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INCENTIVES

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



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## Government Programs & Incentives to Help You Buy a Home

Saving for a down payment for a home can be a difficult challenge.

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

At Erie's Edge Real Estate Ltd., we can help you understand how these programs work.

### **1. 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 RRSP's to purchase or build a house. If your spouse is also eligible, you can each withdraw up to \$25,000 towards the downpayment for a total of \$50,000. No income tax is deducted from these funds, as long as they are repaid to the RRSP over a period of not more than 15 years.

### **2. First Time Home Buyer's Tax Credit (FTHB)**

The First-Time Home Buyers' Tax Credit helps to make purchasing a home more affordable by allowing Canadians to claim a portion of their home purchase on their personal tax return that same year.

The FTHB Tax Credit offers a \$5,000 non-refundable income tax credit amount on a qualifying home acquired after January 27, 2009. For an eligible individual, the credit will provide up to \$750 in federal tax relief.

### **3. GST/HST New Housing Rebate**

The GST/HST new housing rebate allows an individual to recover some of the goods and services tax (GST) or the federal part of the harmonized sales tax (HST) paid for a new or substantially renovated house that is for use as the individual's, or their relation's, primary place of residence, when all of the other conditions are met. Additionally, other provincial new housing rebates may be available for the provincial part of the HST whether the GST/HST new housing rebate for the federal part of the HST is available or not.

#### 4. Land Transfer Tax Rebate

First-time home buyers of newly constructed homes and resale homes may receive a refund of land transfer tax up to a maximum of \$4,000.

Only individuals (or whose spouse) who are at least 18 years of age, who have not owned a home anywhere in the world, qualify as first-time buyers.

The buyer 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.

#### 5. Canada Mortgage and Housing Corporation (CMHC) Mortgage Loan Insurance

If you want to buy a home with a down payment of less than 20%, you'll need mortgage loan insurance. This protects your lender in case you can't make your payments.

CMHC mortgage loan insurance lets you get a mortgage for up to 95% of the purchase price of a home. It also ensures you get a reasonable interest rate, even with your smaller down payment.

To get mortgage loan insurance, you'll need a minimum down payment. The amount depends on the home's purchase price:

- If the home costs \$500,000 or less, you'll need a minimum down payment of 5%.
- If the home costs more than \$500,000, you'll need a minimum of 5% down on the first \$500,000 and 10% on the remainder.
- If the home costs \$1,000,000 or more, mortgage loan insurance is not available.

Your lender pays an insurance premium on mortgage loan insurance. It's calculated as a percentage of the mortgage and is based on the size of your down payment. Your lender will likely pass this cost on to you. You can pay it in a lump sum or add it to your mortgage and include it in your payments.



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