



December 19, 2016

Honourable Rich Coleman
Minister of Natural Gas Development
and Minister Responsible for Housing

The following is a Cabinet minute excerpt from December 14, 2016 for your attention:

s.12

Elizabeth MacMillan
Deputy Cabinet Secretary

pc: Dave Nikolejsin, Deputy Minister
Ministry of Natural Gas Development

Athana Mentzelopoulos, Deputy Minister
Ministry of Finance

David Galbraith, Deputy Secretary to Treasury Board
Ministry of Finance

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MINUTES

COMMITTEE NAME:

Treasury Board

MEETING DATE:

December 5, 2016

CABINET DATE:

Members Present:

Honourable Michael de Jong	Chair
Honourable Shirley Bond	Vice-Chair
Honourable Stephanie Cadieux	CFD
Honourable Norm Letnick	AGRI
Honourable Rich Coleman	MNGD
Greg Kylo	MLA
Dan Ashton	MLA
Simon Gibson	MLA

Members Absent:

Honourable Steve Thomson	FLNR
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Ministers Presenting:

Honourable John Rustad	ARR
Honourable Rich Coleman	NGD (HSNG)
Honourable Mary Polak	ENV
Honourable Andrew Wilkinson	AVED

Officials:

Athana Mentzelopoulos	Secretary	FIN
David Galbraith	Deputy Secretary	TBS
John Paul Fraser	Deputy Minister	GCPE
Michele Cadario	Deputy Chief of Staff	PREM
Neil Sweeney	Deputy Minister	PREM
Brian Menzies	Chief of Staff	FIN
Doug Caul	Deputy Minister	ARR
Simon Coley	Legal Counsel	JAG
Wes Shoemaker	Deputy Minister	ENV
Jim Standen	Assistant Deputy Minister	ENV
Wes Boyd	Assistant Deputy Minister	ENV
Doug Foster	Assistant Deputy Minister	FIN
Sandra Carroll	Deputy Minister	AVED
Kevin Brewster	Assistant Deputy Minister	AVED
Shayne Ramsay	Chief Executive Officer	BCH
Greg Steves	Assistant Deputy Minister	OHCS
Gord Enemark	Executive Director	TBS
Alex Chandler	Executive Director	TBS
Jonathan Dube	Executive Director	TBS
Heather Hill	Executive Director	TBS
Marion Bernard	Strategic Advisor	TBS
Colin Ward	Director	TBS
Rebecca John	Director	TBS
Tu Tran	Treasury Board Analyst	TBS
Grant Holly	Analyst	TBS
Anne-Mette Weekend	Manager, TB Operations	TBS



Michael de Jong, Q.C.
Chair

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**Home Ownership Assistance Program(HOAP)
Questions and Answers
December 7, 2016**

Program Overview and Design

1. What is the Home Ownership Assistance Program (HOAP)?

The Home Ownership Assistance Program (HOAP) matches the amount first-time homebuyers have already saved for their down payment with an interest-free, payment-free loan up to 5% of the home's purchase price for the first five years. The maximum loan amount of \$37,500 is based on a home purchase price of \$750,000. Through the program, the Province is providing about \$703 million in loans over the next three years to help an estimated 42,000 B.C. households enter the market for the first time.

2. What are the Home Ownership Assistance Program benefits?

Saving for a mortgage down payment can be hard for first-time homebuyers. As the first five years are interest- and payment-free, the program helps make homeownership more affordable and helps first-time buyers enter the housing market.

3. When does this program begin?

Applications will be accepted starting Jan. 16, 2017, for purchases that close on or after Feb. 15, 2017.

4. How long will this program run?

The program will run from Jan. 16, 2017 until March 31, 2020.

5. Is the program available throughout the province?

Yes, HOAP will assist first-time British Columbia homebuyers province-wide. The \$750,000 threshold was chosen so that first-time buyers will be able to find a property, regardless of which region of the province they live in.

6. How many home buyers are expected to be assisted through HOAP?

Through the program, the Province is providing about \$703 million in loans over the next three years to help about 42,000 B.C. households enter the market for the first time.

7. How is this number of loans calculated?

The estimated demand for the program was based on the number of first-time home buyers purchasing homes in B.C. using CMHC insured mortgages in recent years.

8. Who manages the program?

BC Housing will manage the program.

9. Is there a limit to how many loans will be given each year?

There is no limit to the number of loans approved in any given year.

10. How does this program help potential homebuyers with affordability? It sounds like it's designed for people who already qualify for mortgages and doesn't help anyone get into the market.

