



# Arrears Policy

Updated March 2024



## 1.0 Introduction

1.1 This policy sets out Multifaith Housing Initiative 's (MHI) rules regarding:

- how tenants pay their rent and other charges; and
- how MHI collects arrears of rent and other charges.

## 2.0 Exception to this Policy

2.1 This policy takes the place of or amends all previous policies or decisions that deal with rent payments and arrears collection.

2.2 In urgent situations where a tenant engages in serious misconduct under the MHI Policy *Against Harassment, Discrimination, Reprisals and Violence*, MHI is not required to follow the procedures stated in this policy prior to seeking any remedy under the province's landlord and tenant legislation, going to court for eviction proceedings, resorting to a collection agency or suing for arrears.

## 3.0 Definitions

3.1 "Housing Manager" means the person or agency designated or contracted by the Executive Director to manage an MHI property. The Housing Manager's responsibilities include arrears management, tenant accounts, rent calculations, managing rent payments and bank deposits, and the annual income review of tenants.

3.2 "Limitation period" means the time within which legal action to recover a claim must start. Otherwise, the claim will be statute barred and the claim lost. In Ontario, the limitation period is two years for arrears of rent and two years for other charges, unless prolonged by written acknowledgment or partial payment by the person who owes the amount.

3.3 "Other charges" means fees and amounts, other than rent, that tenants must pay for additional services besides their leaseholds, including late payment charges and charges for returned cheques, or amounts for damage to MHI property that they are responsible for (known as "chargebacks").

3.4 "Ontario's landlord and tenant legislation" is described in Appendix B.



3.5 “Rent” means the monthly payment that tenants make for the right to reside in their leaseholds and otherwise make use of the common areas and facilities in MHI property for a month and includes parking and storage fees paid regularly along with the rent (if any).

#### **4.0 Payments of Rent and other Charges**

4.1 Rent includes all amounts that MHI charges to tenants and services that are included in the rent.

4.2 Rent is due each month on the first day of the month. If the first day of the month is a Saturday, Sunday or statutory holiday, rent is due on the first working day of the month.

4.3 Payments of other charges are due ten working days after the Housing Manager gives notice of other charges to the tenant, by invoice, in each case.

4.4 Any funds incoming from a tenant in arrears will be applied to the tenant’s oldest debts. For example, if the tenant damaged the accommodation and MHI spent money to repair the damage before the tenant missed a rent payment, any incoming funds from the tenant would be applied to the oldest tenant debt before it is applied to rent.

4.5 Tenants can pay rent by:

- cheque or e-transfer,
- automatic payment (Automatic Funds Transfer),
- arranging for direct payment to MHI by deduction, assignment, or transfer from any federal, provincial, or municipal benefits to which they are entitled, where such is allowed by the governing legislation.

4.6 Tenants can pay other charges by cheque or e-transfer.

4.7 Tenants who pay by cheque are encouraged to submit post-dated cheques.

4.8 MHI is not set up to handle cash payments. In special cases, a tenant may have to pay by cash. In that case, the tenant must deliver the cash in person to the MHI office *by appointment* and will be given one copy of a numbered duplicate receipt for the payment. Tenants must never leave cash in MHI’s mailbox.



## 5.0 Late Payments and Late Charges

5.1 Rent payments not paid in full on the day specified in para 4.2 will be considered late.

5.2 Payments of other charges not paid in full at the end of the tenth day after notice thereof will be considered late.

5.3 When a payment is late, the amount owing is in arrears. Each amount owing and the date it became due will be entered in each tenant's account record and remain an outstanding liability by the tenant to MHI until paid or unless waived under an arrears payment agreement.

5.4 The Housing Manager may send a late payment letter to tenants who incur late payments and have not entered into an arrears payment agreement.

5.5 The Housing Manager will begin the procedure to apply for any remedy under the province's landlord and tenant legislation for any tenant who has been sent a late payment letter and has not, within seven working days, either paid the amount owed in full or applied for an arrears payment agreement.

5.6. Tenants who incur late payments and have not entered into an arrears payment agreement will be automatically charged \$25.00 administration fee in each instance by the Housing Manager. The purpose of this fee to offset the administration cost MHI incurs in seeking a cure of the arrears issue with the tenant, while recognizing that the administration cost of a tenant's arrears greatly exceeds this figure.

5.7 Arrears administration charges will be added to a tenant's total arrears.

5.8 If, for legitimate reasons of financial hardship, a tenant cannot pay their rent by the first day of the month, the tenant must let the Housing Manager know, in writing, *before* the first day of the month.

5.9 Legitimate reasons of financial hardship may include but are not limited to:

- Hospitalization,
- sudden loss or substantial reduction in income,
- financial institution error,
- move-in after the first business day of the month,
- inability to complete a housing charge assistance application form before the first business day of the month, or,
- death of a family member.

If the Housing Manager considers the reasons are legitimate, the Manager will advise and, if necessary, help the tenant make a written request for an arrears payment agreement under part 6 of this policy.



## 6.0 Arrears Payment Agreements

6.1 An arrears payment agreement will set out how the tenant will pay the arrears, cannot exceed a twelve-month period, and may waive late payment charges. Any funds incoming from a tenant in arrears will be applied to the tenant's oldest debts first.

6.2 Approval by the Executive Director is required for every arrears payment agreement with the same tenant.

6.3 As a matter of general policy, MHI will not approve more than one arrears payment agreement, per tenant, in a year.

6.4 If more late payments occur while an arrears payment agreement is in effect, they will be added to the tenant's arrears.

