

**Saving for a down payment for a home can be a difficult challenge for first-time home buyers.**

**Fortunately, various government programs can help you save or borrow the funds for your home purchase.**

**A real estate professional can help you understand how these government programs work.**

## Honesty and Integrity

Most real estate professionals in our province are members of the Ontario Real Estate Association (OREA) and only members of OREA can call themselves REALTORS®.

When you work with a REALTOR®, you can expect strict adherence to provincial laws, which include a Code of Ethics. That code assures you will receive the highest level of service, honesty and integrity.

## Highest Professional Standards

Before receiving a real estate registration, candidates must successfully complete an extensive course of study developed by OREA on behalf of the Real Estate Council of Ontario. That is only the beginning: in the first two years of practice, registrants are required to successfully complete three additional courses as part of their articling with a brokerage. In addition, all registrants must continue to attend courses throughout their careers in order to maintain their registration.

## Want More Information?

OREA has a 144-page book called *How to Buy Your Home* available free by calling 1-800-563-HOME. Check out homes for sale on the internet at [www.REALTOR.ca](http://www.REALTOR.ca).

*Other pamphlets available:*

- Buying a Home
- Selling a Home
- Home Insurance
- Marijuana Grow House Operations
- Working with a REALTOR®



**Ontario Real Estate Association**

*Promoting Professionalism*

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Printed in 2011.

# Home Ownership Incentives

**Government Programs to Help You Buy a Home**



**OREA** Ontario Real Estate Association

## RRSP Home Buyers' Plan (HBP)

The Government of Canada's Home Buyers' Plan allows qualified buyers to withdraw a maximum of \$25,000 tax free from their RRSPs to purchase or build a house. If your spouse is also eligible, you can each withdraw up to \$25,000 towards the down payment for a total of \$50,000. No income tax is deducted from these funds, as long as they are repaid to the RRSP according to the government's repayment schedule.

### How the Plan Works

You may participate in the plan if you (or your spouse) have not owned a home which you occupied as your principal residence in the last five years.

### Repayment Schedule

The money you withdraw from your RRSP must be repaid over a period of no more than 15 years to retain its tax deferred status. Your repayment period starts the second year following the year you made your withdrawals. If you pay less than your scheduled annual payments, the amount that you don't repay must be reported as income on your tax return for that year.

For example, in October 2011 you withdraw \$24,000 from your RRSP to finance the purchase of your home. Your first annual repayment of \$1,600 (\$24,000 divided by 15 years) is due by December 31, 2013.

For more information, go to the Canada Revenue Agency web site at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) and search for "Home Buyers Plan."

## Home Buyer Tax Credit

The Government of Canada offers a non-refundable tax credit to help first-time home buyers with some of their closing costs. This Home Buyer Tax Credit (HBTC) will provide up to \$750 in tax relief on the purchase of a first home. The HBTC is calculated by multiplying the lowest personal income tax rate for the year (15 per cent in 2009 and subsequent years) by \$5,000. For 2011, the credit is \$750.

To qualify for the HBTC, an individual must purchase a qualifying home and neither the homebuyer nor the homebuyer's spouse or common-law partner can have owned and lived in another home in the year of purchase or any of the four preceding years.

For more information, go to the Canada Revenue Agency web site at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) and search for "First time home buyers' tax credit."

## CMHC Mortgage Loan Insurance

With mortgage loan insurance from Canada Mortgage and Housing Corporation (CMHC), you can own your home with a minimum down payment of 5 per cent—with interest rates comparable to rates typically reserved for homebuyers with down payments of 20 per cent or more. Most financial institutions require such insurance when the homebuyer has less than 20 per cent of the purchase price as a down payment.

Mortgage loan insurance requires homebuyers to provide the down payment from their own resources, such as their savings and RRSPs. Gift down payments from immediate relatives are also acceptable. For down payments of less than 10 per cent, CMHC also enables lenders to offer homebuyers the flexibility to use additional (non-traditional) sources for a down payment such as borrowed funds or lender incentives.

### Cost of Mortgage Insurance

To obtain CMHC Mortgage Loan Insurance, lenders pay an insurance premium. Typically, your lender will pass these costs on to you. The premium is calculated as a percentage of the loan and is based on the size of your down payment. A list of premiums can be obtained at [www.cmhc.ca](http://www.cmhc.ca) by searching the keyword "premiums." The premium can be paid in a single lump sum or it can be added to your mortgage and included in your monthly payments.

For the vast majority of borrowers, the cost of CMHC Mortgage Loan Insurance is more than fully offset by the interest rates savings achieved.

CMHC offers mortgage loan insurance premium refunds for homeowners who purchase an energy-efficient home or if they purchase and make energy-saving renovations to an existing home.

### New to Canada

Newcomers to Canada with permanent resident status are eligible under all CMHC Homeowner Mortgage Loan Insurance products—regardless of how long they have been in Canada. Non-permanent residents can also purchase a home with a minimum down payment of 10 per cent.

### Self-employed

Self-employed borrowers who have documentation to support their income are eligible under all existing CMHC mortgage loan insurance products with the same eligibility criteria and insurance premiums as salaried borrowers. You may also be eligible for CMHC mortgage loan insurance even if you have difficulty providing third-party income validation.

For more details on CMHC Mortgage Loan Insurance visit [www.cmhc.ca](http://www.cmhc.ca) or ask your mortgage professional.

## Land Transfer Tax (LTT) Rebate

First-time buyers of newly constructed homes and resale homes may receive a refund of land transfer tax up to a maximum of \$2,000.

Only individuals who are at least 18 years of age, who have not owned an interest in a home anywhere in the world and whose spouse has not owned an interest in a home anywhere in the world while he or she was a spouse of the individual, qualify as first-time buyers.

The purchaser must occupy the home as his or her principal residence no later than nine months after the date the property is transferred to his or her possession.

For more information, contact the Ontario Ministry of Revenue at 1-800-263-7965.