NATIONAL HOUSING STRATEGY

First-Time Home Buyer Incentive Program

SHARED EQUITY MORTGAGE REPAYMENT FACTSHEET

INTRODUCTION

The borrower must repay the Incentive after the earlier of 25 years or if the property is sold. In the event of a sale, the borrower must notify the program administrator under the First-Time Home Buyer Incentive program (the "FTHBI Program") in advance and seek concurrence as to the market value of the home. The borrower may also voluntarily choose to repay the full amount of the Incentive **at any time**, subject to the Program Administrator giving concurrence to the appraisal's fair market value estimate. Additional events throughout the life of the Incentive may require it to be repaid.

Effective June 1, 2022, the Incentive repayment calculation under the FTHBI Program was amended to implement a limit on the Program Administrator's share in the appreciation or depreciation of a home at the time of repayment up to a maximum gain or loss amount of 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment.

This means that, under the Incentive repayment calculation, the borrower must repay the Program Administrator a percentage of the market value of the home at the time of repayment equal to the percentage (i.e., 5% or 10%) of the original home value used to determine the Incentive, up to a maximum amount equal to:

(i) where the home's value has appreciated, the Incentive plus a maximum gain of 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment; or

(ii) where the home's value has depreciated, the Incentive minus a maximum loss of 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment.

In the case of appreciation, the above Incentive repayment calculation is retroactive to the implementation date of the FTHBI Program (i.e., September 2, 2019).

In the case of depreciation, the above Incentive repayment calculation applies to all borrowers who have signed a shared equity mortgage (SEM) agreement on or after June 1, 2022. For greater clarity, if a borrower has signed a SEM agreement before this date and the home has depreciated in value, then the borrower must repay the

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Program Administrator a percentage of the market value of the home at the time of repayment equal to the percentage (i.e., 5% or 10%) of the original home value used to determine the Incentive.

The Program Administrator will share in any appreciation or depreciation based on the above terms and conditions, regardless of any borrower spending to improve the home.

The Homebuyer is also responsible for payment of administration costs - such as costs related to valuing the home at the time of repayment, default management costs and fees for discharging the Incentive.

WHAT TRIGGERS A REPAYMENT?

- The Incentive must be repaid at the end of the 25-year term or when the property is sold.
- You may be required to repay the incentive in certain circumstances relating to dissolutions of relationships/buyouts of borrowers, requirement of the Lender in the event of a refinance, etc. Please contact FTHBI@cmhc.gc.ca for clarification and guidance if you are making changes.

Note: The repayment amount is based on the property value at the time of the repayment. You may want to consider repaying your incentive before undertaking any major improvements to your property as these will increase the value of your home.

REPAYMENT PROCESS

1. Notification

The borrower (or their legal representation) must contact the Program Administrator to notify of their intention to repay. The Program Administrator can be contacted by phone (1-877-884-2642) or by email (FTHBI@cmhc.gc.ca) to obtain further instructions.

2. Property Valuation

The borrower must provide the Program Administrator with documentation supporting the current market value of the property at the time of the repayment (i.e. agreement of purchase and sale documents or an appraisal that complies with program requirements).

a) Early voluntary repayments and repayments at the 25-year mark

The Incentive amount must be determined using the **fair market value** of the property. An independent third-party appraisal performed by an appropriately qualified real estate appraiser must be obtained at time of repayment.

How to choose the right appraiser to complete a third-party appraisal?

The appraiser must be a member in good standing of a trusted and recognized Canadian professional association, must hold a professional title (OEAQ, AIC, CNAREA) and must have professional liability insurance coverage against errors and omissions. The report must be prepared according to industry standards (The AIC or OEAQ template or forms must be used) and must meet the requirement outlined in the FTHBI – Operational Policy Manual (Appendix A: Terms of Reference for Appraisers).[1]

b) Sale of the property

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.

[1] A simplified appraisal checklist can also be found here: https://assets.cmhc-schl.gc.ca/sites/place-to-call-home/fthbi/fthbi-appraisal-checklist-en.pdf

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.

Please notify the Program Administrator at least 10 business days prior to the repayment (or sale closing date)

3. Review

The Program Administrator will review the documentation provided and send an invoice with payment instructions to the borrower

4. Discharge

Once the payment has been made in full, the Program Administrator will work with the borrower (or their legal representation) in accordance with municipal/provincial laws to complete the discharge of the Shared Equity Mortgage.

REPAYMENT CALCULATION EXAMPLES**

Scenario 1: Increase in market value – Resale Home Purchase (5% share) – Shared Equity Amount owed when home sold after 5 years:

Information	Amount
Original Home Value	$400,000
Incentive (original home value ($400,000) x 5%)	$20,000
Fair market value at sale of the home	$480,000
Shared Equity Amount*	$4,000

* The Program Administrator's gain will be the lesser of:
(i) The Shared Equity Amount:
→ (fair market value ($480,000) – original home value ($400,000)) x 5% = $4,000

OR

(ii) The Maximum Shared Equity Gain Amount:
→ (Incentive ($20,000) x 8% x 5 years) = $ 8,000

Amount to repay to the Program Administrator **→ Incentive ($20,000) PLUS Shared Equity Amount ($4,000)**	**$24,000**

(plus any Additional Costs due at the time of repayment, if applicable)

Scenario 2: Decrease in market value – Resale Home Purchase (5% share) – Shared Equity Amount owed when home sold after 5 years:

Information	Amount
Original Home Value	$400,000
Incentive Amount (original home value ($400,000) x 5%)	$20,000
Fair market value at sale of the home	$330,000
Shared Equity Amount*	**–$3,500**

* The Program Administrator’s loss will be the lesser of:
(i) The Shared Equity Amount:
→ (fair market value ($330,000) – original home value ($400,000)) x 5%= **- $3,500**

OR

(ii) The Maximum Shared Equity Loss Amount:
→ (Incentive ($20,000) x -8% x 5 years) = **- $8,000**

Amount to repay to the Program Administrator **→ Incentive ($20,000) PLUS Shared Equity Amount (-$3,500)** **(plus any Additional Costs due at the time of repayment, if applicable)**	**$16,500**

**NOTE:

- The examples assume that the Homebuyer is in good standing under the FTHBI program and the shared equity mortgage and that any costs owing by the Homebuyer to the Program Administrator have been paid to date.
- **The examples are for illustrative purposes only. All property values and home prices used in these examples are not an indicator of how property values are forecasted.**
- Scenario 2 above describes the Incentive repayment calculation in the event of depreciation, which applies to borrowers who have signed a shared equity mortgage (SEM) agreement on or after June 1, 2022. If, however, a borrower has signed a SEM agreement before this date, then the borrower must repay the Program Administrator a percentage of the market value of the home at the time of repayment equal to the percentage (i.e., 5% or 10%) of the original home value used to determine the Incentive. Please contact the Program Administrator if you require further details.

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