6.5 If, at the end of the period of an arrears payment agreement, there is still a balance of arrears owing, and the Housing Manager considers the reasons for this are legitimate under para 5.9, the Housing Manager will advise and, if necessary, help the tenant make a written request for another arrears payment agreement under this part.

6.6 If the tenant does not apply for another arrears payment agreement, or if that is refused by the Executive Director, the Housing Manager will begin the procedure to apply for any remedy under the province's landlord and tenant legislation.

## 7.0 Returned Cheques

7.1 If MHI's bank returns a tenant's rent cheque to MHI marked NSF (not sufficient funds), Stop Payment, or Account Closed, the tenant must replace it within two days of being notified by the Housing Manager.

7.2 The tenant will be charged \$20.00 for each returned cheque. If the tenant does not pay this charge in full at the end of the tenth day after notice thereof, the amount will be included as arrears.

7.3 If the tenant does not replace the returned cheque within two days of being notified, the Housing Manager may begin the procedure to apply for any remedy under the province's landlord and tenant legislation.

7.4 If a tenant has two cheques returned within a year, the tenant must pay future housing charges by direct deposit, certified cheque, or money order. This will apply for a period of one year from the date of the second returned cheque. MHI will not accept payment in any other form.



## **8.0 Tenants Who Move Out in Arrears**

8.1 MHI will take all reasonable steps to collect arrears from tenants who have moved out of one of its rental units.

8.2 These steps may include:

- sending a registered letter with a summary of the amount owing to the former tenant's last known address
- placing the account with a collection agency
- informing the municipality's centralized waiting list of the arrears; and/or
- taking legal action through the courts to collect the arrears.

8.3 When a tenant moves out of an MHI unit owing arrears (including any legal costs), until the arrears are paid, the tenant:

- is not eligible to be considered for tenancy with MHI.
- may not occupy or reside in another unit in MHI as part of another tenant's household; or
- may not stay in any other unit in MHI as a long-term guest.

## **9.0 Reporting**

9.1 Each month, the Housing Manager will prepare a detailed and confidential arrears report for review by the Executive Director. The Executive Director then provides a financial statement with a broad overview of the state of arrears to the Board monthly.

9.2 The form of the arrears reports will be approved by the Executive Director and should include:

- A listing of current tenants who are in arrears in their rent. It will show the arrears over time, the reasons for the arrears and the actions taken to rectify the situation, including any agreements with the tenant.
- A listing of former tenants who are in arrears in their rent will show the arrears over time, the reasons for the arrears and the actions taken to rectify the situation, including any agreements with the tenant.
- A listing of current and former tenants who are in arrears for chargebacks, which are expenses that a tenant has incurred outside of rent, e.g., damage to their unit. It will show the arrears over time, the reasons for the charge-back and the actions taken to rectify the situation, including any agreements with the tenant; and

An analysis of what percentage of rental income MHI may be obliged to forego based on the constraints which now exist because of fewer than necessary landlord and tenant boards being available to resolve disputes.

9.3 The report should also speak generally about compliance with this Policy.



## Appendix A

### Limitation Periods

Ontario has two statutes of limitation relevant to MHIs ability to recover moneys owing to it as a landlord.

Under Ontario's Limitations Act, 2002, S.O. 2002, c. 24 Shed B, specifies a time limit of two years to recover any arrears of rent, or interest on rent, or damages arising from failure to pay rent, unless the tenant has vacated the premises at which time the limitation period is 1 year from the date the tenant vacates the premises and the arrears can extend out past 1 year but only if the application is brought within the 1 year period from vacant possession.

- Under sec. 1, "rent" includes all annuities and periodical sums of money charged upon or payable out of land. This includes parking and storage fees paid regularly along with the rent. It does not include irregular, occasional or usage-based fees and charges that can come up from time to time.
- Under sec .4, the two-year clock starts ticking when the rental payment becomes due, or the debt ought to have become discoverable. But the clock is reset to zero and begins a new two-year extension whenever "any acknowledgment in writing" is given by the person who owes the rent. This includes payment of part but not all the rent that is due.

The recovery of most other fees and charges that a tenant may owe is governed in Ontario by another act, the *Limitations Act, 2002*, SO 2002 c 24 Sched B, as amended. The basic limitation period is set at two years (the "second anniversary") by section 4. Under s 13(1), this clock is reset to zero and begins a new two-year extension whenever liability is acknowledged by the person who owes it.



## Appendix B

### Provincial Landlord and Tenant Legislation

#### Ontario

Ontario's *Residential Tenancies Act, 2006* (RTA) applies to most private residential rental units, including those in single and semi-detached houses, apartments and condominiums, and secondary units (for example, basement apartments). As such, it applies to MHI rental assets.

The purposes of this Act are to provide protection for residential tenants from unlawful rent increases and unlawful evictions, to establish a framework for the regulation of residential rents, to balance the rights and responsibilities of residential landlords and tenants and to provide for the adjudication of disputes and for other processes to informally resolve disputes.

Details of the RTA can be found at: <https://www.ontario.ca/laws/statute/06r17>

The Landlord and Tenant Board (LTB) is the tribunal with the authority to resolve disagreements between landlords and tenants and can provide tenants with information about their rights and responsibilities under the RTA. The LTB was created by the RTA on January 31, 2007. The RTA gives residential landlords and tenants rights and responsibilities and sets out a process for enforcing them.

The role of the LTB is to:

- resolve disputes between landlords and tenants through mediation or adjudication
- resolve eviction applications from co-ops
- provide information to landlords and tenants about their rights and responsibilities under the RTA

Details of the LTB's role, processes, forms, hearing etc. can be found at:

<https://tribunalsontario.ca/ltb/>