

Dear clients,

I have been getting a lot of questions regarding the new government incentive program. For the September mail out, I thought I would send a summary to help answer any questions you may have.

First-Time Home Buyer Incentive offered through CMHC is designed to help qualified first-time buyers reduce their monthly mortgage costs.

Details on the incentive:

- Maximum qualifying income must be no more than \$120,000
- Your total borrowing is limited to 4 times your qualifying income (including the incentive)
- 5% is offered for first-time home buyer's purchase of a re-sale home
- 5% and 10% for a first-time buyer's purchase of a new construction
- The Incentive is a second mortgage on the title of the property. There are no regular principal payments

If you meet these criteria, you can then apply for a 5% or 10% shared equity mortgage with the Government of Canada. A shared equity mortgage is where the government shares in the upside and downside of the property value.

How does it work?

The Incentive enables first-time homebuyers to reduce their monthly mortgage payment without increasing their down payment. The Incentive is not interest bearing and does not require ongoing repayments.

Through the First-Time Home Buyer Incentive, the Government of Canada will offer:

- 5% for a first-time buyer's purchase of a re-sale home
- 5% or 10% for a first-time buyer's purchase of a new construction

How do I know how much I have to pay back?

You can repay the Incentive at any time in full without a pre-payment penalty. You have to repay the Incentive after 25 years or if the property is sold, whichever happens first. The repayment of the Incentive is based on the property's fair market value.

- You receive a 5% incentive of the home's purchase price of \$200,000, or \$10,000.



- If your home value increases to \$300,000 your payback would be 5% of the current value or \$15,000.
- You receive a 10% incentive of the home's purchase price of \$200,000, or \$20,000 and your home value decreases to \$150,000, your repayment value will be 10% of the current value or \$15,000.

NOTE: If your property value goes down, you are still responsible for repaying the shared equity mortgage based on the current home value at time of repayment.

How much funding is available?

The total amount of funding will be \$1.25 billion over 3 years.

What properties are eligible?

The Incentive is to help first-time homebuyers purchase their first home. Eligible residential properties include:

- new construction
- re-sale home
- new and re-sale mobile/manufactured homes

Residential properties can include 1 to 4 units

Types of residential properties include:

- single family homes
- semi-detached homes
- duplex
- triplex
- fourplex
- town houses
- condominium units

IMPORTANT: The property must be located in Canada and must be suitable and available for full-time, year-round occupancy.



Can I buy a house using the program and rent it out?

No. The incentive is to help first-time homebuyers purchase their first home with the intent to occupy the property. Investment properties are not eligible.

There may be an exception for situations of hardship.

What about renovations?

The Program Administrator does not need to be notified prior to a homeowner completing renovations on their home. It is recommended however that the homeowner consider the cost and benefits of the planned renovations, as the Government of Canada will share in any appreciation of the market value at the time of Incentive repayment.

What are the terms of repayment?

The first-time homebuyer will be required to repay the Incentive amount after 25 years or when the property is sold, whichever comes first.

The homebuyer can also repay the Incentive in full at any time, without a pre-payment penalty. Refinancing of the first mortgage will not trigger repayment.

Before selling the property, the homebuyer must obtain approval of the sale from the Program Administrator. For more information consult the Operational Policy Manual, section 7.12.

How is repayment calculated?

- If a homebuyer receives a 5% Incentive, the homebuyer will repay 5% of the home's value at repayment.
- If a homebuyer receives a 10% Incentive, the homebuyer will repay 10% of the home's value at repayment.

Repayment is based on the property's fair market value at the point in time where repayment is required.

What if I am unable to pay back both my first mortgage and the Incentive when I sell my property?

The Program Administrator will work with borrowers who are experiencing financial hardship on a case-by-case basis to offer solutions to the repayment requirements.



Are there other costs involved with the First-Time Homebuyer Incentive?

The Incentive may be associated with additional costs:

- **Additional legal fees:** Your lawyer is closing 2 mortgages so you may be charged higher fees.
- **Appraisal fees:** To repay your incentive, you may need to have an appraisal done to value determine the fair market value of your home.
- **Other fees:** Additional fees may be incurred throughout the life cycle of the incentive, like switching your first mortgage to a new lender or refinancing your first mortgage.

In short, this program is good IF it is the difference between a borrower receiving a mortgage or not. I DO NOT recommend this program if the borrower can buy without it. AS stated above clients are responsible to pay the loan back, and the government will own 5% of the equity in your property even after repayment.

I hope this helps clear up some of your questions. If you have any further questions please do not hesitate to reach out.

Thanks,

