First-Time Home Buyer Incentive

Questions and Answers

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National Housing Strategy

Canada

Please note that the deadline to submit a new First-Time Home Buyer Incentive (FTHBI) application was March 21, 2024.

1. **The FTHBI was discontinued. How does this impact homebuyers that are already approved for the FTHBI?**

   The changes do not impact homebuyers that were already approved for the FTHBI. Homebuyers would have received confirmation of approval from their lender and would have been provided with documentation and instructions related to the program.

2. **When will the Program Administrator stop issuing approvals for incentives under the FTHBI Program?**

   Applications received on or before the March 21st, 2024 deadline have been processed by The Program Administrator.

   No new approvals will be issued by the Program Administrator after March 31, 2024.

3. **Will the Program Administrator accept post-approval changes for approved applications?**

   Yes, for approved applications, the Program Administrator will continue to process requests for post-approval changes consistent with the guidance outlined in the Operational Policy Manual on the First-Time Home Buyer Incentive website.

   An increase in the percentage of the incentive (from 5% to 10% for new construction) will be considered a new commitment; therefore, this specific post-approval change will not be permitted after March 21, 2024.

4. **What will happen to applications that require approval of progress advances after the FTHBI Program end date of March 31?**

   In the case of a new construction progress advance, the incentive will be advanced concurrently with the final draw under the first insured mortgage, provided that the home is determined to be complete or substantially completed in accordance with Lenders and the respective Mortgage Loan Insurer's policies.

   Given that each advance requires approval by the Mortgage Loan Insurer (MLI), the MLI should also request re-approval of the FTHBI incentive each time an advance is being granted.

   This process is not impacted by the Program end date, if the incentive was approved on or before the deadline of March 31, 2024.

5. **What if there is a delay in the closing date that exceeds the maximum permitted closing date?**

   The maximum closing date for an existing home is 6 months from the Incentive approval and is 18 months for new construction. Where there are delays in the planned closing date, the application will need to be re-submitted. Any prior approval of the Incentive will be honored provided the eligibility requirements of the FTHBI Program are still met and the new closing date does not exceed 18 months after Program end date (September 21, 2025).

6. **Is the Incentive considered a traditional or non-traditional down payment source?**

   The Incentive is a form of a shared equity mortgage loan that is repayable at the earlier of 25 years or the sale of the property. The Incentive is considered as a supplement to the down payment after satisfying minimum down payment requirements from traditional sources.

7. **What if there is a change to the homebuyer's qualification criteria post approval (e.g. Income, Mortgage to Income (MTI) Ratio etc.) that exceeds the FTHBI Program eligibility criteria?**

   Where a change occurs between the time of initial Incentive approval and advancement of the Incentive that exceeds the FTHBI Program eligibility criteria, the application must be re-submitted and will be subsequently declined. In exceptional cases, the Program Administrator may consider an appeal with respect to the application adjudication.

8. **If the borrower received an Incentive and they want to port their mortgage to a new property, can they also port their mortgage loan insurance premium to save money?**

   While a port would entail the repayment of the Incentive, a borrower may take advantage of any port product offered by the respective Mortgage Loan Insurer, including any benefit to the mortgage loan insurance premium.

9. If the borrower decides to purchase a new property, can they port the Incentive along with their first ranking mortgage?

A Port under the FTHBI program will be considered a sale, which will require repayment of the Incentive.

10. Can the borrower rent out their property if they received an Incentive under the FTHBI Program?

To be eligible for the FTHBI Program, the property must be intended for owner occupancy as the borrower's primary residence.

11. Can a borrower switch their first ranking mortgage to a different financial institution without triggering repayment of the Incentive?

Yes, the first ranking mortgage may be switched to a different financial institution without triggering repayment of the Incentive. In some instances, there may be additional legal fees associated with switching the first ranking mortgage where there is a shared equity mortgage registered against the property.

12. If a borrower wants to voluntarily re-pay the Incentive, whom do they contact?

The borrower must contact the First-Time Home Buyer Incentive Contact Number at: 1-877-884-2642.

13. Can real-estate commission or other costs be deducted from the sale proceeds prior to calculating repayment of the Incentive?

In the event of a repayment triggered by the sale of the property, the Incentive amount must be based on the market value of the property at the time of sale, which generally would be supported by the purchase price as stated in the purchase and sale agreement. In the case where the sale is non-arm's length to the borrower, an independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained by the borrower.

