First-Time Home Buyer Incentive

Shared Equity Mortgage Information Package

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National Housing Strategy

Canada

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The First-Time Home Buyer Incentive has been discontinued. Applications are no longer being accepted. No new approvals will be granted after March 31, 2024.

HOMEBUYER: you must read, print and sign this information package and thereafter take the signed information package with you when attending your mortgage lender/broker's office to apply for your first insured mortgage and also your lawyer/notary's office when attending to sign your closing documents.

The purpose of this information package is to set out the general terms and conditions on how the Government of Canada's First-Time Home Buyer Incentive ("**FTHBI**") program may assist you to purchase a home.

The FTHBI program is granted by Canada Mortgage and Housing Corporation ("**CMHC**"), in its capacity as program administrator of the FTHBI program (the "**Program Administrator**"), in accordance with section 57 of the *National Housing Act* (Canada), established to help eligible first-time home buyers with the purchase of a home.

1. WHAT IS THE FTHBI PROGRAM?

The FTHBI program enables qualified first-time homebuyers (individually or collectively, the "**Homebuyer**") to reduce their monthly mortgage payment without increasing the amount they must save for a down payment, by providing the Homebuyer with a portion of the purchase price of the home (the "Incentive").

The Incentive is not interest bearing and does not require ongoing repayments.

2. HOW DOES THE FTBHI PROGRAM WORK?

In exchange for providing this assistance through the FTHBI program, you agree that the Program Administrator will share in the appreciation or depreciation in the value of the home at the time of repayment, up to a maximum gain or loss equal to 8% per annum (not compounded) on the Incentive amount from the date of advance to the time of repayment.

3. HOW MUCH INCENTIVE WILL THE PROGRAM ADMINISTRATOR PROVIDE?

For a:

- **re-sale home**, 5% of the original home value.
- **new construction home**, 5% or 10% of the original home value, as requested by the Homebuyer and approved by the Program Administrator.
- **mobile/manufactured home, (new construction or resale)** 5% of the original home value.

4. WHAT AMOUNT IS OWING UNDER THE INCENTIVE AT THE TIME OF REPAYMENT?

If a Homebuyer receives an Incentive amount of 5% (or 10%) of the original home value, the Homebuyer must repay 5% (or 10%) of the market value of the home at the time of repayment, up to a maximum repayment 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.

Examples of repayment are shown starting on page 9.

5. WHEN DOES THE INCENTIVE HAVE TO BE REPAID?

The Homebuyer will be required to repay the Incentive after 25 years from the date of the purchase of the home, or when the home is sold, whichever comes first.

In the event of a **sale**, the Homebuyer must notify the Program Administrator in advance and seek concurrence as to the market value of the home.

In the event of a **prepayment**, the Incentive may also be repaid in full, by the Homebuyer at any time subject to the amount being repaid being approved by the Program Administrator.

6. HOW DO I APPLY?

The First-Time Home Buyer Incentive has been discontinued. Applications are no longer being accepted.

The deadline for new submissions for the First-Time Home Buyer Incentive was midnight ET on March 21, 2024. The Program Administrator processed applications received before the deadlines promptly. No new approvals will be granted after March 31, 2024.

Step 1: Read, print and sign this **Information Package** together with the **Canada's FTHBI Program Attestation, Consent & Privacy Notice** both of which are available on www.cmhc-schl.gc.ca/consumers/home-buying/first-time-home-buyer-incentive.

Step 2: Take the executed Canada's FTHBI Program Attestation, Consent & Privacy Notice with you to your first mortgage lender/mortgage broker.

Step 3: The first mortgage lender/mortgage broker will submit the application to the Program Administrator on your behalf and at your request.

7. WHAT HAPPENS NEXT?

Your first mortgage lender/mortgage broker will notify you if you have been approved for the Incentive under the FTHBI program.

