

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

**Fortunately, there are a variety of government programs to 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 not only strict adherence to provincial laws, but also adherence to a Code of Ethics. And that code is very important to you because it assures you will receive the highest level of service, honesty and integrity.

## **Highest Professional Standards**

Before receiving a real estate license, 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, licencees are required to successfully complete three additional courses as part of their articling with an experienced broker. In addition, all licencees must continue to attend courses throughout their careers in order to maintain their licence.

## **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.mls.ca](http://www.mls.ca).

Other pamphlets available:

- Buying a Home
- Selling a Home
- GST
- Working with a REALTOR—*The Agency Relationship*



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**Government Programs  
to Help You Save**



## RRSP Home Buyers' Plan (HBP)

The Government of Canada's Home Buyers' Plan allows qualified buyers to withdraw a maximum of \$20,000 from their RRSPs to purchase or build a house. If your spouse is also eligible, you can each withdraw up to \$20,000 towards the down payment, for a total of \$40,000. 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 2004 you withdraw \$15,000 from your RRSP to finance the purchase of your home. Your first annual repayment of \$1,000 (\$15,000 divided by 15 years) is due by December 31, 2006.

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".

## CMHC's Flexible Down Payment Plan

Saving a down payment may no longer be a barrier to owning a home. With as little as five per cent down, all home owners have access to the Canada Mortgage and Housing Corporation's (CMHC) mortgage insurance and with the CMHC's Flex Down product, the down payment may now be borrowed from any source that is arm's length to and not tied to the property purchase or

sale transaction. These sources may include: lender cash back incentives; loans from your bank or finance company; lines of credit or credit cards; gifts or grants; and sweat equity (intended for new constructions).

The product is open to both new and repeat home buyers who buy a one or two-unit home in Canada and occupy it as a principal residence, and is available for mortgage loan amounts between 90.01% and 95%. Borrowed funds for the down payment cannot exceed 9.99%.

Flex Down has the same flexibility as other CMHC Mortgage Loan Insurance products fixed, adjustable, or capped variable interest rates and interest terms as short as six months. The mortgage insurance premium is 3.4% under Flex Down (3.25% if the down payment is from the borrowers own resources.) The mortgage insurance premium is based on a sliding scale, and the premiums can be added to the mortgage paid on a monthly basis.

Comparable mortgage insurance may also be offered through other financial services providers.

For more information, go to CMHC's web site at [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca) and type "Flex Down" in the search engine.

## Land Transfer Tax (LTT) Rebate

First-time buyers of newly constructed 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, 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 first-time buyer must be buying a newly constructed home or an interest in a newly constructed home that has never been occupied.

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.

A qualifying buyer must apply for a refund no later than 18 months after registration of the home purchase if a refund is not claimed at the time of registration.

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

## Ontario Home Ownership Savings Plan (OHOSP): An update

The 2004 Ontario Budget announced the termination of the Ontario Home Ownership Savings Plan (OHOSP) program. No new OHOSPs may be opened and no new contributions to the existing plans will be eligible for Ontario tax credit purposes.

Plan holders may withdraw their funds at any time to purchase a home with no penalty. However, if you withdraw the funds before December 31, 2005 on a plan that has reached its seventh year, and you do not purchase a home, your financial institution will release only 75% of your total plan assets to you. The remaining 25% will be sent to the Ministry of Finance to recover tax credits and interests charges.

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