



### **RRSP First Time Home Buyers' Plan (HBP)**

The Home Buyers' Plan (HBP) is a program that allows you to withdraw funds from your RRSPs to buy a home for yourself without having to treat the RRSP withdrawal as income. The withdrawn amount must be paid back to your RRSP within a period of no more than 15 years. If you do not repay the amount due each year to your RRSP, then that amount will be included in your income for that year.

To participate in the HBP, you have to be considered a first time home buyer. You are not considered a first time home buyer if you or your spouse (including common law) owned a home that you occupied as your principal place of residence during the period beginning January 1 of the fourth year before the year of withdrawal and ending 31 days before your withdrawal.

Other conditions that apply are:

- ✦ Property must be intended as principal residence
- ✦ Withdraw up to \$25,000 per person
- ✦ RRSP funds must be in plan for 90 days
- ✦ Funds must be paid back over 15 years
- ✦ Repayment starts the second year after the year in which the funds were withdrawn
- ✦ RRSP funds withdrawn must be clear of RRSP loans
- ✦ "Locked-in" RRSPs are usually ineligible
- ✦ Must have written purchase agreement before applying for funds
- ✦ Your repayable HBP balance on January 1 of the year of withdrawal is zero

**The Mortgage Group**  
**Fortin Mortgage**



## **Costs to Consider**

### **Costs paid during the mortgage approval process**

#### Home Inspection

A home inspector will thoroughly inspect the property to identify any minor or major defects. Some inspectors will provide estimates on the cost of making repairs. A home inspection will usually cost approximately \$400.

#### House Insurance

This provides protection for your home in case of theft, fire, water damage and so forth. Proof of insurance is usually required at or prior to closing.

#### Property Appraisal

An appraisal is required to determine the market value of the property. A real estate appraisal will cost about \$300. Most banks will require an appraisal of the property prior to granting a mortgage. In the case of CMHC, Genworth or Canada Guaranty insured files, an appraisal is usually not required.

### **Closing costs paid at your lawyer or notary**

#### Adjustments

The previous owner of the property may have paid for property taxes, maintenance fees and other expenses past the period of time that they will be occupying the property. They may also be leaving liabilities such as outstanding taxes that will have to be paid prior to the new owners taking possession. The solicitor or notary will prepare a statement of adjustments that accounts for these factors, ensuring that the party using them pays the cost. This is part of the property conveyance process conducted by the solicitor or notary.

#### Goods & Services Tax (GST), BC Transitional Tax and New Homes

GST is always charged on newly constructed or substantially renovated homes. If the price of your newly constructed home is less than \$450,000 and you intend to live in the property as your principal residence, you may qualify for a GST rebate. Effective April 1, 2013, the province of British Columbia will replace its Harmonized Sales Tax (HST) with GST and a transitional tax on new home purchases. See GST in British Columbia for more information.

#### Legal Fees

Depending on the complexity of your transaction, legal fees can range from \$800 to \$1,200

#### Property Transfer Tax (PTT)

In British Columbia, property transfer tax is paid when you purchase or acquire an interest in a property. The tax must be paid when changes are registered at the Land Title Office. The tax is calculated as: 1% of the first \$200,000 of the purchase price or "fair market value" **PLUS** 2% of the balance

#### Survey and Title Insurance

An accurate survey of the property is required by most lenders. This usually can be obtained from the seller's agent. If it is unavailable, you may need to cover the fee of \$250 to \$350 to obtain one. Title insurance can often be purchased instead of obtaining a survey. The cost depends on the value of the home; it starts at about \$200.

### **Costs paid after closing**

#### Moving Costs

The cost of moving your household contents to the new home and connecting utilities, telephone, cable, internet, etc.



### **Property Transfer Tax (PTT)**

In British Columbia, Property Transfer Tax (PTT) is paid when you purchase or acquire an interest in a property. The tax must be paid when changes are registered at the Land Title Office. Note that PTT differs from property tax, which is paid annually to your municipality for services such as fire fighting and community centres.

PTT is calculated as:

1% of the first \$200,000 of the purchase price or "fair market value" **PLUS** 2% of the balance

First time home buyers may qualify for an exemption if:

- 👤 you are a Canadian citizen or a permanent resident as determined by Immigration Canada
- 👤 you have lived in British Columbia for 12 consecutive months immediately before the date you register the property, or you have filed 2 income tax returns as a BC resident during the 6 years before the date you register the property
- 👤 you have never owned an interest in a principal residence anywhere in the world ever
- 👤 you have never received a first time home buyers' exemption or refund
- 👤 the land is 0.5 hectares (1.24 acres) or smaller
- 👤 the property will be used as principal residence

If the purchase price, excluding tax, is less than \$425,000, a full exemption applies. If the purchase price is between \$425,000 and \$450,000, a partial exemption applies.