If your application for the Incentive is accepted, **you MUST call 1-855-844-4535** or email FTHBI@FNF.ca to notify the closing service provider, FNF Canada, of the name of the lawyer/notary you have chosen to close your deal and to allow the Incentive to be activated and delivery of the required closing documents to be delivered to your lawyer/notary in time for closing. **You must provide your lawyer/notary information as soon as you have chosen one and no less than 2 weeks prior to your closing.**

Once approved, a commitment to fund will be provided by the Program Administrator, which commitment will automatically terminate without further notice 90 days following:

1. for a **resale home**, the date that is 6 months from the date of the commitment to fund; or
2. for a **new build home**, the date that is 18 months from the date of the commitment to fund.

8. WHAT IF I AM PURCHASING THE HOME WITH SOMEONE ELSE?

If there is more than one Homebuyer then each Homebuyer is jointly and severally (in Québec, solidarily) liable with the other Homebuyer under the shared equity mortgage agreement, the mortgage (in Québec, immovable hypothec) and any associated documents.

Any guarantor under the first insured mortgage will also be jointly and severally (in Québec, solidarily) liable with the Homebuyer under the share equity mortgage agreement, the mortgage (in Québec, immovable hypothec) and any associated documents).

9. WHO IS ELIGIBLE FOR THE INCENTIVE?

To qualify for the Incentive, the following must apply:

- The Homebuyer's total qualifying annual income[1] must not exceed a maximum threshold, depending on the housing market in which the property is located. The maximum total qualifying income is: (a) $150,000 per annum for properties located in the Toronto, Vancouver and Victoria Census Metropolitan Areas (CMAs), respectively; and (b) $120,000 per annum for properties located in all other housing markets. If there is more than one Homebuyer, the combined qualifying annual income must not exceed the above-noted maximum thresholds.
- Examples of qualifying annual income include salary before taxes and investment income[1].
- Total borrowing must not exceed the Mortgage to Income (MTI) ratio threshold established for the housing market in which the property is located. The total borrowing is limited to: (a) no more than 4.5 times the qualifying income for properties located in the Toronto, Vancouver and Victoria CMAs, respectively; and (b) no more than 4 times the qualifying income for properties located in all other housing markets. The combined first insured mortgage and Incentive amount must not exceed the above-noted maximum thresholds.
- The borrower must be a Canadian citizen, a permanent resident, or a non-permanent resident legally authorized to work in Canada.
- If there is more than one Homebuyer, the combined borrowing must not exceed the above-noted maximum thresholds.
- At least one Homebuyer (if more than one on title) must be a first-time Homebuyer, as per the definition below:
  - they have never purchased a home before; or
  - in the last 4 years, they did not occupy a home that they or their current spouse or common-law partner owned; or
  - they are experiencing a breakdown of a marriage or common-law partnership (in certain cases, even if/ when the other first-time Homebuyer requirements are not met).

Note: It is possible that you or your spouse or common-law partner qualifies for the Incentive (if you are in a married or common-law relationship) with the 4-year clause even if you have owned a home previously. If in doubt, you should seek legal advice in this regard.

However, you (whether as a borrower, co-borrower, or as a guarantor) are only permitted to obtain the Incentive once. The maximum of one Incentive includes any variation of borrower/co-borrower/guarantor (i.e. once an Incentive is advanced to a Homebuyer, that Homebuyer is not eligible for any additional Incentives regardless of any other new first-time homebuyer named on the application).

[1] This is subject to qualifying income requirements set out by the first mortgage lender and mortgage loan insurer.

10. WHAT PROPERTIES ARE ELIGIBLE FOR THE INCENTIVE?

The home must be the Homebuyer's primary place of residence (in Québec, domicile), be suitable and available for full-time, year-round occupancy and be located in Canada.

The home must be a residential property, which includes new construction or re-sale homes: single family homes, semi-detached, duplexes, triplexes, four-plexes, town houses, condominium units, and mobile/manufactured homes.

