

## Press Release

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For Immediate Release

December 15, 2016

### **Down Payment Assistance from BC Government for First Time Home Buyers (BC Home Owner Mortgage and Equity Partnership Program)**

The Canadian Mortgage Brokers Association – British Columbia (CMBA-BC) is pleased to endorse the introduction of a new down payment assistance program from the BC government called the “BC Home Owner Mortgage and Equity Partnership Program”. It will enable first time home buyers to obtain down payment funds from the BC government to assist with the purchase of their first home. Specifically, under this program, the BC government will match the down payment funds of eligible first time buyers up to \$37,500 with a 25-year term second mortgage. No payments are required to be made and interest will not accrue until the sixth year of the term.

CMBA-BC was pre-consulted and provided feedback to the BC Government on the BC Home Partnership Program, and believes that it will provide tangible, needed assistance which will facilitate the purchase of first homes for many BC residents struggling to save sufficient funds for a property down payment. To qualify for down payment assistance, first time home buyers should contact a CMBA-BC +member mortgage broker to obtain pre-approval for an insured first mortgage.

#### **BC Home Partnership Program Details**

Under the BC Home Partnership Program, first time home buyers will be able to obtain matching repayable loans for up to 5% of the purchase price, up to maximum of \$37,500, which will be registered as a second mortgage for a term of up to 25 years. There are no payments of interest or principal owing under the second mortgage for the first 5 years. Monthly principal and interest payments begin in year six, amortized over the remaining 20 years. The interest rate for years 6 to 10 will be set at the time of mortgage registration in year 1 at a rate of half a per cent over current first mortgage rates. Interest rates will be reset at years 10, 15 and 20. Homeowners may repay the second mortgage in full or in part at any time without penalty. Mortgage brokers should factor in the second mortgage re-payment costs into the borrower’s debt servicing ratio.

Applications will be accepted as of January 16, 2017, with loans advanced from February 15 to March 31, 2020. To qualify under the BC Home Partnership Program, all applicants who will be registered on title must:

- Reside in the home
- Be a first-time homebuyer
- Be a Canadian citizen or permanent resident for 5 years
- Have resided in BC for at least one year
- Have a combined gross income of \$150,000 or less

- Have saved at least half of the minimum down payment they will require, and
- Be pre-approved for a 1st mortgage before applying. Brokers should treat the second mortgage as a non-traditional source of down payment.

In addition, for the property to qualify under the BC Home Partnership Program, it must be:

- a legal, self-contained, mortgageable residence (not rental or recreational) located in BC
- used as the homebuyer's principal residence for the first 5 years, and
- under the purchase price of \$750,000.

As an example, a first-time buyer of a \$500,000 property puts down 5% (\$25,000), with \$12,500 coming from the buyer's own funds and \$12,500 from the BC Home Partnership Program. The structure of the financing would be as follows (assuming a current rate of 2.90%):

\$500,000 Purchase Price  
\$ 25,000 Down Payment  
 \$475,000 Base Mortgage Required

\$ 18,287.50 Non Traditional CMHC Premium (3.85%)

\$493,287.50 Net 1<sup>st</sup> Mortgage

\$ 12,500.00 Net 2<sup>nd</sup> Mortgage

The repayment costs under would be:

	<b>1<sup>st</sup> mortgage at 2.9%</b>	<b>2<sup>nd</sup> mortgage at 3.4%</b>	<b>Total Monthly payments</b>
<b>Years 1 to 5</b>	\$2,304	\$ 0	\$2,304
<b>Years 6 to 10</b>	\$2,304	\$ 72	\$2,376

Over 55% of first time buyers use a mortgage broker and members of CMBA-BC look forward to assisting qualified mortgage borrowers with the intricacies of the program.

CMBA-BC is available to provide expert advice and commentary on mortgage issues and housing affordability.

CMBA-BC expects that its member mortgage brokers will experience a spike in enquires in early 2017 from mortgage borrowers who wish to utilize the BC Home Partnership Program.

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