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This program is designed to help first time home buyers who can afford the costs of home ownership but are having trouble saving the required down payment. The program also helps first time home buyers during the first five years when the costs of home ownership are often the most challenging. In many areas of the province, the average home can cost \$400,000 or \$500,000. Saving the required minimum down payment of \$20,000 or \$25,000 can be challenging for many people.

11. Shouldn't BC Housing focus on helping the homeless and people with lower incomes? How is this program consistent with BC Housing's mandate?

This year, BC Housing will spend more than \$1 billion on affordable housing programs including funding for emergency shelters, homeless rent supplements, supportive housing programs and non-profit social housing projects. However, housing affordability is a challenge for many renters and for people looking to buy their first home. This announcement today builds upon the previous announcement to invest \$855 million in expanding the supply of affordable rental housing.

12. Shouldn't the government focus on helping the homeless and people with lower incomes?

The B.C. government is taking action to make housing more affordable for everyone, whether they are in a position to buy, rent or need the support of emergency or transitional housing. So far this year, we've committed \$855 million to support the creation of 4,900 units of affordable rental housing. These units are specifically designated for low- to moderate-income renters, adults with developmental disabilities, youth aging out of care, seniors, students, women and children fleeing abuse, and First Nations.

The B.C. government provides approximately \$200 million each year to support more than 14,000 emergency shelter spaces, subsidized housing units and rent supplements for those who are homeless across B.C. This includes:

- Close to 2,000 permanent, year-round shelter beds;
- Nearly 8,800 subsidized housing units for people who are homeless or at risk of homelessness; and
- More than 3,200 rent supplements.

13. Why are you announcing this program now, following the new CMHC rules effective November 30 that seem designed to diminish demand in the housing market rather than encourage it?

The recent federal announcements affecting mortgage loan insurance and the Province's foreign buyer property transfer tax are designed to respond to an overheated housing market. Both the federal and the provincial governments want a stable housing market that is affordable to ordinary Canadians. This announcement today is designed to ensure that first time buyers are able to realize their dream of homeownership and have the opportunity to raise their families and in homes they own.

14. Isn't the basic premise of this program contrary to the direction of the federal government's recent changes to mortgage applications aimed at tightening restrictions on obtaining mortgages?

This program is complementary to recent federal changes to mortgage loan insurance. Those rules are designed to make sure home buyers can afford their mortgage payments both today and in the future when they must renew their mortgage at a potentially higher interest rate. Under the Home Ownership Assistance Plan, a first time home buyer must first qualify for an

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insured high ratio mortgage under the new rules and then can receive assistance with their down payment.

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The Province has a number of programs aimed at making housing more affordable, and not every program is right for every person. Other programs helping home buyers and homeowners include the First Time Home Buyers program, the Newly Built Homes exemption, the home owner grant, and property tax deferment.

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16. Why is there a maximum household income of \$150,000?

This program is aimed at first-time buyers who are in a position to enter the market, but need a little help gathering the down payment required for a mortgage. The household income threshold helps ensure the program helps those who need it most. To afford a property priced at \$750,000, buyers need an income of at least \$150,000.

17. Why is the maximum purchase price set at \$750,000?

This program is designed to help first-time buyers across the province, whether they live in Prince George or Surrey. Home prices can vary greatly in different regions across B.C., and we wanted to make sure the support that's available is enough to help a first-time buyer enter the market, regardless of which community they live in. To afford a property priced at \$750,000, buyers need an income of at least \$150,000.

18. How will you ensure the program isn't used to help speculators?

The program is only available to first-time buyers and the home must be used as the buyer's principal residence for the first five years. Buyers will also need to pay a premium for mortgage insurance, discouraging short-term ownership.

19. What about condo presales?

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People who want to purchase a presale condo are encouraged to apply to the Home Ownership Assistance Plan. They can confirm that they are eligible for the program and will qualify for down payment assistance when the time comes to complete the purchase of their new condo. For presales that occur long before the completion of the home, first time home buyers will need to reconfirm their eligibility every six months. All completions under the program must occur before the program's end date of March 31, 2020.

During the presale period, any payment of deposits will be the responsibility of the purchaser. Once the condo is complete and title has transferred, the Province will advance the down payment assistance loan.

Home Ownership Assistance Program Funding Source

20. How much money is being invested in this program?

The Province estimates the program will cost a total of \$836 million over the next three years, with about \$703 million in loans advanced to help about 42,000 households enter the market. The funding is expected to come from the new Housing Priority Initiatives Special Account created this year.

21. Where does the money for the Housing Priority Initiatives Special Account come from?

The Special Account is mainly funded from Property Transfer Tax revenue. Government will transfer Property Transfer Tax revenue into the special account as necessary to fund housing initiatives.