11. DO I STILL NEED A DOWN PAYMENT?

Yes.

A minimum down payment of 5% is required from traditional sources such as savings, withdrawal/collapse of a registered retirement savings plan and non-repayable financial gift from a relative/immediate family member. For lending value above $500,000, 5% down payment is required for the first $500,000 of the lending value and 10% of the remainder of the lending value. Unsecured personal loans or line of credits are **NOT** acceptable to satisfy minimum down payment requirements.

12. WHAT ARE THE OTHER REQUIREMENTS FOR THE INCENTIVE?

- The Homebuyer's first insured mortgage must be eligible for mortgage loan insurance through either Canada Guaranty, CMHC or Sagen.
- The Homebuyer's first insured mortgage must be greater than 80% of the value of the home (high ratio mortgage) and is subject to a mortgage loan insurance premium.

13. ARE THERE ANY COSTS ASSOCIATED WITH THE INCENTIVE?

There is no application or processing fee payable to the Program Administrator.

The Homebuyer may be responsible for payment of certain third-party expenses such as for closing services, funding advances and legal costs in connection with the Incentive and associated documents.

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.

Please see the FTHBI website at www.cmhc-schl.gc.ca/consumers/home-buying/first-time-home-buyer-incentive for additional information about costs.

14. WHAT ABOUT RENOVATIONS?

Upon repayment, improvements will be included when determining the market value, therefore the Homebuyer will have to consider the cost and benefit of the planned renovations and decide whether to repay the Incentive prior to making any home improvements.

IMPORTANT: It may be beneficial to the Homebuyer to repay the Incentive prior to conducting any major renovations to the home.

15. WHAT IF I WANT TO REFINANCE THE HOME?

The home can be refinanced without triggering repayment of the Incentive, however, the shared equity mortgage will only be postponed to the outstanding balance that would otherwise be owing under the first ranking mortgage (i.e. no equity take-out will be permitted ahead of the shared equity mortgage).

Note: The combination of all charges on a refinance must not exceed 80%.

In the event the Homebuyer is required to repay the Incentive by the first mortgage lender due to a refinance, the first mortgage lender will be responsible to establish the fair market value of the property following regulatory guidelines. In this scenario, the Program Administrator will accept the property value established by the first mortgage lender within 90 days of the valuation. The first mortgage lender must provide formal written proof of the accepted property value in order to use it for repayment purposes.

16. IS A MORTGAGE REGISTERED AGAINST THE HOME?

Yes.

A shared equity mortgage securing the Incentive will be registered against the home and will rank behind your first insured mortgage (in Québec, immovable hypothec).

17. WHAT IF I NO LONGER WANT TO RECEIVE THE INCENTIVE OR MY CIRCUMSTANCES HAVE CHANGED AFTER HAVING APPLIED?

The Homebuyer has the right to cancel its application for the Incentive or its approved Incentive on notice to the Program Administrator given no less than 2 weeks before the closing date.

The Homebuyer should also notify its own first mortgage lender as cancellation of the Incentive may affect its financing for the purchase of the home.

18. WHERE CAN I OBTAIN MORE INFORMATION?

More information on the Incentive can also be found on the following website: www.cmhc-schl.gc.ca/consumers/home-buying/first-time-home-buyer-incentive.

You can also contact the First-Time Home Buyer Incentive information line at 1-877-884-2642.

You can also contact your lawyer/notary for further information either before applying for the Incentive or when you attend your lawyer/notary to execute the closing documents for your purchase.

You may wish to seek legal and financial advice to confirm that the Incentive meets your needs and you are eligible for same.

IMPORTANT: The information contained herein is for information purposes only and does not create a binding obligation on the Government of Canada or the Program Administrator.

