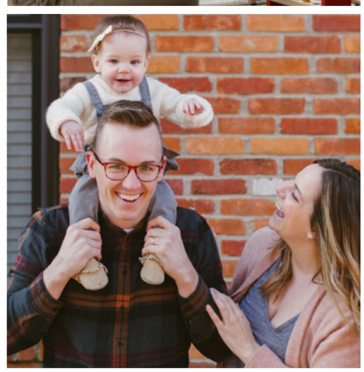
NATIONAL HOUSING STRATEGY

First-Time Home Buyer Incentive

QUESTIONS AND ANSWERS



A place to call home

Canada

1. **Canada's FTHBI Program offers up to a 10% Incentive where the property type is new construction. How is new construction defined?**

   New construction is defined as all previously unoccupied housing.

2. **If the respective Mortgage Loan Insurer requires a minimum down payment of 10%, is the homebuyer still eligible to receive a 10% Incentive for new construction?**

   The loan-to-value (LTV) of the first mortgage (which takes into account the borrower's contribution of the down payment plus the Incentive) must be above 80%. As such, where Mortgage Loan Insurers require an additional minimum down payment beyond the standard 5%, the maximum eligible Incentive must be reduced to 5% for new construction.

3. **Are mobile/manufactured homes eligible for the Incentive?**

   Yes, new or re-sale mobile/manufactured homes are eligible for a maximum Incentive of 5%. The mobile/manufactured home may be situated on either owned or leased land.

4. **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. In all instances, the maximum closing date cannot exceed March 31, 2024.

5. **Is the Incentive available for housing located on First Nation or Indigenous Settlement Land?**

   Yes, the Incentive is available for housing located on First Nation or Indigenous Settlement land subject to loan security requirements set out by the Program Administrator and the respective Mortgage Loan Insurer's policies.

6. **Is the Lender required to verify that the homebuyer is a First-Time Home Buyer?**

   To be eligible for the FTHBI Program, at least one homebuyer must attest to being a first-time homebuyer by providing a signed copy of the Canada's FTHBI Program Attestation, Consent & Privacy Notice document directly to the lender. The lender must retain the signed document on file in accordance with the respective Mortgage Loan Insurer's policies.

7. **How does the 4 year rule work?**

   The 4-year period begins on January 1st of the fourth year before the Incentive is funded and ends 31 days before the date the Incentive is funded. For example, if the Incentive will be funded on November 1, 2019, the four-year period begins on January 1, 2015 and ends on September 30, 2019.

For illustrative purposes:

Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
January 1, 2015 (Four-year period begins)				**September 30, 2019** (Four-year period ends) **November 1, 2019** (Incentive may be funded)

8. Will homebuyers be eligible for the Incentive and also take advantage of other Down Payment Assistance Programs offered by a Government Agency?

Down Payment Assistance Programs typically provide down payment assistance in the form of a repayable loan that is used by the homebuyer to meet minimum down payment requirements to purchase a home.

To be eligible for the FTHBI Program, the homebuyers must satisfy minimum down payment requirements from traditional sources such as savings, withdrawal/collapse of a Registered Retirement Savings Plan (RRSP), or a non-repayable financial gift from a relative/immediate family member.

Non-traditional down payment sources, which may include unsecured personal loans/lines of credits, and repayable loans from a government agency, are not eligible to satisfy minimum down payment requirements for the FTHBI Program.

For clarity, where the down payment assistance from a government agency is in the form of a repayable loan and is being used to satisfy minimum down payment requirements, the homebuyer would not be eligible for the FTHBI Program.

9. If the homebuyer satisfies minimum down payment requirements from traditional sources and is eligible for the Incentive, can the homebuyer also take advantage of other Government Down Payment Assistance Programs at the same time?

If the homebuyer satisfies minimum down payment requirements from traditional sources and qualifies for the Incentive, the homebuyer may also supplement the down payment with non-traditional sources subject to the respective Mortgage Loan Insurer’s policies.

Note, the maximum loan-to-value (LTV) ratio must be above 80%.

10. 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.

11. Can the Incentive be used to purchase a secondary/vacation home?

No. To be eligible for the Incentive under the FTHBI Program, the subject property must be intended for owner occupancy as the borrower's primary residence.

12. What if there 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.

13. If one of the homebuyers meets the FTHBI Program's eligibility criteria and their spouse or common-law partner already owns a home, can the mortgage be ported to purchase a new home and the homebuyers be eligible for the Incentive?

Provided that at least one homebuyer is an eligible first-time homebuyer, a mortgage may be ported to facilitate the purchase of a new home and be eligible for the Incentive subject to standard FTHBI Program eligibility requirements. In addition, all standard Lender and Mortgage Loan Insurer's policies apply with respect to port applications.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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.

29. Are there any changes to the current application process for the Lender or the Mortgage Insurer?

No. The process remains the same. It is important to bring attention to the accuracy of the property postal code since it determines the housing market of the subject property. For new construction, it is essential to input the closest postal code available while confirming that the postal code used falls in the same Census Metropolitan Area (CMA) as the subject property. This can be done by using the tools on placetocallhome.ca web site.

30. How are you defining Toronto, Vancouver and Victoria in relation to the expansion of the Program?

Vancouver, Victoria and Toronto are defined using Statistics Canada's Census Metropolitan Area (CMA) definitions for these areas. The postal codes will be used to validate the property location. The placetocallhome.ca web site provides links to useful tools and a guide to help you navigate whether the property falls within Toronto, Vancouver and Victoria CMAs or other housing markets.

31. If a property is located outside of the Toronto, Vancouver, or Victoria CMAs, will exceptions be considered to allow the expanded criteria (qualifying income up to $150,000 and increased total borrowing amount of 4.5 times your qualifying income)?

Exceptions will not be permitted; if a property falls outside the Toronto, Vancouver, or Victoria CMAs, the loan must meet the standard criteria (qualifying income up to $120,000 and increased total borrowing amount of 4.0 times your total qualifying income).

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