

# Government Programs for Home Buyers

A home is usually the single largest investment that most people make in their lives. Achieving your dream can be made easier by taking advantage of various Government Programs for home buyers and property owners. Some of the programs are targeted to first-time buyers, while others apply more generally. Other programs benefit those in the industrial, commercial and multi-unit property market. Your REALTOR can provide information on these programs and help you to determine your eligibility.

## **CMHC Purchase Plus Improvements**

### **Benefits**

- Funds Advanced when Needed — Funds can be advanced during construction / improvements at different stages of work.
- Competitive Interest Rates — Access to CMHC-insured financing, and as a result, competitive interest rates.
- Availability — Products and services available coast-to-coast-to-coast.

### **Features**

- Available for new home construction and purchase of an existing home with improvements.
- CMHC-insured advances during construction or improvement period with flexible advancing options to meet financing needs.
- Loan-to-Value (LTV) ratios for purchase transactions: up to 95% for 1 – 2 unit and 90% for 3 – 4 unit owner-occupied properties based on as-improved value.
- No additional fees or premiums for progress advances.
- CMHC offers mortgage loan insurance premium refunds for homeowners who purchase an energy-efficient home or purchase an existing home and make energy-savings renovations. See [CMHC Green Home](#) for more information.

## **RRSP Home Buyers' Plan**

### **Program**

The Home Buyers' Plan (HBP) is a program under which you can, generally, withdraw up to \$25,000 from your registered retirement savings plan (RRSPs) to buy or build a qualifying home. Withdrawals that meet all applicable HBP conditions do not have to be included in your income, and your RRSP issuer will not withhold tax on these amounts. However, before you can withdraw funds you must have entered into

a written agreement to buy or build a qualifying home which you must occupy no later than one year after buying or building the home.

If you buy the qualifying home together with your spouse or other individuals, each of you can withdraw up to \$25,000. You cannot withdraw an amount from your RRSP under the HBP if you or your spouse owned the home more than 30 days before the date of your withdrawal.

## **Details**

- Up to \$25,000 per person could be withdrawn tax-free from RRSPs to buy or build a principal residence. Couples - including common-law - will be able to withdraw up to \$50,000.
- You have to meet the first-time buyer's condition. You are not considered a first-time home buyer if you or your spouse owned a home that you occupied as your principal place of residence in the past five years. To determine past 5 years, the 4 years preceding the year you make your withdrawal plus the period in the year you make your withdrawal ending 31 days before your withdrawal is the rule adopted.
- Home buyers withdrawing funds do not have to pay income tax on the amount withdrawn, as long as the funds are repaid into an RRSP in the future.
- The 15-year repayment period will begin in the second calendar year following the calendar year in which the withdrawal is made. In addition, a qualifying home must generally be acquired before October 1 of the calendar year following the year of withdrawal. For example, those making withdrawals under the plan in 2009 will have until October 1, 2010 to acquire a qualifying home and their first annual repayment will be due by the end of 2011 or the first two months of 2012.
- A special rule denies a tax deduction for contributions to an RRSP that are withdrawn within 90 days of the RRSP deposit being made. Consequently, to get the normal tax break for a contribution and to use those funds under the plan, the money must be in your RRSP for at least 90 days before a withdrawal is made.

Existing homeowners can use the HBP to purchase a more accessible home or a home for a disabled dependent relative where the individual withdrawing the funds:

- Qualifies for the disability tax credit [DTC] and is buying a home that is more accessible for the individual or is better suited for the care of the individual;
- Is related to a disabled individual who qualifies for the DTC and is buying a home for the benefit of the disabled individual that is more accessible for, or is better suited for, the care of the disabled individual, or;
- Is related to a disabled individual who qualifies for the DTC and is withdrawing an amount for the disabled individual to buy a home that is more accessible for; or better suited for; the care of the disabled individual.

## **You can participate in the HBP more than once if:**

- Your HBP balance for your previous participation is zero on January 1 of the year you want your new participation in the HBP to occur; and
- You meet the first-time buyer's condition and all other HBP conditions that apply to your situation.

## **Five Per Cent Down Payment Program**

### **Program**

With as little as five per cent down payment, from personal or other sources (see below for eligible other sources), all home buyers have access to mortgage insurance enabling them to enter the housing market, as long as they can meet the standards for a five year fixed-rate mortgage.