Example of partial exemption, assume purchase price is \$440,000

$$\begin{aligned} \text{PTT} &= \$200,000 \times 1\% + (\$440,000 - \$200,000) \times 2\% \\ &= \$6,800 \end{aligned}$$

$$\begin{aligned} \text{PTT Exemption} &= (\$450,000 - \$440,000) / (\$450,000 - \$425,000) \\ &= 40\% \end{aligned}$$

$$\begin{aligned} \text{Purchaser pays} &= \$6,800 - (\$6,800 \times 40\%) \\ &= \$4,080 \end{aligned}$$



**Mortgage Insurance**

Financial institutions are required by law to insure all mortgages with a loan to value (LTV) ratio of less than 80%. This insurance protects the lender against borrower default, enabling you to purchase a home with a lower down payment. Effective July 9, 2012, all new mortgages requiring approval and insurance with Canada Mortgage Housing Corporation (CMHC), Genworth Financial Mortgage Insurance Company Canada (formerly GE Capital Mortgage Insurance Company), or Canada Guaranty Mortgage Insurance Company will be amortized over a maximum of 25 years. The purchase price or value of the home must be \$1,000,000 or lower. If you obtained an insured mortgage prior to this date, then your remaining amortization and balance will be grandfathered.

**CMHC / Genworth / Canada Guaranty Premiums**

Premiums are calculated as a percentage of the mortgage and depend on the amount of down payment. The lower the down payment is, the higher the premiums will be. The premiums are usually added to the loan amount.

Loan Amount as a Percentage of Home Value	25 Year Amortization - Premium on Total Loan
from 80.01% up to and including 85.00%	1.75%
from 85.01% up to and including 90.00%	2.00%
from 90.01% up to and including 95.00%	2.75%

**Renewal**

If you obtained an insured mortgage prior to July 9, 2012, your remaining amortization will be grandfathered, even if it is more than the new maximum allowed.

**Switching lenders before term ends**

You may wish to switch lenders for a lower rate, different mortgage options or other reasons before your renewal date. It is possible to do so and maintain your existing amortization. You are allowed to break your existing term and rate as long as you pay for any applicable penalties and fees and the mortgaged amount remains the same or lower. This is subject to the new lender's approval. The new lender will re-qualify you to see if you currently meet their guidelines. Once there is new money involved, that is, if the amount of your mortgage increases, then the new guidelines will apply.

**Refinance**

In a refinance, the mortgage amount is increased and therefore, the 25 year amortization will apply. CMHC will not insure refinances where the new mortgage represents more than 80% of the current value of the home.

**Portability**

Assuming that your current mortgage has a portability clause, CMHC will allow you to sell your current home and move the insured mortgage to your new home. If you are porting the existing mortgage and increasing the mortgage amount, CMHC premiums will apply to the new money, the difference between the mortgage balance on your old home and the desired mortgage amount on your new home.

If porting the exact mortgage amount, then you should be able to maintain your current remaining amortization. Similarly, if porting and decreasing the mortgage amount, then, by using prepayment privileges either before or after porting, you should be able to maintain your current remaining amortization. If porting and increasing the mortgage amount and the mortgage represents more than 80% of the value of the new home, then the 25 year maximum amortization will apply.

If you are paying out, or have recently paid out, an insured mortgage and will be taking on a new insured mortgage, please contact us as you may be eligible for a rebate or lower premiums.

**Assuming a mortgage**

Mortgage assumption entails taking over the obligations of the previous owner's or builder's mortgage when you buy a property. If you are buying a home with an existing mortgage and the mortgage has a longer amortization, you may be able to assume the mortgage and longer amortization. This is subject to the lender approval and must be a feature of the current mortgage. CMHC does not re-qualify on an assumption; this decision will be made solely by the lender based on whether or not you meet the lender's criteria for qualification.



**Goods & Services Tax (GST), BC Transitional Tax and New Homes in British Columbia**

Federal and/or provincial taxes apply only to new construction homes and some renovated properties. If a contract is written on or before November 18, 2009, the buyer will pay only GST. For contracts executed after November 18, 2009, the type and amount of tax payable will be dependent on when ownership and/or possession transfers to the buyer.

In response to a 2011 referendum, the harmonized sales tax (HST) ceased to exist in British Columbia effective April 1, 2013. New home purchases that complete before April 1, 2013 will be subject to HST and buyers may be eligible for the associated HST rebate.

After the HST is removed, GST will be added to the price of newly constructed or substantially renovated homes. Also, a British Columbia transitional tax of 2% will be added to new home or substantially renovated home purchases when ownership and/or possession transfers to the buyer on or after April 1, 2013 up to and including March 31, 2015.

For ownership and/or possession transfers of newly constructed homes occurring after March 31, 2015, only GST will apply.

<u>Applicable Tax</u>	<u>Conditions</u>
GST only	if written contracts were made on or prior to November 18, 2009, OR, if ownership and/or possession transfers on or after April 1, 2015
GST + BC transition tax	if ownership and/or possession transfers on or after April 1, 2013 and before April 1, 2015, AND, construction started prior to April 1, 2013

There is a partial rebate associated with the GST; the amount of the rebate depends on the purchase price before GST is added. There aren't any rebates associated with the 2% B.C. transitional tax

<u>Purchase Price</u>	<u>GST Rebate</u>
less than \$350,000	rebate is 36% of the 5% charged, effective net GST rate is 3.2%
\$350,000 to \$450,000	For new homes priced between \$350,000 to \$450,000, the GST rebate decreases by 1% for every \$1,000 increase to the purchase price over \$350,000. For example, if you pay \$390,000 for a new home, the purchase price is \$40,000 over, causing the discount to decline by 40%. Thus, the \$6,300 rebate is reduced to \$3,780. GST payable is: \$390,000 at 5% is \$19,500 less \$3,780 or \$15,720.
more than \$450,000	no GST rebate offered