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## Budget Plan 2019

The announcement of a new CMHC First-Time Home Buyers Incentive Plan represents a shared equity mortgage program that would give eligible first-time homebuyers the ability to lower their borrowing costs by sharing the cost of buying a home with CMHC. We did not see the increase in amortization from 25 years to 30 years for insured mortgages that was highly speculated in this announcement.

The incentive would provide funding (equity sharing) of up to five percent of the purchase price of an existing home, or 10 percent of a newly constructed home. No ongoing monthly payments are required. The buyer would repay the incentive, for example at resale. The government has budgeted up to \$1.25 billion over the next three years to support this program. For example, if a borrower purchases a \$400,000 home with five per cent down and a five per cent CMHC shared equity mortgage (\$20,000), the size of the borrower's insured mortgage would be reduced from \$380,000 to \$360,000, helping to lower the borrower's monthly mortgage bill. This would make it easier for Canadians to buy homes they can afford. The program limits eligibility to households earning a maximum of \$120,000 annually, and lets them borrow no more than four times their annual household income. This limits a home purchase to roughly \$505,000. This Incentive Plan will be discussed more fully in the coming days, but it is not expected to begin until fall, 2019. In principle, the increased equity share eligibility for newly constructed homes will help incent new construction and supply across Canada.

Further analysis is needed, however, some aspiring homebuyers, especially at the lower end of the economic ladder, will have greater opportunities to purchase a home with the assistance of this new program. Also of note is an increase in the eligible RRSP withdrawal amount through the Home Buyers' Plan (HBP). Previously \$25,000, this has been increased to a maximum to \$35,000, this change is effect for withdrawals after March 19th.

For Canadians who have experienced a breakdown in their marriage or common-law partnership, it can be difficult to keep the family home under new and more challenging financial circumstances. To help Canadians facing this challenging life event maintain homeownership, Budget 2019 also proposes that individuals that experience the breakdown of a marriage or common-law partnership be permitted to participate in the Home Buyers' Plan, even if they do not meet the first-time home buyer requirement. This measure would be available for withdrawals made after 2019.

The forthcoming federal election will provide opportunities to continue the conversations with policymakers and candidates in the coming months. We will continue our ongoing market analysis and maintain our support for a stable housing market for our members and their customers.

Visit the Official Budget 2019 Government of Canada website for the full release:

<https://www.budget.gc.ca/2019/docs/plan/chap-01-en.html#Modernizing-the-Home-Buyers--Plan>

Contact your Mortgage Broker today to see how these changes may help you.