22. How much money is currently in the Housing Priority Initiatives Special Account?

This Special Account was established with an inaugural balance of \$75 million. An additional \$500 million of Property Transfer Tax revenue has been transferred this year to support BC Housing's investment in 2,900 units of affordable rental housing projects (as recently announced).

23. Is the \$500 million also going to fund the Home Ownership Assistance Program or is additional cash required?

The \$500 million has been dedicated towards the Investment in Housing Innovation initiative announced earlier. Depending on the timing of actual cash flow needs for the HOAP, additional transfer of Property Transfer Tax revenue will be set aside as needed to ensure that enough resources are available in the HPI Special Account for this program.

24. Is there an estimate as to how much the Housing Priority Initiatives Special Account is expected to grow annually, based on its current revenue streams?

Funding doesn't automatically flow into the Special Account. Government will transfer appropriate amounts of Property Transfer Tax revenue as necessary to fund priority housing initiatives.

25. What if the Housing Priority Initiatives Special Account is depleted?

The Special Account was started with an inaugural starting balance of \$75 million and government can transfer portions of Property Transfer Tax revenue as necessary to fund housing initiatives. It is highly unlikely that there will ever be no Property Transfer Tax revenue in the foreseeable future. As well, under the legislation the Special Account can also earn other forms of revenue from various housing-related activities.

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26. Do you expect the Housing Priority Initiatives Special Account to continue funding these types of initiatives?

The Special Account was established for that very purpose.

27. What do you expect the fiscal impact to the Province of the HOAP to be over the next three years?

We expect that the new HOAP will result in two basic effects on the government's finances:

1. Overall spending will increase \$133 million (from Jan. 16, 2017 until March 31, 2020). Costs include grant expenses to reflect the interest-free component of the program loans, plus a modest amount of administration costs.
2. About \$703 million will be disbursed as direct advances in support of homebuyer mortgage down payments. While BC Housing will be holding 2nd mortgage loans under HOAP, this means that less surplus cash resources will be available each year to reduce taxpayer-supported debt as long as the loans remain outstanding.

HOAP Loan/Financing

28. How does the HOAP loan work?

The HOAP loan will match the cash downpayment provided by the applicant, up to a maximum of 5% of the purchase price (the maximum purchase price is \$750,000 and thus the maximum HOAP loan is \$37,500). The combined cash down payment and HOAP loan must meet the minimum downpayment requirements to qualify for an insured residential mortgage for the home and be equal to or less than 20% of the purchase price.

Repayment details:

- Year 0-5 – payment and interest free
- Year 6-25 – market interest rate

29. What is the interest on the loan?

The loan is payment- and interest-free for the first five years, and then for year 6-25 of the mortgage, market interest rates apply. The interest rate will be the Royal Bank of Canada prime rate plus 0.5% (RBC prime rate is currently 2.7% and thus the DPAP interest rate would be 3.2% at present).

30. Are these loans from BC Housing registered on title as a second mortgage?

Yes

31. Does the initial mortgage term need to be a five-year term or can an applicant choose a different term (e.g. a 3-year term)?

The homebuyer can choose the term for their first mortgage. The HOAP mortgage will have a 25-year term. The loan is interest-free and payment-free for the first five years. Interest and payments are required in years 6-25. The interest rate will be reset every five years at year 10, 15 and 20 at the Royal Bank of Canada prime rate plus 0.5% (RBC prime rate is currently 2.7% and thus the HOAP interest rate would be 3.2% at present).

32. Is BC Housing still involved if an applicant pays the HOAP loan in full, before or at the end of the initial five year term?

No. The mortgage will be discharged once the loan is repaid in full.

33. How are the legal costs involved in the loan managed?

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A legal services fee will be added to the total HOAP loan amount, and will be disclosed to the applicants at the time of loan approval. The homebuyer is also responsible for any additional fees charged by their own lawyer/notary for their role in the HOAP process.

34. Does the cash down payment need to come from the applicants, or can it be gifted from parents, for example?

The HOAP program will match any downpayment that is accepted by the first mortgage lender. Talk to your mortgage broker about lenders' rules regarding the source of funds used for a down payment.

35. What happens if a homeowner defaults on a loan and declares bankruptcy?

Given that buyers will need to qualify for an insured first mortgage, which involves an assessment of their household income, existing debt, and ability to pay their mortgage, we expect defaults to be extremely rare. However, in the event of a homeowner defaulting on the loan, either lender can initiate foreclosure proceedings. The first mortgage is paid out first, followed by the HOAP loan, which is registered as a second mortgage.