By signing this Information Package, you, the Homebuyer, your spouse (if applicable) and the guarantor (if applicable) agree to having received and reviewed a copy of this Information Package, the program details on www.cmhc-schl.gc.ca/consumers/home-buying/first-time-home-buyer-incentive, and the Canada's FTHBI Program Attestation, Consent & Privacy Notice, and confirm that you meet the eligibility criteria outlined below.

This Information Package, to the extent signed and delivered by means of electronic transmission, shall be treated in all manner and respects as an original.

The parties have agreed that this Agreement and all documents related thereto will be drafted in the English language. *Les parties aux présentes ont convenu que cette convention et tous les documents qui s'y rapportent soient rédigés en langue anglaise.*

Signed at ______________________________, Province/Territory of ______________________________,

as of this ______ day of ____________________, 20 ______.

Signed: ______________________________ Applicant Print Name: ______________________________

Signed: ______________________________ Applicant Print Name: ______________________________

Signed: ______________________________ Applicant Print Name: ______________________________

Signed: ______________________________ Applicant Print Name: ______________________________

Signed: ______________________________ Guarantor Print Name: ______________________________

Signed: ______________________________ Guarantor Print Name: ______________________________

REPAYMENT AND ANNUAL PERCENTAGE RATE EXAMPLES[2]

(I) Repayment

The Homebuyer must repay an amount equal to the Incentive **PLUS** the Shared Equity Amount **PLUS** any Additional Costs.

In the examples below:

a) "**Shared Equity Amount**" means a share of the difference in (a) the market value of the home on the repayment date, and (b) the original home value. The Program Administrator's share will depend on the original share of the purchase price advanced to the Homebuyer (i.e. the share will be 5% if the Incentive was based on 5% of the original home value at the date of advance, or the share will be 10% if the Incentive was based on 10% of the date of advance). Note that in the event the market value of the home on the repayment date is less than the original home value, the Shared Equity Amount will be a negative amount.

   Notwithstanding the foregoing, where the market value of the home on the repayment date is:

   (i) **greater than the original home value**, the Shared Equity Amount will, in no event, be greater than the Maximum Shared Equity Gain Amount for the purposes of calculating the total indebtedness payable to the Program Administrator. Where the Shared Equity Amount is greater than the Maximum Shared Equity Gain Amount, the Shared Equity Amount will be deemed to be equal to the Maximum Shared Equity Gain Amount; or

   (ii) **less than the original home value**, the negative Shared Equity Amount will reduce the total indebtedness payable to the Program Administrator. Where the Shared Equity Amount reduces the total indebtedness payable to the Program Administrator by more than the Maximum Shared Equity Loss Amount reduces the total indebtedness payable to the Program Administrator, the Shared Equity Amount will be deemed to be equal to the Maximum Shared Equity Loss Amount for the purposes of calculating the total indebtedness payable to the Program Administrator.

b) "**Maximum Shared Equity Gain Amount**" means the maximum gain to which the Program Administrator is entitled to in relation to the increase in the original home value, calculated as a gain of 8% per annum (not compounded) on the Incentive from the date of advance to the time of repayment.

c) "**Maximum Shared Equity Loss Amount**" means the maximum loss to which the Program Administrator is subject to in relation to the decrease in the original home value, calculated as a loss of 8% per annum (not compounded) on the Incentive from the date of advance to the time of repayment.

d) "**Additional Costs**" means the registration costs of discharging the Shared Equity Mortgage from title to the home and any associated administration fees.

(II) Annual Percentage Rate Examples

Annual Percentage Rate (APR) is the annual cost of a loan, expressed as a percentage. Although the Incentive is interest free, because the Homebuyer will have to pay more (or less) than the Incentive back to the Program Administrator if the original home value increases (or decreases), the APR calculations below are meant to illustrate how much it will cost a Homebuyer to agree to the terms of the Incentive and the Shared Equity Mortgage, expressed as an annual rate.

[2] The examples are meant to illustrate possible outcomes depending on various assumptions on the appreciation or depreciation in house prices over time. Changes over time in the value of individual homes subject to this program can be influenced by many factors and could differ from the examples shown.

