

## New BC 1st Time Home Buyers' Loan Program

By Bob Bracken

**Finally, for a change, some positive news and policy initiative by Government** to support property owners and buyers, and strengthen the Real Estate market locally and throughout BC.

Through the **B.C. HOME Partnership Program**, the Province of BC is helping first-time home buyers get into the home ownership market by contributing to the amount they have already saved for a down payment with a loan that is interest-free and payment-free for the first 5 years. The program will match the buyer's downpayment up to 5% of the home's price, to a maximum price of \$750,000. The Government contribution will be registered as a 2nd mortgage on the property, with no interest payable for 5 years. After 5 years, buyers can either repay their loan or enter into monthly payments at current interest rates. Loans through the program become due after 25 years - the same length as most mortgages.

**To qualify for the program**, all individuals with a registered interest on title must reside in the home and:

- Have been a Canadian citizen or permanent resident for at least five years
- Have resided in British Columbia for at least one year immediately preceding the date of application
- Be a first-time buyer who has not owned an interest in a residence anywhere in the world at any time
- Use the property as their principal residence for the first 5 years
- Purchase a home at a price of \$750,000 or less (excluding taxes and fees)
- Obtain a high-ratio insured first mortgage on the property for at least 80% of the purchase price
- Have a combined, gross household income of all individuals on title not exceeding \$150,000
- Have saved a down payment amount at least equal to the loan amount for which the buyer applied

**Buyers will need:**

1. Proof of status in Canada and residency in British Columbia
2. Secondary identification (must include your photo)
3. Proof of income and tax filings
4. Insured first mortgage pre-approval

**Some naysayers are raising alarm** over what they consider the already unbalanced demand/supply conditions in the BC housing market. They further complain that this program is an attempt by the Government to prop up a real estate market poised for a sharp decline in 2017. Setting aside that the current real estate market decline (in the Lower Mainland) was predicated by prior Government intervention policy, these critics apparently believe that a decline in values affecting thousands of current home and property owners would be a good thing.

**The Program has been praised** however by developers, the real estate industry, mortgage brokers, and housing analysts who point out that it will help those who already qualify for mortgages but might lack sufficient downpayment, and that it can speed their entry into the housing market. It is also likely welcomed by many parents who appreciate not having to contribute large \$\$ to their adult children for home purchase!

**This initiative is also positive as it helps 1st time buyers** recently hampered because of new restrictive mortgage lending rules from the Federal Government. The Government Loan is fairly revenue neutral to taxpayers as it will eventually be repaid - either upon re-sale, or through payments after the initial 5 year period. The amount of risk to the Buyer, and the Government as 2nd mtg lender, is also quite manageable. Given a purchase at the maximum allowable value of \$750,000, with a Buyer's 5%

downpayment of \$37,500, the matching Home Buyer loan of \$37,500 and a 1st mortgage of \$675,000 at today's 5 yr rate of 2.79% with a 25 yr amortization, the total debt owning after 5 years would be \$574,600 (1st mtg balance) + \$37,500 (Home Buyer mtg) = \$609,600, or \$102,900 less debt than when purchased.

**Given the \$750,000 maximum qualifying price point, this initiative is very significant help to buyers outside of the Lower Mainland's pricey market, and should also provide a bit of stimulus to the market here in Vancouver and surrounding municipalities. Have to call this a "Win-Win" strategy by the Government.**

**Applications for the program will be accepted starting Jan 16, 2017, for purchases that will close on or after Feb 15 2017. For more information and how to take advantage of the Program, go to <https://www.bchousing.org/housing-assistance/bc-home-partnership>.**

**If you are looking to sell or buy real estate or wish to discuss further any topic on Real Estate, please contact Bob Bracken at 604-220-2035 cell, 604-263-2823 office, or bob@bobbracken.com email.**