36. Were financial institutions consulted on this program?

Yes. BC Housing has consulted with CMHC and financial institutions. The program is compliant with all federal rules related to mortgage eligibility.

37. Is there a penalty for paying the loan off before the end of the 10 years?

HOAP loans can be repaid at any time without penalty and extra payments on principal can also be made at any time without penalty.

38. Does the loan have to be repaid if the buyer refinances after five years with an uninsured first mortgage?

The loan does not need to be repaid if the buyer refinances their first mortgage

39. Is the interest-free loan considered a taxable benefit for income tax purposes?

Buyers should consult their tax advisors or the Canada Revenue Agency.

Eligibility Requirements

40. What criteria must home buyers meet to qualify for assistance under HOAP?

To qualify for HOAP, all individuals who will have a registered interest on the title of the home must be included on the application and meet all of the following eligibility requirements:

- Be a Canadian citizen or permanent resident s.13 s.13
- Be a first-time home buyer who has not owned an interest in a residence anywhere in the world at any time¹.
- The home being purchased will only be used as their principal residence² for the first 5 years
- Purchase a home that is \$750,000 or less.

¹ And has never received a first-time homebuyers' exemption or refund.

² Principal Residence is defined as the home that is designated (and is eligible to be designated) as the owner's principal residence for tax purposes, and where all persons registered on title live permanently in a self-contained unit with access to all living facilities at all times to conduct their daily activities (such as: cooking, sleeping, and bathroom).

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- The combined, gross household income of all individuals on title must not exceed \$150,000.

41. Is proof of Canadian citizenship and/or permanent resident status required?

Yes, passports, birth certificates and permanent residency cards are acceptable documentation.

42. How will the principal residence requirement be monitored?

HOAP loan recipients may be required to provide an annual declaration and proof of continued principal residency.

Principal Residence is defined as the home that is designated (and is eligible to be designated) as the owner's principal residence for tax purposes, and where all persons registered on title live permanently in a self-contained unit with access to all living facilities at all times to conduct their daily activities (such as: cooking, sleeping, and bathroom).

43. Does the gross household income limit of all individuals on title include rental income from a suite, if applicable?

No. Rental income from a suite is not included as part of the gross household income.

44. Can loan recipients have tenants in their homes?

The home buyer can rent out secondary suites or bedrooms as long as they also use the property as their principal residence in the first five years. If the home is not used as the home buyer's principal residence, immediate repayment of the loan is triggered.

45. What type of home is eligible to be purchased under the program?

The following type of home is eligible:

- Legal, self-contained, mortgageable residence located in British Columbia.
- The home must serve as the applicant's principal residence. Seasonal/recreational properties are not eligible.
- Purchase price must not exceed \$750,000.

Application Details

46. How do people apply?

Applications will be accepted online via the BC Housing website (Link to HOAP application portal).

47. Do prospective home buyers need to approach their financial institution/lender prior to applying for the loan through BC Housing?

Yes. Applicants must obtain confirmation from a National Housing Act approved lender confirming they are pre-approved for an insured residential mortgage prior to submitting their application.

48. How will home buyers who apply be selected?

All completed applications will be assessed for eligibility.

49. How will home buyers receiving HOAP funding know what steps they need to take?

After home buyers have applied online and been approved by BC Housing, they will be provided

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with a Home Buyer's Package containing:

- Confirmation of eligibility
- Detailed program information and buyer's checklist
- Information to provide to their lender, real estate agent and lawyer/notary

50. How long will it take for BC Housing to review and approve applications?

BC Housing's online application system will provide a decision on complete applications within 5 business days in most circumstances.

Housing Market Questions

51. What happens when the home buyer sells the property?

If the home is sold before the HOAP loan is repaid, the homeowner must repay the loan at the time of change in ownership.

52. Is it true that millennials are moving away from Vancouver because of high housing prices?

This is a myth. The BC Real Estate Association reports millennials are actually the most populous age group in the City of Vancouver today, and the rate of home ownership for younger households has increased significantly during the last two census periods. More info:

<http://www.bcrea.bc.ca/docs/economics-forecasts-and-presentations/myth-of-the-retreating-millennial.pdf>

53. Are there any resale restrictions for the home buyer?

No. Any outstanding loan amount must be repaid upon sale, and the mortgage will be discharged from title.

54. What happens if house prices decline when a homeowner needs to sell?

A sharp market correction that would reduce the value of homes beyond the equity buyers will have from their own down payment contribution is unlikely in the current economic environment. However, the HOAP loan must be repaid regardless of house prices.

