

First-Time Home Buyer Incentive (FTHBI)

The First-Time Home Buyer Incentive (FTHBI) was launched on September 2, 2019 by the federal government and offers a 5% or 10% contribution towards your down payment in the form of a shared equity mortgage. The program aims to improve affordability by reducing the monthly mortgage payments for buyers.

There is no interest charged on the FTHBI amount nor is there an ongoing repayment schedule, instead the government will share in the upside and downside of the property value. The FTHBI offers the following down payment contributions:

- 5% for a first-time buyer's purchase of a re-sale home
- 5% or 10% for a first-time buyer's purchase of a new construction
- 5% for new and re-sale mobile/manufactured homes

Property Types Eligible for the FTHBI

Only residential properties in Canada that are suitable for full-time, year-round occupancy are eligible. The property must be intended for the homebuyers' own occupancy and investment properties are not permitted.

Examples of residential properties include:

- detached houses
- semi-detached houses
- duplexes
- triplexes
- fourplexes
- townhouses
- condominiums

Home Buyer, Down Payment and Mortgage Requirements

Buyers who wish to participate in the First-Time Home Buyer Incentive program must meet the following criteria:

- Be Canadian citizens, permanent residents, and non-permanent residents who are legally authorized to work in Canada
- Buyers' combined qualifying income cannot exceed \$120,000; this includes the income of guarantors co-signing on the mortgage
- At least one buyer must be a first-time home buyer
- Buyer(s) must have the minimum down payment

For the purpose of the FTHBI, you are considered a first-time home buyer if you meet any of these qualifications:

- You have never owned a home
- You experienced a breakdown of a marriage or common-law partnership (even if you don't meet the other first-time home buyer requirements)
- In the last 4 years, you did not occupy a home that you or your current spouse or common-law partner owned

Minimum down payment and mortgage requirements for the FTHBI:

- The minimum down payment the buyer must have through their own sources is 5% of the first \$500,000 of the home value and 10% of any value above \$500,000
- Mortgages must be eligible for mortgage loan insurance through either Canada Guaranty, CMHC or Genworth, which means the total down payment including the FTHBI amount must be 19.99% or less
- For a 5% FTHBI, the maximum down payment the buyer can provide is 14.99%; for a 10% FTHBI, the maximum down payment the buyer can provide is 9.99%
- Total amount borrowed (including the FTHBI amount) is limited to 4 times the qualifying income

In addition, the closing date for a re-sale home must be within 6 months from the application approval. The closing date for new a construction home must be within 18 months from the application approval.

Maximum Home Price Allowed Under the FTHBI

The maximum price you could buy a home for under the FTHBI depends on your qualifying income as well as your down payment.

Here is a sample maximum home price calculation:

Suppose your annual qualifying income is \$120,000/year (the maximum allowable when using the FTHBI). The FTHBI stipulates the maximum amount you can borrow, including the FTHBI amount, is four times your income, thus you can borrow up to \$480,000 to purchase a home.

i. Maximum home price if you have the minimum down payment of 5%

The minimum down payment required from the home buyer is 5%, thus the maximum price of a re-sale home you could purchase is \$505,263 (calculated as \$480,000 divided by 0.95).

ii. Maximum home price if you have a down payment of 14.99%

With a down payment of 14.99%, the maximum price of a re-sale home you could purchase is \$564,639 (calculated as \$480,000 divided by 0.8501).

Repaying the FTHBI

The home buyer must repay the FTHBI amount in full after 25 years or when the property is sold, whichever comes first. The full amount can be repaid in full anytime, without a pre-payment penalty; however, partial repayments are not permitted.

The amount due to be repaid is calculated as the percentage of the FTHBI times the home's value at the time of repayment. For example, if a homebuyer received 5% of the down payment through the FTHBI at the time of purchase, the homebuyer will repay 5% of the home's fair market value at the time of the repayment.

Here is a sample repayment calculation:

You purchase a property for \$400,000 and receive a 5% for your down payment through the FTHBI in the amount of \$20,000. When you sell your home within 25 years, the home value has increased to \$600,000. The repayment amount due would be 5% of \$600,000, or \$30,000.

Applying for FTHBI

To apply for the FTHBI, complete the application documents found on the official [First-Time Home Buyer Incentive Plan](#) website, speak to your mortgage lender and notify the lawyer who will be managing your home closing.

Additional Resources

Visit the official website for the [First-Time Home Buyer Incentive Plan](#) for additional details and resources, including a [maximum home purchase price & eligibility calculator](#).