

The lowdown on the First-Time Buyer Incentive

The first-time buyer incentive is a federal government shared equity program designed to reduce mortgage payments for qualifying first-time buyers who have the minimum 5% downpayment required for an insured mortgage. The program will provide 5% of the cost of an existing home, or 10% of a new home. This incentive isn't payable until you sell the property and is not charged interest.

There are a few caveats. If your household income is more than \$120,000, you aren't eligible for the program. And your total borrowed amount (including the incentive portion) can't be more than four times your household income. With a household income of \$120,000, the maximum purchase price would be approximately \$505,000 with 5% down and about \$565,500 for a 14.99% downpayment. The maximum downpayment for the 10% incentive is 9.99% and 14.99% for 5% down.

You are required to pay the incentive back after 25 years or when you sell the home, with the repayment amount based on the property's fair market value, whether it has increased or decreased in value. If you received a 5% incentive and your \$500,000 home increases in value to \$600,000, then you are required to repay \$30,000. If the value decreases to \$450,000, you'll repay \$22,500. You can repay the incentive at any time without penalty

Note: Since repayment is based on market value at the time of repayment, you may want to repay early if your home is increasing in value quickly, or prior to conducting major renovations.

FIRST-TIME BUYER INCENTIVE

	NO INCENTIVE	5% INCENTIVE	10% INCENTIVE
Purchase Price	\$500,000	\$500,000	\$500,000
5% Down	\$25,000	\$25,000	\$25,000
Incentive	\$0	\$25,000	\$50,000
Mortgage	\$475,000	\$450,000	\$425,000
Mortgage + Mortgage Insurance	\$494,000	\$463,950	\$436,900
Monthly Payment	\$2,260	\$2,122	\$1,199
Monthly Savings		\$138	\$261
Yearly Savings		\$1,656	\$3,132

Assumes 25 yr am, 5 yrs, 2.69%

Got a homebuying dream? Feel free to get in touch for a review of your situation at any time! I can certainly run some numbers to determine if this is something you, or someone you know, may want to consider.



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