The CMHC's rules are designed to protect the housing market against the risk of a market correction and ensure that people aren't taking on more debt than they can afford. The Home Ownership Assistance Program supports affordability because there are no monthly payments or interest charges for the first five years the buyer lives in the home. The homebuyer still needs to qualify for an insured first mortgage. This means their lender will have assessed their ability to carry the mortgage based on their household income, other debt and the home's purchase price.

55. What happens if there are significant increases to interest rates?

Economists predict sudden significant increases to interest rates are unlikely, although gradual rate increases by the Bank of Canada are to be expected as the Canadian economy improves. The CMHC's rules are designed to protect the housing market against the risk of a market correction and ensure that people aren't taking on more debt than they can afford. The Home Ownership Assistance Program supports affordability because there are no monthly payments or interest charges for the first five years the buyer lives in the home. The homebuyer still needs to qualify for an insured first mortgage. This means their lender will have assessed their ability to carry the mortgage based on their household income, other debt and the home's purchase price.

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56. What is the average home price in cities throughout the province?

Average home prices vary in the different regions of the province. The \$750,000 threshold was chosen to ensure that first-time buyers will be able to find a property regardless of where they live in the province.

MLS benchmark prices (November 2016) are as follows according to local real estate boards:

Community	Condo	Townhome	Single-family detached home
Greater Vancouver	\$512,100	\$667,100	\$1,511,100
Greater Victoria	\$371,300	\$501,300	\$620,100
South Okanagan*	\$200,595	\$288,275	\$432,449
Fraser Valley	\$258,600	\$424,300	\$860,800

Sources:

Greater Vancouver: <http://www.rebgv.org/monthly-reports?month=November&year=2016>

Greater Victoria: <http://www.vreb.org/pdf/VREBNewsReleaseFull.pdf>

*(Average price) South Okanagan:

[http://www.soreb.org/includes/South Okanagan/stats/2016/NOV16/NOV16SO.pdf](http://www.soreb.org/includes/South%20Okanagan/stats/2016/NOV16/NOV16SO.pdf)

Fraser Valley: <http://www.fvreb.bc.ca/statistics/Package201611.pdf>

According to the Canadian Real Estate Association, the average price of a home sold in October 2016 was:

- BC Northern: \$265,459 - <http://creastats.crea.ca/cari/>
- Kamloops and District: \$362,352 - <http://creastats.crea.ca/kaml/>
- Chilliwack and District: \$417,242 - <http://creastats.crea.ca/chil/>
- Kootenay: \$290,183 - <http://creastats.crea.ca/koot/>

57. What is the average household income in BC?

Here is an example of average household incomes in a sample of BC cities.

City	Average Household Income, 2010
Vancouver	\$80,460
Kelowna	\$74,975
Nanaimo	\$64,189
Surrey	\$82,789
Prince George	\$74,833

Source: National Household Survey 2011, Statistics Canada

Note: More recent data will be available in September 2017.

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Home Ownership Assistance Program Funding Source

20. How much money is being invested in this program?

The Province estimates the program will cost a total of \$836 million over the next three years, with about \$703 million in loans advanced to help about 42,000 households enter the market. The funding is expected to come from the new Housing Priority Initiatives Special Account created this year.

21. Where does the money for the Housing Priority Initiatives Special Account come from?

The Special Account is mainly funded from Property Transfer Tax revenue. Government will transfer Property Transfer Tax revenue into the special account as necessary to fund housing initiatives.

22. How much money is currently in the Housing Priority Initiatives Special Account?

This Special Account was established with an inaugural balance of \$75 million. An additional \$500 million of Property Transfer Tax revenue has been transferred this year to support BC Housing's investment in 2,900 units of affordable rental housing projects (as recently announced).

23. Is the \$500 million also going to fund the Home Ownership Assistance Program or is additional cash required?

The \$500 million has been dedicated towards the Investment in Housing Innovation initiative announced earlier. Depending on the timing of actual cash flow needs for the HOAP, additional transfer of Property Transfer Tax revenue will be set aside as needed to ensure that enough resources are available in the HPI Special Account for this program.

24. Is there an estimate as to how much the Housing Priority Initiatives Special Account is expected to grow annually, based on its current revenue streams?

Funding doesn't automatically flow into the Special Account. Government will transfer appropriate amounts of Property Transfer Tax revenue as necessary to fund priority housing initiatives.

25. What if the Housing Priority Initiatives Special Account is depleted?

The Special Account was started with an inaugural starting balance of \$75 million and government can transfer portions of Property Transfer Tax revenue as necessary to fund housing initiatives. It is highly unlikely that there will ever be no Property Transfer Tax revenue in the foreseeable future. As well, under the legislation the Special Account can also earn other forms of revenue from various housing-related activities.

