

GOVERNMENT OF CANADA
AGREEMENT FOR A SHARED EQUITY MORTGAGE
AND
BORROWING DISCLOSURE STATEMENT

This Agreement is made pursuant to section 57 of the *National Housing Act* and sets out the terms and conditions on which Canada Mortgage and Housing Corporation, in its capacity as Program Administrator of the First-Time Home Buyer Incentive program (“**Program Administrator**”), will advance to you, as the Homeowner, a portion of the Original Home Value for your new Property (the “**Incentive**”).

In exchange for providing this assistance through the First-Time Home Buyer Incentive program, you agree that the Program Administrator will be entitled to share in a percentage of the Market Value of the Property at the time of repayment equal to the percentage of the Original Home Value used to determine the Incentive. Examples of this are shown in the Schedule attached hereto.

This Agreement also sets out important information relating to the cost of borrowing associated with the First-Time Home Buyer Incentive program.

Capitalized terms between quotations and in bold font and those used as headings in the table have the meaning set out where each such capitalized term is first used.

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.

1.	Homeowner	_____
2.	Property	_____
3.	First Insured Lender	_____ in relation to a first insured immovable hypothec in an amount not exceeding \$ _____
4.	Guarantor	_____
5.	Original Home Value on Date of Advance	\$ _____ This is the <u>lesser</u> of the purchase price of the Property and the lending value as determined by the mortgage loan insurer.
6.	Incentive	The Program Administrator agrees to make available to the Homeowner the Incentive in the principal amount of \$ _____. This Incentive is _____% of the Original Home Value of the Property (the “ Share ”).
7.	Expected Date of Advance	___ / ___ / ___ The “ Date of Advance ” will be the day the money is actually sent. YYYY MM DD
8.	Term	25 years.
9.	Term Maturity Date	___ / ___ / ___ YYYY MM DD This is the date on which the Term ends and on which the Homeowner must repay the Incentive in full <u>plus</u> the Shared Equity Amount.
10.	Amortization Period	25 years. The Homeowner must repay the Incentive in full <u>plus</u> the Shared Equity Amount on the date that is no later than 25 years from the Date of Advance.
11.	Total Cost of Borrowing	This will vary depending on the Market Value of the Property at the time of repayment. See examples in the attached Schedule.
12.	Balance Due on Term Maturity Date	The Homeowner must repay the Incentive <u>plus</u> , a percentage of the difference in (a) the Market Value on the repayment date, and (b) the Original Home Value, which percentage will be the Share set out above. This difference is referred to as the “ Shared Equity Amount ”. See examples in the attached Schedule. The above calculation is equivalent to the following, if the Homeowner receives an Incentive of 10% of the Original Home Value then the Homeowner must repay 10% of the Market Value. If, however, the Homeowner receives an Incentive of 5% of the Original Home Value then the Homeowner must repay 5% of the Market Value.
13.	Other Fees	Certain customary costs and expenses incurred relating to your Shared Equity Mortgage by the Program Administrator to administer, monitor and enforce the Shared Equity Mortgage will be payable by the Homeowner, subject to applicable law.

