



Breaking News Federal Budget Announcement

Government Targets Improved Housing Affordability

After an extended period of government intervention and tightening mortgage rules, Canadian first-time homebuyers finally received some relief with the 2019 Budget.

A Focus on Housing — What's changed?

After a sustained period of mortgage/policy tightening dating back almost 10 years, homebuyers were ready to welcome any relief that the 2019 Federal budget was prepared to offer. The outcome? The proposed initiatives stopped short of many people's expectations, but sent a strong positive signal that affordability is a key concern for the government, and this could be the first wave of many changes to come.

Introducing The "First Time Home Buyer Incentive"

What is it? If you are an eligible first-time home buyer and have saved at least 5% for your down payment, the government (through CMHC) would contribute an additional 5% if you are buying a resale home, or additional 10% if you are buying a new build home as a shared equity incentive payment. This would reduce your required mortgage amount, and no ongoing payments on the 5% or 10% shared equity portion would be required as it would be repaid upon the sale of your home.

Am I eligible? The program is anticipated to be ready by September 2019. Details of the program are not confirmed, but anticipated eligibility guidelines are as follows:

- Need to be an eligible first-time home buyer to qualify
- Maximum household annual income of less than \$120,000
- Your total mortgage plus the 5%/10% incentive payment from CMHC can not be more than four (4) times your income. (This translates to a maximum purchase price of approximately \$500,000 for the top eligible income earners).

Impact: It is estimated that on a \$400,000 home-purchase, the plan would reduce your monthly mortgage payment by \$120/month on a resale purchase, or \$228/month on a new build purchase.

Comment: Given the additional incentive to purchase new build versus resale, the government hopes this will encourage the development of new housing supply across Canada.

For customized calculations, or to discuss qualification, please contact a member of the Outline Financial team.

Modernizing the Home Buyers' Plan (access to your RRSP as down payment) – What's Changed?

Change #1 - Increased Amount: To help with the down payment and costs associated with the purchase of your first home, the Home Buyer Plan now allows you to withdraw up to \$35,000 from your RRSP without having to pay tax on the withdrawal. This was increased from \$25,000 and is effective for withdrawals made after March 19th, 2019. (reminder: consistent with old rules, repayment of any withdrawal must be made over the following 15-year period or included in income if not repaid.)

Impact: While it may seem small, a change of \$10,000 can have a significant impact. For example, if you are a 5% down buyer \$10,000 could increase your purchase price by up to \$200,000, if you are a 10% down buyer it could increase your purchase price by up to \$100,000, etc.

Change #2 - Broader Access: To assist Canadians facing challenging life events, the budget 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.

Stressing the Stress Test

While no change was proposed to the current mortgage stress test rules, the government specifically addressed the issue in the budget signalling that it is on their radar, and they are open to a future change:

“The Government continues to closely monitor the effects of its mortgage finance policies – including the stress test for insured mortgages – and would adjust them if economic conditions warrant, to support access to housing while safeguarding financial stability”.

While the above outlines only a small fraction of the 2019 federal budget initiatives, we hope it provides you with a good overview of the housing related changes.



For further information, or to discuss how it may impact your specific circumstances, please contact Outline Financial as we look forward to helping.

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