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26. Do you expect the Housing Priority Initiatives Special Account to continue funding these types of initiatives?

The Special Account was established for that very purpose.

27. What do you expect the fiscal impact to the Province of the HOAP to be over the next three years?

We expect that the new HOAP will result in two basic effects on the government's finances:

1. Overall spending will increase \$133 million (from Jan. 16, 2017 until March 31, 2020). Costs include grant expenses to reflect the interest-free component of the program loans, plus a modest amount of administration costs.
2. About \$703 million will be disbursed as direct advances in support of homebuyer mortgage down payments. While BC Housing will be holding 2nd mortgage loans under HOAP, this means that less surplus cash resources will be available each year to reduce taxpayer-supported debt as long as the loans remain outstanding.

HOAP Loan/Financing

28. How does the HOAP loan work?

The HOAP loan will match the cash downpayment provided by the applicant, up to a maximum of 5% of the purchase price (the maximum purchase price is \$750,000 and thus the maximum HOAP loan is \$37,500). The combined cash down payment and HOAP loan must meet the minimum downpayment requirements to qualify for an insured residential mortgage for the home and be equal to or less than 20% of the purchase price.

Repayment details:

- Year 0-5 – payment and interest free
- Year 6-25 – market interest rate

29. What is the interest on the loan?

The loan is payment- and interest-free for the first five years, and then for year 6-25 of the mortgage, market interest rates apply. The interest rate will be the Royal Bank of Canada prime rate plus 0.5% (RBC prime rate is currently 2.7% and thus the DPAP interest rate would be 3.2% at present).

30. Are these loans from BC Housing registered on title as a second mortgage?

Yes

31. Does the initial mortgage term need to be a five-year term or can an applicant choose a different term (e.g. a 3-year term)?

The homebuyer can choose the term for their first mortgage. The HOAP mortgage will have a 25-year term. The loan is interest-free and payment-free for the first five years. Interest and payments are required in years 6-25. The interest rate will be reset every five years at year 10, 15 and 20 at the Royal Bank of Canada prime rate plus 0.5% (RBC prime rate is currently 2.7% and thus the HOAP interest rate would be 3.2% at present).

32. Is BC Housing still involved if an applicant pays the HOAP loan in full, before or at the end of the initial five year term?

No. The mortgage will be discharged once the loan is repaid in full.

33. How are the legal costs involved in the loan managed?

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A legal services fee will be added to the total HOAP loan amount, and will be disclosed to the applicants at the time of loan approval. The homebuyer is also responsible for any additional fees charged by their own lawyer/notary for their role in the HOAP process.

34. Does the cash down payment need to come from the applicants, or can it be gifted from parents, for example?

The HOAP program will match any downpayment that is accepted by the first mortgage lender. Talk to your mortgage broker about lenders' rules regarding the source of funds used for a down payment.

35. What happens if a homeowner defaults on a loan and declares bankruptcy?

Given that buyers will need to qualify for an insured first mortgage, which involves an assessment of their household income, existing debt, and ability to pay their mortgage, we expect defaults to be extremely rare. However, in the event of a homeowner defaulting on the loan, either lender can initiate foreclosure proceedings. The first mortgage is paid out first, followed by the HOAP loan, which is registered as a second mortgage.

36. Were financial institutions consulted on this program?

Yes. BC Housing has consulted with CMHC and financial institutions. The program is compliant with all federal rules related to mortgage eligibility.

37. Is there a penalty for paying the loan off before the end of the 10 years?

HOAP loans can be repaid at any time without penalty and extra payments on principal can also be made at any time without penalty.

38. Does the loan have to be repaid if the buyer refinances after five years with an uninsured first mortgage?

The loan does not need to be repaid if the buyer refinances their first mortgage

39. Is the interest-free loan considered a taxable benefit for income tax purposes?

Buyers should consult their tax advisors or the Canada Revenue Agency.

Eligibility Requirements

40. What criteria must home buyers meet to qualify for assistance under HOAP?

To qualify for HOAP, all individuals who will have a registered interest on the title of the home must be included on the application and meet all of the following eligibility requirements:

- Be a Canadian citizen or permanent resident s.13 s.13
- Be a first-time home buyer who has not owned an interest in a residence anywhere in the world at any time¹.
- The home being purchased will only be used as their principal residence² for the first 5 years
- Purchase a home that is \$750,000 or less.

¹ And has never received a first-time homebuyers' exemption or refund.