		<table border="1"> <tr> <td colspan="2">Current Mortgage Servicing Fees *</td> </tr> <tr> <td>Discharge Fee</td> <td>\$150.00</td> </tr> <tr> <td>Mortgage Discharge Registration fee payable directly to the Province</td> <td>\$ [Provincial fees apply]</td> </tr> <tr> <td>Fee for Postponment of Mortgage</td> <td>\$150.00</td> </tr> <tr> <td>Fee for Assumption (eligible spouse or children only)</td> <td>\$150.00</td> </tr> <tr> <td>Appraisal Fee**</td> <td>\$400.00</td> </tr> </table> <p>* All of the service fees are as of today's date and are subject to change. You can obtain information about fees by contacting CMHC directly.</p> <p>** This amount is paid directly by the Homeowner and is estimated. An appraisal is required for certain purposes, for example in the event of voluntary prepayment and if requested by CMHC at the time of sale.</p>	Current Mortgage Servicing Fees *		Discharge Fee	\$150.00	Mortgage Discharge Registration fee payable directly to the Province	\$ [Provincial fees apply]	Fee for Postponment of Mortgage	\$150.00	Fee for Assumption (eligible spouse or children only)	\$150.00	Appraisal Fee**	\$400.00
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14.	Default Charges	If the Homeowner fails to comply with the terms of this Agreement or the Shared Equity Mortgage, the Homeowner will pay all costs and expenses that the Program Administrator may incur to (a) recover any unpaid amount, and (b) exercise its rights and recourses under the Shared Equity Mortgage.												
15.	Prepayment	The Incentive plus the Shared Equity Amount may be repaid, in full, by the Homeowner at any time subject to the amount being repaid being approved by the Program Administrator.												
16.	Repayment Terms	<p>If:</p> <ul style="list-style-type: none"> (a) the Homeowner sells the Property, or (b) the Homeowner wishes to repay the amounts owing to the Program Administrator under this Agreement, or (c) the Homeowner defaults under the terms of this Agreement or the Shared Equity Mortgage, or (d) 25 years have passed since the date the Incentive was advanced to the Homeowner, <p>then the Homeowner must pay to the Program Administrator an amount equal to the outstanding Incentive plus the Shared Equity Amount. See examples in the attached Schedule.</p> <p>The Homeowner must notify the Program Administrator in advance of the sale and seek concurrence to the Market Value of the Property.</p> <p>This may mean that as house values increase, the Homeowner may want to consider repaying the loan early.</p>												
17.	Security	<p>A condition of the Program Administrator agreeing to the terms of this Agreement is for the Homeowner to grant to the Program Administrator an immovable hypothec which will be registered on title to the Property (the "Shared Equity Mortgage") and rank 2nd behind the immovable hypothec granted to the First Insured Lender (where the First Insured Lender's hypothec is secured by a collateral immovable hypothec, no amounts other than the insured housing loan component can take priority to the Shared Equity Mortgage). The terms of the Shared Equity Mortgage are incorporated and form part of this Agreement.</p> <p>The Shared Equity Mortgage constitutes a continuous and permanent charge against the Property to secure the payment of all present and future liabilities and obligations owed by the Homeowner to the Program Administrator.</p>												
18.	Additional Information and Appraisals	The Homeowner will provide any and all additional information requested by the Program Administrator from time to time (including personal financial situation, and information concerning the value of the Property). The Program Administrator may at any time inspect and have the Property appraised.												
19.	Spousal Consent	The person signing this Agreement as spouse or common-law partner, if applicable, is the spouse or common-law partner of the Homeowner and provides his/her consent to this Agreement and to the Shared Equity Mortgage of the Property if the Property is												

		their matrimonial home. The consent to be given as a spouse or common-law partner shall be as required in accordance with Provincial legislation.
20.	Recourse by the Program Administrator	<p>If there is a breach under the terms of this Agreement or the terms of the Shared Equity Mortgage, the Program Administrator may make written demand to the Homeowner for immediate payment of the Incentive, the Shared Equity Amount and other amounts owed or owing with respect to this Agreement. The Program Administrator may exercise all of its recourses provided by law, this Agreement or the Shared Equity Mortgage in order to recover the outstanding amounts owed to it by the Homeowner.</p> <p>Failure by the Program Administrator to exercise any of its rights or remedies upon the occurrence of a breach or if the Program Administrator decides not to immediately demand that the Homeowner remedy a default, the Program Administrator retains its rights to exercise its rights and remedies later, at its discretion.</p>
21.	General Provisions	<p>The Homeowner acknowledges and agrees that:</p> <ul style="list-style-type: none"> (a) The Program Administrator has no obligation to advance the Incentive or any part of it even if the Shared Equity Mortgage is prepared, signed or registered. (b) All payments due to the Program Administrator under this Agreement must be made as directed by the Program Administrator. The Homeowner may contact the Program Administrator's customer service center for payment information by telephone at 1-877-884-2642. (c) If there is more than one Homeowner then each Homeowner is solidarily liable with the other Homeowner(s) for all obligations under this Agreement and the Shared Equity Mortgage. (d) The Program Administrator may, from time to time, assign this Agreement and/or the Shared Equity Mortgage, without notice to the Homeowner. (e) This Agreement binds the Homeowner's heirs and legal representatives. (f) The terms of this Agreement will govern in the event that there is a conflict between the provisions of this Agreement and the provisions of the Shared Equity Mortgage. (g) If a provision in this Agreement or in the Shared Equity Mortgage, as applicable, is declared invalid or unenforceable, the other provisions of this Agreement or the Shared Equity Mortgage, as applicable, will remain in full force and effect. (h) This Agreement is governed by the federal laws of Canada and applicable laws of the jurisdiction where the Property is located.
22.	Collection, Use and Disclosure of Personal Information	Personal information may be collected, used and disclosed in accordance with the Privacy Notice acknowledged by the Homeowner in the Shared Equity Mortgage Attestation and Consent Form.
23.	Delivery of Statements	Any periodic statements and other documents or notices relating to this Agreement and the Shared Equity Mortgage to the Homeowners will be delivered to the Homeowners at the address of the Property or by any means that the Program Administrator may, at its discretion, use.
24.	Conditions precedent to advancing the Incentive	<p>The following items need to be completed and satisfied, at the Program Administrator's sole discretion, prior to the Program Administrator providing the Incentive:</p> <ul style="list-style-type: none"> 1. The execution and delivery of this Agreement; and 2. All conditions contained in the solicitor's/notary's instructions including, without limitation, the preparation and registration of the Shared Equity Mortgage.

