

The First Time Home Buyer Incentive



The **First Time Home Buyer Incentive** is a Government of Canada plan intended to help first time buyers purchase a home, by making it more affordable by reducing their monthly mortgage payment without increasing their down payment.

The FTHBI is a **Shared Equity Mortgage** meaning that the Government of Canada has a shared interest in the borrower's property. This program is available through all of the default mortgage insurance companies; CMHC, Genworth and Canada Guaranty.

Borrowers will receive an incentive in the form of an **interest-free loan** towards the down payment:

- 5% for the purchase of a resale property OR
- 5 or 10% for the purchase of a new construction home

In addition to the "interest free down payment loan", the Government of Canada has *increased the eligible RRSP withdrawal amount from \$25,000 to a maximum to \$35,000.*

Program Eligibility

The borrower must be:

- a Canadian Citizen, Permanent Resident or Non-Permanent Resident who is legally authorized to work in Canada
- At least one borrower must be considered a FTHB based on the qualifying criteria
- Property must be owner occupied and located in Canada
- Borrowers must contribute the minimum required down payment from traditional sources (savings or gift).
- Default insurance premiums will be calculated based on the purchase price less the borrower's own down payment PLUS the FTHBI interest free loan.

The "interest free down payment loan" has no monthly payment. Repayment will be:

- based on fair market value, (to be determined at the time of repayment)
- required when the property is sold or at the end of the 25-year term, whichever happens first
- Voluntary repayment of the full incentive can be made at anytime without any prepayment penalties

Application Process Requirements

- signed privacy agreement
- credit application
- signed copy of the FTHBI Program Attestation, Consent and Privacy Notice at the time of application, available on FTHBI website
- Application must be submitted on or after September 2, 2019
- Closing date must be on or after November 1, 2019
- Only High Ratio mortgages (greater than 80% Loan-to-Value) are eligible
- Borrower's annual qualifying household income can not exceed \$120,000
- The combined mortgage loan amount and incentive cannot exceed four times the total annual qualifying income.

Use the eligibility calculator listed on page 2!

WHAT DOES THIS MEAN FOR ME?

Buying New Build Home WITHOUT Incentive

Purchase Price \$400,000
- Buyers 5% down of \$20,000
+ Mortgage Insurance premium of 4% (\$15,200)
= Mortgage of \$395,200

Monthly payment \$1,788

VS

Buying New Build Home WITH Incentive

Purchase Price \$400,000
- Buyers 5% down of \$20,000
- Additional 10% as shared equity of \$40,000
+ Mortgage Insurance premium of 2.80% (\$9,520)
= Mortgage of \$349,520

Monthly payment \$1,634

Bottom Line:

- **Lower monthly payments = \$154/month mortgage payment savings**
- **Lower Mortgage Insurance Premium = \$5,689 Insurance Savings**
- **Qualify for a higher purchase price**
- **Opportunity to be a homeowner sooner!**

** This example is for illustrative purposes only. Buyer will need to repay the incentive at 10% of the fair market value when they sell the property or after 25 years, whichever comes first.
Monthly payments are based on 2.89% Interest and 25 year amortization.*

HOW DO I LEARN MORE ABOUT THIS PROGRAM?

The Government of Canada website provides some excellent information:

<https://www.placetocallhome.ca/fthbi/first-time-homebuyer-incentive>

The calculator is VERY helpful:

<https://www.placetocallhome.ca/fthbi/eligibility-savings-calculator>

SPIRE
MORTGAGE TEAM

powered by
MMG
MORTGAGES