### **Details**

- Mortgage insurance for 95 per cent mortgages is available to both first time and repeat home buyers. Homebuyers have the option of using personal sources, such as savings or gifts, or other sources, such as lender incentives, borrowed funds/credit, or sweat equity (the amount of money spent to help construct the home) for the required five per cent down payment.
- Depending on eligibility, buyers using the Program may consume up to 39 per cent of their gross monthly household income for payments of principal interest, property taxes and heating, and total debt load cannot exceed 44 per cent of monthly household income.
- Buyers using the Program must be able to qualify for a five year fixed-rate mortgage even if they choose a mortgage with a lower interest rate and shorter term.
- Insurance premiums on loans for 95 per cent of the lending value of the house where the five percent down payment comes from personal sources will be 2.75 per cent of the mortgage loan. Insurance premiums on loans for 95 per cent of the lending value of the house where the five percent down payment comes from other sources will be 2.9 per cent of the mortgage loan. This premium can be added to the mortgage.
- Borrowers are required to demonstrate, at the time of application, their ability to cover closing costs equal to at least 1.5% of the purchase price.
- Where the minimum equity requirements being met by way of a financial gift, the funds must be in possession of the borrower 15 days before making an offer to purchase.
- For homeowners who used the Program to purchase their home, the maximum amount that can be withdrawn if re-financing their mortgage is 80 per cent of the value of their home.
- The Five Per Cent Down Payment Program is not available for non-owner occupied properties. These properties require a minimum down payment of 20 per cent.

- Government-backed insured mortgages are not available for homes with a purchase price of \$1 million or more.
- Effective July 9, 2012, the maximum allowed amortization period for mortgages with less than 20 percent down payment is 25 years.

## **For more information**

For more information call CMHC at 1.800.668.2642 or access through [www.cmhc.ca](http://www.cmhc.ca).

## **HST New Housing Rebate**

### **Program**

You may be eligible to claim a rebate for a part of the HST you pay on the purchase price or cost of building your home if:

- You buy a new or substantially renovated home (including the land or if you lease the land) from a builder;
- You buy a new mobile home (including a modular home) or a floating home from a builder or vendor;
- You buy a share of capital stock of a co-operative housing corporation;
- You construct or substantially renovate your own home, or carry out a major addition (or hire another person to do so); or
- Your home is destroyed in a fire and is subsequently rebuilt.

### **Details**

- The purchase price of resale homes are exempt from the HST. The purchase price of newly constructed homes are subject to HST.
- New home buyers can apply for a 36% rebate of the federal portion of HST applicable to the purchase price to a maximum of \$6,300 for homes costing \$350,000 or less. For new homes priced between \$350,000 and \$450,000, the rebate on the federal portion of the HST rebate would be reduced proportionately. New homes priced \$450,000 or higher would not receive a rebate of the federal portion of the HST.
- New home buyers can apply for a 75% rebate of the provincial portion of the HST applicable to the purchase price to a maximum of \$24,000.

## **Land Transfer Tax Refund**

### **Program**

First-time buyers of new and re-sale homes are eligible to receive rebates of the provincial land transfer tax. The maximum provincial land transfer tax (LTT) rebate for first-time buyers is \$2,000.

## Details

- Provincial LTT is payable anywhere in Ontario
- Maximum provincial LTT first-time buyer rebate is \$2,000 (equivalent to the provincial LTT payable on a \$227,500 property).
- For RESALE homes, the provincial rebate applies only to first-time buyers who entered into Agreements of Purchase and Sale AFTER December 13, 2007.
- First-time buyers of NEWLY CONSTRUCTED HOMES are eligible for the provincial rebate even if they entered into Agreements of Purchase and Sale prior to December 13, 2007.
- The provincial LTT for residential properties is calculated as follows (An easy-to-use calculator is available at [www.landtransfertax.com](http://www.landtransfertax.com)):
  - 0.5% of the amount of the purchase price up to and including \$55,000, plus
  - 1% of the amount of the purchase price between \$55,000 and \$250,000, plus
  - 1.5% of the amount of the purchase price between \$250,000 and \$400,000, plus
  - 2% of the amount of the purchase price above \$400,000

## First-Time Buyer Eligibility

To be eligible as a first-time buyer for the provincial LTT rebate:

- The purchaser must be at least 18 years of age.
- The purchaser must occupy the home as his or her principal residence no later than nine months after the date of the conveyance or disposition.
- The purchaser cannot have previously owned a home, or had any ownership interest in a home, anywhere in the world, at any time.
- If the purchaser has a spouse, the spouse cannot have owned a home, or had any ownership interest in a home, anywhere in the world while he or she was the purchaser's spouse. If this is the case, NO refund is available to either spouse.
- Note: If a purchaser's spouse owned an interest in a home BEFORE becoming the purchaser's spouse, but not while the purchaser's spouse, the purchaser may be eligible for some rebate.

## For more information

Contact the Ministry of Revenue at 1-800-263-7965 or visit [www.fin.gov.on.ca](http://www.fin.gov.on.ca).