By signing this Agreement, the Homeowner, spouse (if applicable) and guarantor (if applicable):

- 1. confirm that they have received the within borrowing disclosure statement at least 2 days prior to the signing of the Shared Equity Mortgage;**
- 2. confirm that they have read and understood this Agreement and have sought and obtained legal advice and financial advice, if required, prior to their signing hereof; and,**
- 3. agree to the terms of this Agreement and promise to pay to the Program Administrator the Incentive, the Shared Equity Amount and any other amount owing under this Agreement.**

This Agreement, to the extent signed and delivered by means of electronic transmission, shall be treated in all manner and respects as an original agreement and should be considered to have the same binding legal effect as if it were the original version thereof delivered in person.

Signed at _____, Province of _____, as of this ____ day of _____, 20____.

Homeowner's Signature

Homeowner's Signature

Homeowner's Signature

Homeowner's Signature

Homeowner's Signature

Spouse's Signature, if applicable

Guarantor's Signature, if applicable

Guarantor's Signature, if applicable

**CANADA MORTGAGE AND HOUSING
CORPORATION AS PROGRAM
ADMINISTRATOR**

Per: _____
Name:
Title:

I have authority to bind the Corporation.

SAMPLE

SCHEDULE¹

REPAYMENT DETAILS AND EXAMPLES

What are the terms of repayment?

- (a) If:
- (i) the Homeowner sells the Property, or
 - (ii) the Homeowner wishes to repay the Incentive, in full, or
 - (iii) the Homeowner defaults under the terms of the loan document or immovable hypothec or any other documentation entered into in respect thereof, or
 - (iv) 25 years have passed since the date the Incentive was advanced to the Homeowner,
- then the Homeowner **must pay to the Program Administrator an amount equal to the Incentive PLUS the Shared Equity Amount, PLUS the registration costs of discharging the Shared Equity Mortgage from title to the Property and any associated administration fees or otherwise connected therewith (the "Additional Costs")**.
- (b) **"Shared Equity Amount"** means a share of the difference in (a) the Market Value of the Property 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 Homeowner (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).
- (c) Repayment is based on the Property's Market Value.
- (d) **"Original Home Value"** is the lesser of the purchase price, and the fair market value of the Property, as determined by the mortgage loan insurer. If improvements will be made to the Property immediately after the purchase then the value of those improvements will be included when determining the "Original Home Value".
- (e) The **"Market Value"** of the Property will be the selling price of the Property set out in an agreement of purchase and sale between the Homeowner and a third party who is at arm's length to the Homeowner within the meaning of the *Income Tax Act*, or the market value of the Property as determined by the Program Administrator (i.e. by way of an appraisal).

ANNUAL PERCENTAGE RATE (APR)

Annual Percentage Rate (APR) is the annual cost of a loan, expressed as a percentage. Although the Incentive is interest free, because the Homeowner 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 Homeowner to agree to the terms of the Incentive and the Shared Equity Mortgage, expressed as an annual rate. The APR will vary based on the size of the "Shared Equity Amount" and the applicable fees as well as, the length of time the Homeowner has owned the home prior to repayment.

In the examples below it is assumed that total fees incurred for purposes of calculating the APR are \$625 (assuming the discharge fee of \$150, a Provincial land registration discharge fee of \$75 as well as an estimated appraisal fee of \$400). However, the actual fees payable for any particular borrower may be larger or smaller than this amount.