The APR will vary based on the size of the Shared Equity Amount, the length of time the Homebuyer has owned the home prior to repayment and any administrative charges incurred at closing.

Note: In order to simplify the APR examples below, the examples only reflect the Shared Equity Amount and do not reflect any administrative charges incurred at closing, which are generally nominal and may vary with individual Homebuyer circumstances.

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 Amount (original home value ($400,000) x 5%)	$20,000
Fair market value at sale of the home	$480,000
Shared Equity Amount* *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	$4,000
Amount to repay to the Program Administrator – **Incentive ($20,000) PLUS Shared Equity Amount ($4,000) (plus any Additional Costs due at the time of repayment, if applicable)**	**$24,000**
Equivalent APR (assuming the home is sold after 5 years)	4.00%

Senario 2: Increase in market value — New Construction Purchase (10% 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 10%)	$40,000
Fair market value at sale of the home	$480,000
Shared Equity Amount* *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 10% = $8,000 OR **(ii)** The Maximum Shared Equity Gain Amount: • (Incentive ($40,000) x 8% x 5 years) = $16,000	$8,000
Amount to repay to the Program Administrator – Incentive ($40,000) PLUS Shared Equity Amount ($8,000) (plus any Additional Costs due at the time of repayment, if applicable)	**$48,000**
Equivalent APR (assuming the home is sold after 5 years)	4.00%

Scenario 3: 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* *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 Gain Amount: • (Incentive ($20,000) x 8% x 5 years) = **-$8,000**	**-$3,500**
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
Equivalent APR (assuming the home is sold after 5 years)	3.50%

Scenario 4: Decrease in market value — New Construction Purchase (10% 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 10%)	$40,000
Fair market value at sale of the home	$330,000
Shared Equity Amount* *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 10% = **-$7,000** OR **(i)** The Maximum Shared Equity Loss Amount: • ($40,000 x -8% x 5 years) = **-$16,000**	**-$7,000**
Amount to repay to the Program Administrator – Incentive ($40,000) PLUS Shared Equity Amount (-$7,000) (plus any Additional Costs due at the time of repayment)	**$33,000**
Equivalent APR (assuming the home is sold after 5 years)	**-3.50%**

Scenario 5: Significant increase in market value over short period of time — Resale Home Purchase (5% share) — Shared Equity Amount owed when home sold after only 2 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	$520,000
Shared Equity Amount* *The Program Administrator's gain will be the lesser of: **(i)** The Shared Equity Amount: • (fair market value ($520,000) — original home value ($400,000)) x 5% = $6,000 OR **(i)** The Maximum Shared Equity Gain Amount: • ($20,000 x 8% x 2 years) = $3,200	$3,200
Amount to repay to the Program Administrator – Incentive ($20,000) PLUS Shared Equity Amount ($3,200) (plus any Additional Costs due at the time of repayment, if applicable)	**$23,200**
Equivalent APR (assuming the home is sold after 2 years)	8.00%

Scenario 6: Significant decrease in market value over short period of time — Resale Home Purchase (5% share) — Shared Equity Amount owed when home sold after only 2 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	$280,000
Shared Equity Amount* *The Program Administrator's loss will be the lesser of: **(i)** The Shared Equity Amount: • (fair market value ($280,000) — original home value ($400,000)) x 5% = **-$6,000** OR **(i)** The Maximum Shared Equity Loss Amount: • (Incentive ($20,000) x -8% x 2 years) = **-$3,200**	**-$3,200**
Amount to repay to the Program Administrator – Incentive ($20,000) PLUS Shared Equity Amount ($3,200) (plus any Additional Costs due at the time of repayment, if applicable)	**$16,800**
Equivalent APR (assuming the home is sold after 2 years)	**-8.00%**

These 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.

Also note that these 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.