² Principal Residence is defined as the home that is designated (and is eligible to be designated) as the owner's principal residence for tax purposes, and where all persons registered on title live permanently in a self-contained unit with access to all living facilities at all times to conduct their daily activities (such as: cooking, sleeping, and bathroom).

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- The combined, gross household income of all individuals on title must not exceed \$150,000.

41. Is proof of Canadian citizenship and/or permanent resident status required?

Yes, passports, birth certificates and permanent residency cards are acceptable documentation.

42. How will the principal residence requirement be monitored?

HOAP loan recipients may be required to provide an annual declaration and proof of continued principal residency.

Principal Residence is defined as the home that is designated (and is eligible to be designated) as the owner's principal residence for tax purposes, and where all persons registered on title live permanently in a self-contained unit with access to all living facilities at all times to conduct their daily activities (such as: cooking, sleeping, and bathroom).

43. Does the gross household income limit of all individuals on title include rental income from a suite, if applicable?

No. Rental income from a suite is not included as part of the gross household income.

44. Can loan recipients have tenants in their homes?

The home buyer can rent out secondary suites or bedrooms as long as they also use the property as their principal residence in the first five years. If the home is not used as the home buyer's principal residence, immediate repayment of the loan is triggered.

45. What type of home is eligible to be purchased under the program?

The following type of home is eligible:

- Legal, self-contained, mortgageable residence located in British Columbia.
- The home must serve as the applicant's principal residence. Seasonal/recreational properties are not eligible.
- Purchase price must not exceed \$750,000.

Application Details

46. How do people apply?

Applications will be accepted online via the BC Housing website (Link to HOAP application portal).

47. Do prospective home buyers need to approach their financial institution/lender prior to applying for the loan through BC Housing?

Yes. Applicants must obtain confirmation from a National Housing Act approved lender confirming they are pre-approved for an insured residential mortgage prior to submitting their application.

48. How will home buyers who apply be selected?

All completed applications will be assessed for eligibility.

49. How will home buyers receiving HOAP funding know what steps they need to take?

After home buyers have applied online and been approved by BC Housing, they will be provided

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with a Home Buyer's Package containing:

- Confirmation of eligibility
- Detailed program information and buyer's checklist
- Information to provide to their lender, real estate agent and lawyer/notary

50. How long will it take for BC Housing to review and approve applications?

BC Housing's online application system will provide a decision on complete applications within 5 business days in most circumstances.

Housing Market Questions

51. What happens when the home buyer sells the property?

If the home is sold before the HOAP loan is repaid, the homeowner must repay the loan at the time of change in ownership.

52. Is it true that millennials are moving away from Vancouver because of high housing prices?

This is a myth. The BC Real Estate Association reports millennials are actually the most populous age group in the City of Vancouver today, and the rate of home ownership for younger households has increased significantly during the last two census periods. More info:

<http://www.bcrea.bc.ca/docs/economics-forecasts-and-presentations/myth-of-the-retreating-millennial.pdf>

53. Are there any resale restrictions for the home buyer?

No. Any outstanding loan amount must be repaid upon sale, and the mortgage will be discharged from title.

54. What happens if house prices decline when a homeowner needs to sell?

A sharp market correction that would reduce the value of homes beyond the equity buyers will have from their own down payment contribution is unlikely in the current economic environment. However, the HOAP loan must be repaid regardless of house prices.

The CMHC's rules are designed to protect the housing market against the risk of a market correction and ensure that people aren't taking on more debt than they can afford. The Home Ownership Assistance Program supports affordability because there are no monthly payments or interest charges for the first five years the buyer lives in the home. The homebuyer still needs to qualify for an insured first mortgage. This means their lender will have assessed their ability to carry the mortgage based on their household income, other debt and the home's purchase price.

55. What happens if there are significant increases to interest rates?

Economists predict sudden significant increases to interest rates are unlikely, although gradual rate increases by the Bank of Canada are to be expected as the Canadian economy improves. The CMHC's rules are designed to protect the housing market against the risk of a market correction and ensure that people aren't taking on more debt than they can afford. The Home Ownership Assistance Program supports affordability because there are no monthly payments or interest charges for the first five years the buyer lives in the home. The homebuyer still needs to qualify for an insured first mortgage. This means their lender will have assessed their ability to carry the mortgage based on their household income, other debt and the home's purchase price.

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56. What is the average home price in cities throughout the province?

Average home prices vary in the different regions of the province. The \$750,000 threshold was chosen to ensure that first-time buyers will be able to find a property regardless of where they live in the province.

