:

- How, when and where households should pay their rent/housing charge;
- The encouragement of post-dated cheques or direct debit system for monthly payment;
- If cash is accepted, who handles it, when it is deposited, where it is kept and what controls are in place to protect it;
- Due dates for monthly payment.

Arrears Collection Procedures should include:

- At the first instance of arrears (by the 2nd day of the month), a warning letter is delivered to the household;
- If the arrears are not paid or a repayment agreement is not signed by the 15th of the month, the household is issued an *N4* (non-profits) or a *Notice of Intention to Terminate Occupancy Rights* (co-ops);
- A repayment agreement should be realistic with consideration for the tenant/member's ability to pay, but should be no longer than 6 months to one year, depending on the circumstances;
- The meeting with the co-op board should take place by the end of the first month;
- If the arrears are not paid, or a default of the repayment agreement occurs by the beginning of the 2nd month, the non-profit proceeds to the Tribunal. For co-ops, the board should proceed to terminate the member's occupancy rights with the right of appeal to be held by the end of the 2nd month - after that the formal eviction process should begin.
- Specific restrictions for co-operative board members – (i.e., co-op board members should not be in arrears; if arrears exist, a board member *must not* be in default of a current repayment agreement - NRH views this as a conflict of interest).

SUMMARY

Housing provider's rent/housing charge collection and arrears policies must be strengthened for those housing providers whose arrears are greater than 2.5% of their total potential revenue. Housing providers should ensure that their rent/housing charge collection and arrears procedures include the following:

- Advising households of their rent/housing charges responsibilities;
- Immediate and aggressive follow up to the first occurrence of arrears;
- Incremental and consistent steps to the collection of arrears;
- Warning letters, notices and meetings with board (*co-ops*) should be shortened in time period; and,
- Immediate action in response to a default of a repayment agreement.

Housing Provider's Role

Housing Providers whose latest arrears report show arrears above 2.5% of their total potential revenue must:

1. Review and strengthen their arrears policies and procedures consistent with this NRH Notice.

2. Ensure that monthly arrears reports are submitted to their own board for review, approval and follow-up action.
3. Providers that have been directed through their operational review to provide monthly arrears reports to their Housing Administrator, are to submit reports by the 10th of the following month, until advised otherwise. Monthly arrears report must include: arrears in an ageing format with names, amount of arrears, actions taken to date and next steps. For co-ops, the report must also indicate whether any of the households in arrears are Board members.

Service Manager's Role

Niagara Regional Housing will:

1. Review housing provider's arrears policies to ensure consistency with this NRH Notice during the operational review process; and,
2. Review monthly arrears reports submitted by housing providers and follow up with individual housing providers as necessary.

If you have any questions regarding this Notice, please contact your Housing Administrator.

(Original signed by Lora Beckwith)

Lora Beckwith
General Manager