Scenario 1: Increase in Market Value - Resale Home Purchase (5% share) - Amount owed when Property sold after 5 years:

Original Home Value	\$400,000
Incentive (\$400,000 x 5%)	\$20,000
Assumed Market Value at sale of the Property	\$480,000
Shared Equity Amount ((\$480,000 - \$400,000) x 5%	\$4,000
<u>Amount to repay to the Program Administrator</u> <u>(Incentive PLUS Shared Equity Amount)</u> (plus any Additional Costs due at the time of	<u>\$24,000</u>

¹ 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.

repayment)	
Cost of Borrowing Shared Equity Amount (\$4,000) + estimated fees (\$625)	\$4,625
APR (assuming the Property is sold after 5 years)	4.63%

Scenario 2: Increase in Market Value - New Construction Purchase (10% share) - Amount owed when Property sold after 5 years:

Original Home Value	\$400,000
Incentive (\$400,000 x 10%)	\$40,000
Assumed Market Value at sale of the Property	\$480,000
Shared Equity Amount (\$480,000 - \$400,000) x 10%	\$8,000
<u>Amount to repay to the Program Administrator</u> <u>(Incentive PLUS Shared Equity Amount)</u> (plus any Additional Costs due at the time of repayment)	<u>\$48,000</u>
Cost of Borrowing Shared Equity Amount (\$8,000) + estimated fees (\$625)	\$8,625
APR (assuming the Property is sold after 5 years)	4.31%

Scenario 3: Decrease in Market Value – Resale Home Purchase (5% share) - Amount owed when Property sold after 5 years:

Original Home Value	\$400,000
Incentive (\$400,000 x 5%)	\$20,000
Assumed Market Value at sale of the Property	\$330,000
Shared Equity Amount (\$330,000 - \$400,000) x 5%	- \$3,500
<u>Amount to repay to the Program Administrator</u> <u>(Incentive PLUS Shared Equity Amount)</u> (plus any Additional Costs due at the time of repayment)	<u>\$16,500</u>
Cost of Borrowing Shared Equity Amount (-\$3,500) + estimated fees (\$625)	- \$2,875
APR (assuming the Property is sold after 5 years)	- 2.88%

Scenario 4: Decrease in Market Value – New Construction Purchase (10% share) - Amount owed when Property sold after 5 years:

Original Home Value	\$400,000
Incentive (\$400,000 x 10%)	\$40,000

Assumed Market Value at sale of the Property	\$330,000
Shared Equity Amount ($\$330,000 - \$400,000$) x 10%	- \$7,000
<u>Amount to repay to the Program Administrator</u> <u>(Incentive PLUS Shared Equity Amount)</u> (plus any Additional Costs due at the time of repayment)	<u>\$33,000</u>
Cost of Borrowing Shared Equity Amount (-\$7,000) + estimated fees (\$625)	- \$6,375
APR (assuming the Property is sold after 5 years)	- 3.19%

Scenario 5: Significant increase in Market Value over short period of time resulting in higher APR – Resale Home Purchase (5% share) - Shared Equity Amount owed when Property sold after only 2 years:

Original Home Value	\$400,000
Incentive ($\$400,000 \times 5\%$)	\$20,000
Assumed Market Value at sale of the Property	\$520,000
Shared Equity Amount ($\$520,000 - \$400,000$) x 5%	\$6,000
<u>Amount to repay to the Program Administrator</u> <u>(Incentive PLUS Shared Equity Amount)</u> (plus any Additional Costs due at the time of repayment)	<u>\$26,000</u>
Cost of Borrowing Shared Equity Amount (\$6,000) + estimated fees (\$625)	\$6,625
APR (assuming the Property is sold after 2 years)	16.56%

If we assume that the Homeowner in Scenario 5 did not sell their Property until 5 years after purchase and sold it for the same amount of \$520,000, the amount to be repaid to the Program Administrator would still be \$26,000 (plus applicable fees of \$625) and the cost of borrowing would still be \$6,625, but the APR would fall to 6.63%.

****These examples assume that the Homeowner is in good standing under this Agreement and the Shared Equity Mortgage and that any costs owing by the Homeowner to the Program Administrator have been paid to date.**

GUARANTEE

Reference is made to the above agreement for a shared equity mortgage and borrowing disclosure statement (the "**Agreement**") between the Homeowner and the Program Administrator. Capitalized terms used in this Guarantee and not otherwise defined shall have the meanings given to them in the Agreement.

The undersigned (collectively and individually, the "**Guarantor**") unconditionally, solidarily and irrevocably guarantees to the Program Administrator full and prompt payment and satisfaction when due, whether at stated maturity, by required payment, by acceleration, declaration, demand or otherwise, and at all times following when due, of all debts, liabilities and obligations of the Homeowner to the Program Administrator arising from and in respect of the Agreement (collectively, the "**Guaranteed Indebtedness**"). The Guarantor's liability under this Guarantee is unlimited.

