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**SUBJECT****FIRST-TIME HOMEBUYERS**

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**ISSUE**

How will the National Housing Strategy help Canadians purchase their first home?

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**RESPONSE**

- **For many young Canadians, home ownership seems increasingly out of reach. That's why we introduce the First-Time Home Buyer Incentive to help make homeownership more affordable for first-time home buyers.**
- **The Incentive allows eligible first-time home buyers to lower their monthly mortgage payments without adding to their financial burdens.**
- **Since September 2019, we have approved more than 10,500 applications, representing more than \$193 million.**
- **We are expecting that approximately 100,000 families will be able to access the program over its three-year duration.**
- **Through the Fall 2020 Economic Statement, the government increased the eligibility of the First-Time Home Buyer Incentive to help Canadians living in the higher priced markets of Toronto, Vancouver and Victoria.**

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## BACKGROUND

### KEY FACTS

- 80% of Canadian households' housing needs are met through the marketplace.
- Typical First-Time Homebuyers are between the ages of 25 and 34.
- First-Time Homebuyers have an average annual household income of \$74,000
- According to CMHC's 2017 Mortgage Consumer Survey, the average down payment for FTHBs was \$46,000.

### First-Time Home Buyer Incentive

- **\$1.25 billion** over the next 3 years for CMHC to implement the First-Time Home Buyers Incentive.
  - As of December 31, 2020, CMHC had committed \$193.4 million representing 10,648 applications to the FTHBI.
  - Reducing the borrower's monthly mortgage costs.
  - CMHC would offer qualified first-time home buyers a 5 per cent or 10 per cent shared equity mortgage for a newly constructed home, or a 5 per cent shared equity mortgage for an existing home.
  - The Incentive is available to first-time home buyers with household incomes of no more than \$120,000 per year.
  - **New measure announced in the 2020 fall economic statement:**
    - Increase eligibility in the higher priced markets of Toronto, Vancouver and Victoria, these changes will come into effect in spring 2021.
    - the expansion will be available to eligible buyers to purchase a home up to 4.5 times their household income, an increase from the current limit of 4 times household income.
    - the eligible buyer's income threshold is being raised from \$120,000 to \$150,000 for Toronto, Vancouver and Victoria.
    - With a minimum down payment, this targeted expansion will raise the maximum house price for eligible first-time home buyers in these cities from about \$505,000—the current program parameters—to about \$722,000.
- **\$100 million** over the next 5 years to fund existing providers of shared equity mortgages.

As of December 31, 2020, one commitment of \$4 million has been made in support of over 600 units.

### Expanding the FTHBI announcement from the 2020 Fall Economic Statement:

The government is expanding the First-Time Home Buyer Incentive to enhance eligibility in the higher priced markets of Toronto, Vancouver and Victoria. This will help to make home ownership more affordable for Canadians who are buying their first home in these cities.

To help people in Toronto, Vancouver and Victoria buy a house, the expansion will be available to eligible buyers to purchase a home up to 4.5 times their household income, an increase from the current limit of 4 times household income. Additionally, the eligible buyer's income threshold is being raised from \$120,000 to \$150,000 for Toronto, Vancouver and Victoria.

These changes will come into effect in spring 2021. With a minimum down payment, this targeted expansion will raise the maximum house price for eligible first-time home buyers in these cities from about \$505,000—the current program parameters—to about \$722,000.

**Impact of the FTHBI:**

We do not expect the FTHBI's inflation effect to be beyond a maximum of 0.2-0.4 per cent.

Limiting house price inflation will keep housing more affordable, more so than some of the other suggested policy and regulatory changes. For example, a reduction of one per cent in the mortgage insurance stress test or an extended amortization limit of 30 years would have added to indebtedness and resulted in house price inflation of five to six times more than this maximum.

Budget 2019 also proposes to increase the Home Buyers' Plan withdrawal limit from \$25,000 to \$35,000, providing first-time home buyers with greater access to their Registered Retirement Savings Plan savings to buy a home.