



# FIRST TIME HOME BUYERS INCENTIVE

AND WHAT YOU NEED  
TO KNOW ABOUT IT



# WHO AM I

- Dan Patching, BBA
- Owner/Operator of Patching Mortgage Services
- Mortgage Broker with City Wide Mortgage Services
- Been a Broker for over 8 years
- 2017 Young Gun Recipient, Canadian Mortgage Professionals Magazine
- 2018 ranked top 20% of Brokers Canada wide

# FIRST TIME HOME BUYER DEFINED

Page 2 of 11



At least one homeowner must be a first time home buyer, which is considered as the following;

- You have never purchased a home before
- In the last 4 years you did not occupy a home that was occupied by the homebuyer or their spouse.
- You have gone through a breakdown of marriage or common-law partnership (even if the other first-time home buyer requirements are not met)



## HOW DOES IT WORK

- The property must be owner occupied, and located in Canada
- Borrowers must contribute the minimum required down payment from traditional sources. I.e. Savings, RRSP's, Gifted from an immediate family member
- It's considered a Shared Equity Mortgage where the Government of Canada has a shared interest in the borrower's property value.
- It must be Insured
- It is an interest free loan of either:
  - 5% for the purchase of a resale property OR
  - 5% or 10% for the purchase of a new construction home

CONTINUED

- The Government of Canada registers the loan as a second mortgage, and is either paid off when:
  - The home sells
  - The end of the 25 years
  - If the client is able to refinance the property, or pay it off in full
- Repayment amount will be based on fair market value to be determined at the time of repayment.

## FOR EXAMPLE



- You receive a 5% incentive of the home's purchase price of \$200,000, or \$10,000. If your home value increases to \$300,000 your payback would be 5% of the current value or \$15,000.
- You receive a 10% incentive of the home's purchase price of \$200,000, or \$20,000 and your home value decreases to \$150,000, your repayment value will be 10% of the current value or \$15,000.
  - NOTE: If your property value goes down, you are still responsible for repaying the shared equity mortgage based on the current home value at time of repayment.

## TYPES OF RESIDENTIAL PROPERTIES INCLUDE

- New construction
- Single family homes
- Semi-detached homes
- Duplex
- Triplex
- Fourplex
- Town Houses
- Condos
- Mobile/manufactured homes



# INCOME RULES AND REGULATIONS

- Borrower's annual qualifying household income does not exceed \$120,000
- The combined mortgage loan amount and incentive cannot exceed four times the total annual qualifying income



## AN EXAMPLE OF THE LOAN IN ACTION



Todd wants to buy a new home for \$400,000 and has saved the minimum required down payment of \$20,000 (5% of the purchase price).

- Under the First-Time Home Buyer Incentive, Todd can apply to receive \$40,000 in a shared equity mortgage (10% of the cost of a new home) through the program.
- This lowers the amount Todd needs to borrow and reduces the monthly expenses.
- As a result, Todd's mortgage is \$228 less a month or \$2,736 a year.
- Ten years later, Todd sells the home for \$420,000. The Incentive will need to be repaid as a percentage of the home's current value.
- This would result in Todd repaying 10%, or \$42,000 at the time of selling the house.

# ANOTHER EXAMPLE



HOUSE PRICE	
Without incentive \$400,000	With Incentive \$400,000
Down Payment	
Without incentive \$20,000 (5%)	With Incentive \$20,000 (5%) \$40,000 (10%)
Mortgage Amount	
Without incentive \$380,000	With Incentive \$340,000
Insurance Amount added to Mortgage	
Without incentive (4%) \$15,200	With Incentive (2.8%) \$9,520 (\$5,680 savings)
Monthly Payment	
Without incentive \$1,870	With Incentive \$1,653 (\$217 reduction)

*\*based on 2.99%, 5 year term, 25 year amortization.*

# HOW TO APPLY



- Application form can be found on the First Time Home Buyer incentive website [www.placetocalhome.ca/fthbi](http://www.placetocalhome.ca/fthbi)
- Once complete, submit the form to Lender, or Broker.
- Once processed and accepted you **MUST** call [1.833.974.0963](tel:18339740963) to activate the FTHBI payment and provide the name of the Lawyer/Notary you have chosen to close your purchase with.



FOR MORE  
INFORMATION

- Have your client contact me
- Your clients can call the Government of Canada at 1-877-884-2642 or...
- Visit their website at [https://www.placetocalhome.ca/fthbi/first-time-homebuyer-incentive.](https://www.placetocalhome.ca/fthbi/first-time-homebuyer-incentive)