NATIONAL HOUSING STRATEGY

First-Time Home Buyer Incentive

HELPING MAKE HOMEOWNERSHIP MORE AFFORDABLE

The First-Time Home Buyer Incentive helps qualified first-time homebuyers reduce their monthly mortgage carrying costs without adding to their financial burdens.

HIGHLIGHTS

5% or 10% shared equity mortgage

The Incentive would allow eligible first-time homebuyers, who have the minimum down payment for an insured mortgage, to apply to finance a portion of their home purchase through a form of shared equity mortgage with the Government of Canada.

For the purchase of an existing home, an Incentive amount of 5% is available. For the purchase of a newly constructed home, an Incentive amount of 5% or 10% is available to qualified buyers. The larger Incentive amount is intended to help encourage the home construction needed to address some of the housing supply shortages in Canada, particularly in our largest cities.

Reduce Monthly Mortgage Payments

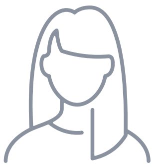
The Incentive enables first-time homebuyers to reduce their monthly mortgage payment, without increasing the amount that they must save for a down payment.

No on-going repayments are required, the Incentive is not interest bearing, and the homeowner can repay the Incentive at any time without a pre-payment penalty.

The shared equity mortgage means that the government shares in the upside and downside of the property value.

Canada

HERE'S AN EXAMPLE*



Anita wants to buy a newly constructed home for $400,000.

Through the Incentive, Anita can apply to receive $40,000 in a shared equity mortgage (10% of the cost of a newly constructed home) through the program, on top of the minimum required down payment of $20,000 (5% of the purchase price) from savings.

This lowers Anita's mortgage amount and reduces the monthly expenses.

As a result, Anita's mortgage is $228 less a month or $2,736 a year.

What if Anita has an annual qualifying income of $83,125?

To be eligible for the First-Time Home Buyer Incentive, Anita will have to purchase a home that is no more than $350,000.

Anita still has the required minimum down payment of 5% of the purchase price ($17,500) from savings and can apply to receive $35,000 in a shared equity mortgage (10% of the cost of a newly constructed home).

This would reduce Anita's mortgage payments by $200 less a month or $2,401 per year.

What if Anita sells the home for $420,000?

At this time, the Incentive will need to be repaid. Anita will repay the Incentive as a percentage of the home's current value. This would result in Anita repaying 10%, or $42,000 at the time of selling the house.

ELIGIBILITY & REQUIREMENTS

First-Time Homebuyer Requirement

At least one homeowner must be a first-time homebuyer, which is considered as the following:

- Have never purchased a home before
- Have gone through a breakdown of marriage or common-law partnership (even if the other first-time home buyer requirements are not met)
- In the last 4 years, has not occupied a home that either themselves or their current spouse or common-law partner owned

IMPORTANT: It's possible that you or your spouse or common-law partner qualifies for the First-Time Home Buyer Incentive (if you are in a married or common-law relationship) with the 4-year clause even if you've owned a home.

Occupancy

Incentive is to help first-time homebuyers purchase their first home with the intent to occupy. Investment properties are not eligible.

Mortgage Loan Insurance Requirement

Mortgages must be eligible for mortgage loan insurance through either Canada Guaranty, CMHC or Sagen. The first mortgage must be greater than 80% of the value of the property and is subject to a mortgage loan insurance premium.

The premium is based on the loan-to-value ratio of the first mortgage only. That is, the first mortgage amount divided by the purchase price. The Incentive amount is included with the total down payment.

Mortgage loan insurance premiums may be subject to provincial taxes.

Borrower Eligibility

Canadian citizens, permanent residents, and non-permanent residents who are legally authorized to work in Canada.

[*] *This example is for illustrative purposes only. All property values and home prices used in this example are not an indicator on how property values are forecasted. Anita will need to repay the incentive at 10% of the fair market value when the property is sold or after 25 years, whichever is earliest.*

Income Requirement

Total qualifying income must not exceed a maximum threshold, depending on the housing market. The maximum total qualifying income for Toronto, Vancouver and Victoria Census Metropolitan Areas (CMAs) is $150,000 per annum. For all other housing markets, the maximum total qualifying income is $120,000 per annum. Income is subject to qualifying income requirements set out by lenders and mortgage loan insurers.

Property Types

Eligible residential properties include:

- new construction
- re-sale home
- new and re-sale mobile 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.

Minimum Down Payment Requirement

For 1-2 unit properties, 5% of the first $500,000 of the lending value and 10% of the remainder of the lending value, from traditional sources of down payment. For 3-4 unit properties, the minimum down payment is 10% of the lending value, from traditional sources of down payment.

Maximum Down Payment Requirement

For a 10% Incentive, the maximum down payment is 9.99%. For a 5% Incentive, the maximum down payment is 14.99%.

Traditional Sources of Down Payment

A traditional down payment comes from sources such as savings, withdrawal/collapse of a registered retirement savings plan (RRSP), funds borrowed against proven assets, or a non-repayable financial gift from a relative.

Non-Traditional Sources of Down Payment

A non-traditional down payment source, such as unsecured personal loans or unsecured lines of credit used to satisfy minimum down payment requirements is **not eligible** for the Program.

Loan-to-Value Requirement

The insured first mortgage loan-to-value must be above 80%.

Mortgage-to-Income Requirement

The combined mortgage and Incentive amount must not exceed a maximum threshold depending on the housing market. The maximum Mortgage to Income (MTI) ratio for Toronto, Vancouver and Victoria CMAs is 4.5. For all other housing markets, the maximum MTI ratio is 4.0.

The amount for the mortgage loan insurance premium is excluded from this calculation.

Debt Service

The maximum threshold is subject to requirements by lenders and mortgage loan insurer's policies, and only applied on the first mortgage.

Security

The Incentive will be a second mortgage on the title of the property, with no regular principal payments, is not interest bearing, and has a maximum term of 25 years.

The Incentive will have an equity-like payout, where the Program will share in the upside and downside of the property value upon repayment.

Repayment Requirement

Trigger for repayment: The first-time homebuyer will be required to repay the Incentive amount after 25 years, or when the property is sold, whichever is earlier. The homebuyer can also choose to repay the Incentive in full at any time, without a pre-payment penalty. Refinancing of the first mortgage will not trigger repayment.

Calculation of repayment amount: At time of repayment, if a homebuyer receives a 5% (or 10%) Incentive, the homebuyer would repay 5% (or 10%) of the home's value to the government. Repayment will be based upon the home's fair market value.

INCENTIVE BY PROPERTY TYPE

Property Type	Incentive (%)
New Construction	5% or 10%
Existing Home	5%
New or re-sale mobile home	5%

FUNDING AVAILABLE

The Government of Canada has allocated $1.25 billion over three years (starting in 2019) for this program.

This material is a quick reference tool. Additional conditions may apply. The information is subject to change at any time. This program cannot be applied retroactively for first-time homeowner who have already purchased and closed on a property.

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