Where differing opinions of value exist, the Program Administrator at its own cost, reserves the right to obtain an independent third-party appraisal to ensure the valuation reflects fair market value.

Therefore, any real-estate commission or other costs incurred may only be deduced from the sale proceeds after all of the borrower's mortgage obligations (including the Incentive repayment), have been paid.

14. Does the Program Administrator need to be notified prior to undertaking renovations?

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

15. What if the borrower doesn't have enough funds to pay back both the first ranking mortgage and the Incentive when they sell their property?

The Program Administrator will work with borrowers who are experiencing financial hardship, which may include an extension or modification of the repayment requirements.

16. When the borrower repays the Incentive, do they need to obtain an appraisal?

In the event of a repayment triggered by the sale of the property, the Incentive amount must be based on the market value of the property at the time of sale, which generally would be supported by the purchase price as stated in the purchase and sale agreement. In the case where the sale is non-arm's length to the borrower, an independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained by the borrower.

In the case of an early voluntary repayment or where the repayment is triggered by the expiry of 25 years, the Incentive amount must be determined using the fair market value of the property. In such cases, an independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained by the borrower.

Refinancing the first ranking mortgage does not trigger a repayment of the Incentive. However, in the event the borrower is required to repay the Incentive by the Lender due to a refinance, the Lender will be responsible for establishing the fair market value of the property. In this scenario, the Program Administrator will accept the property value established by the Lender within 90 days of the valuation. The Lender must provide formal written proof of the accepted property value in order to use it for repayment purposes.

Where differing opinions of value exist, the Program Administrator at its own cost, reserves the right to obtain an independent third-party appraisal to ensure the valuation reflects fair market value.

17. Do Lenders need to provide arrears reporting to the Program Administrator?

Standard arrears reporting requirements in accordance with the Mortgage Loan Insurer's policies apply with respect to the insured first ranking mortgage. There are no additional reporting requirements that Lenders must follow with respect to the Incentive. However, the Program Administrator must be advised of the undertaking of any legal remedies under the first ranking mortgage.

18. Does the presence of a shared equity mortgage securing an Incentive, which is registered in second ranking position, have any impacts on the Lender's ability to perform default management on the first ranking mortgage?

With respect to default management, Lenders may continue operating within the existing parameters established by their own respective policies and those set out by the respective Mortgage Loan Insurer. The Program Administrator does not need to be notified of any default management actions taken by the first ranking Lender. However, the Program Administrator must be advised of the undertaking of any legal remedies under the first ranking mortgage.

19. Will the presence of the shared equity mortgage securing the Incentive under the FTHBI Program, which is registered in second ranking position, have any impact on a Lender's ability to securitize the insured loan?

No, the existence of a shared equity mortgage securing the Incentive, which is registered in second ranking position will have no impact on a Lender's ability to securitize the insured loan.

20. Will the Incentive be registered on the borrower's credit bureau?

No, the Incentive will not be registered on the borrower's credit bureau. However, the shared equity mortgage securing the Incentive will be registered on title to the property.

21. Is the Incentive mortgage loan insured?

No, the Incentive is not mortgage loan insured. Only the first ranking mortgage is insured by the respective Mortgage Loan Insurer.

22. For Purchase Plus Improvements where the Incentive has already been advanced and the Lender becomes aware that a portion or all of the proposed improvements will no longer be carried out by the homeowner, does the Mortgage Loan Insurer need to be notified?

Where the Lender becomes aware that the homeowner will no longer carry out the proposed improvements, the respective Mortgage Loan Insurer must be notified immediately. The Program Administrator will then work directly with the homeowner to recover any over-advancement of Incentive funds.

23. Why was a maximum gain/loss criteria not established at the beginning of the program?

The FTHBI was introduced to help people across Canada purchase their first home. The maximum gain/loss criteria are being added as additional flexibility in line with the intent of the program, as announced in Budget 2022.

24. When did this come into effect?

The maximum gain to the Government of Canada in the event of an appreciation of the fair market value is effective retroactively to the implementation date of the FTHBI Program (i.e. September 2, 2019).

The maximum loss to the Government of Canada in the event of a depreciation will only apply to the borrowers who signed their Shared Equity Mortgage (SEM) agreements on or after the effective date of June 1, 2022.

25. I have already signed my Shared Equity Mortgage (SEM) agreement and CMHC is now implementing a maximum loss that will be incurred by the government. How will this affect me?

This will not affect you as the implementation of the maximum loss is not retroactive and will only take effect for new SEM agreements being signed on or after June 1, 2022.

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