The Guarantor must make payments to the Program Administrator of the amount of the liability of the Guarantor for the Guaranteed Indebtedness immediately after demand to do so is made in writing.

The obligations of the Guarantor under this Guarantee are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged, limited or otherwise affected by (and the Guarantor waives, to the fullest extent permitted by applicable law): (1) any termination, invalidity, unenforceability or release by the Program Administrator of any of its rights against the Homeowner or against any other Person or of the Agreement; (2) any increase, reduction, renewal, extension, substitution or other change in, or discontinuance of, the terms relating to the Guaranteed Indebtedness; (3) any change in the financial condition of the Guarantor or the Homeowner, including insolvency and bankruptcy; (4) the benefit of any law which provides that the obligation of a guarantor must not be larger in amount or in other respects more burdensome than that of the principal obligation or which reduces a guarantor's obligation in proportion to the principal obligation; (5) any defence arising from the invalidity, illegality or lack of enforceability of the Guaranteed Indebtedness or any part of it, or of any security or guarantee relating to the Guaranteed Indebtedness, or because of any incapacity, lack of authority, or other defence of the Homeowner, or because of any limitation, postponement, prohibition, subordination or other restriction on the Program Administrator's right to payment of the Guaranteed Indebtedness or any part of it; (6) any defence arising from any failure by the Program Administrator to obtain, perfect or maintain a perfected or prior, or any, security interest in or lien or encumbrance upon the Property, or because of any interest of the Program Administrator in the Property, whether as owner of the Property or as the holder of a security interest in the Property or lien or encumbrance on the Property, being invalidated, voided, declared fraudulent or preferential or otherwise set aside, or because of any impairment by the Program Administrator of any right to recourse or collateral; or (7) any other act or omission to act or delay of any kind by the Homeowner or the Program Administrator, or any other circumstance, whether similar or dissimilar to the foregoing, which might, but for the provisions of this Section, constitute a legal or equitable discharge, limitation or reduction of the Guarantor's obligations under this Guarantee, other than the payment or extinguishment in full of all of the Guaranteed Indebtedness and the termination of the Incentive. The Guarantor waives the benefit of division and discussion.

The Program Administrator may grant extensions of time or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Homeowner without prejudice to, or in any way limiting or lessening, the liability of the Guarantor under this Guarantee.

The Program Administrator is not bound to exhaust its recourse against the Homeowner or under any security before being entitled to payment from the Guarantor under this Guarantee.

Any amount of Guaranteed Indebtedness which may not be recoverable from the Guarantor by the Program Administrator under this Guarantee on the basis of a guarantee will be recoverable by the Program Administrator from the Guarantor as principal debtor of that amount, and that amount will be paid to the Program Administrator immediately after demand for that amount as provided in this Guarantee.

This Guarantee is a continuing, absolute, unconditional, solidarily and irrevocable guarantee of all of the Guaranteed Indebtedness, will apply to all of the Guaranteed Indebtedness, and will remain in full force and effect until all of the Guaranteed Indebtedness has been paid in full. This Guarantee will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to the Program Administrator.

This Guarantee binds the Guarantor solidarily with the Homeowner and with any other person liable for the payment of the amounts owed by the Homeowner to the Program Administrator. This guarantee is in addition to and not in substitution for any other security or guarantee which the Program Administrator now or hereafter holds. The Guarantor may not exercise any recourses resulting in a subrogation to the rights of the Program Administrator until the Program Administrator has received payment in full of the Guaranteed Indebtedness. To the extent permitted by law, the Guarantor hereby postpones and subordinates any right it may have against the Homeowner following payment by the Guarantor under this Guarantee, until such time as the Program Administrator has received payment in full of the Guaranteed Indebtedness. This Agreement is governed by the federal laws of Canada and applicable laws of the jurisdiction where the Property is located.

The Guarantor acknowledges having read the Agreement prior to signing and understands the scope of this Guarantee. The Guarantor further acknowledges having the opportunity to obtain independent legal advice on the consequences of this Guarantee.

The Guarantor has agreed that this Agreement and all documents related thereto will be drafted in the English language. La caution a convenu que cette convention et tous les documents qui s'y rapportent soient rédigés en langue anglaise.

Signed at _____, Province of _____, as of this ____ day of _____, 20____.

Witness

Guarantor's Signature

SAMPLE