MLS benchmark prices (November 2016) are as follows according to local real estate boards:

Community	Condo	Townhome	Single-family detached home
Greater Vancouver	\$512,100	\$667,100	\$1,511,100
Greater Victoria	\$371,300	\$501,300	\$620,100
South Okanagan*	\$200,595	\$288,275	\$432,449
Fraser Valley	\$258,600	\$424,300	\$860,800

Sources:

Greater Vancouver: <http://www.rebgv.org/monthly-reports?month=November&year=2016>

Greater Victoria: <http://www.vreb.org/pdf/VREBNewsReleaseFull.pdf>

*(Average price) South Okanagan:

http://www.soreb.org/includes/South_Okanagan/stats/2016/NOV16/NOV16SO.pdf

Fraser Valley: <http://www.fvreb.bc.ca/statistics/Package201611.pdf>

According to the Canadian Real Estate Association, the average price of a home sold in October 2016 was:

- BC Northern: \$265,459 - <http://creastats.crea.ca/cari/>
- Kamloops and District: \$362,352 - <http://creastats.crea.ca/kaml/>
- Chilliwack and District: \$417,242 - <http://creastats.crea.ca/chil/>
- Kootenay: \$290,183 - <http://creastats.crea.ca/koot/>

57. What is the average household income in BC?

Here is an example of average household incomes in a sample of BC cities.

City	Average Household Income, 2010
Vancouver	\$80,460
Kelowna	\$74,975
Nanaimo	\$64,189
Surrey	\$82,789
Prince George	\$74,833

Source: National Household Survey 2011, Statistics Canada

Note: More recent data will be available in September 2017.

Leamy, Michelle T PREM:EX

From: Cadario, Michele PREM:EX
Sent: Wednesday, August 31, 2016 10:59 AM
To: Gulsen, Gul PREM:EX
Subject: Fw: Revised version of TB Submission s.12
Attachments: TB Sub-IS.12

Pls print for me

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Nikolejsin, Dave MNGD:EX <Dave.Nikolejsin@gov.bc.ca>
Sent: Monday, August 29, 2016 12:27 PM
To: Carr, Steve PREM:EX; Sweeney, Neil PREM:EX; Cadario, Michele PREM:EX; Chin, Ben PREM:EX; Bhullar, Barinder PREM:EX
Subject: Fwd: Revised version of TB Submission -s.12

Current version
s.12

Dave Nikolejsin
Deputy Minister
Natural Gas Development

Begin forwarded message:

From: "Page, Doug OHCS:EX" <Doug.Page@gov.bc.ca>
To: "Parmar, Ranbir S CSNR:EX" <Ranbir.Parmar@gov.bc.ca>, "Hill, Jennifer CSCD:EX" <Jennifer.Hill@gov.bc.ca>, "Paget, Gary CSCD:EX" <Gary.Paget@gov.bc.ca>, "Faganello, Tara CSCD:EX" <Tara.Faganello@gov.bc.ca>, "Brooks, Jessica CSCD:EX" <Jessica.Brooks@gov.bc.ca>, "Boyd, Wes CSNR:EX" <Wes.Boyd@gov.bc.ca>, "Beltrano, Linda MNGD:EX" <Linda.Beltrano@gov.bc.ca>, "Nikolejsin, Dave MNGD:EX" <Dave.Nikolejsin@gov.bc.ca>
Cc: "Lam, Roger OHCS:EX" <Roger.Lam@gov.bc.ca>, "Holden, Virginia OHCS:EX" <Virginia.Holden@gov.bc.ca>, "Tiffin, Kim OHCS:EX" <Kim.Tiffin@gov.bc.ca>, "Elder, Kathy A OHCS:EX" <Kathy.Elder@gov.bc.ca>, "Cochrane, Marlene MEM:EX" <Marlene.Cochrane@gov.bc.ca>
Subject: FW: Revised version of TB Submission -s.12

From: Jennifer Iten [<mailto:jiten@bchousing.org>]
Sent: Friday, August 26, 2016 1:08 PM
To: Foster, Doug FIN:EX; Dube, Jonathan FIN:EX; Tran, Tu N FIN:EX; Steves, Gregory OHCS:EX; Page, Doug OHCS:EX
Cc: Dan Maxwell; XT:HLTH Ramsay, Shayne
Subject: RE: TB Submission s.12

Hi everyone, please use this version instead.

s.12

My apologies for any confusion and thanks to Tu for catching this.

Jenn

From: Jennifer Iten
Sent: August-26-16 12:10 PM
To: 'Foster, Doug FIN:EX'; Dube, Jonathan FIN:EX; 'Tran, Tu N FIN:EX'; Gregory Steves; 'Page, Doug OHCS:EX'
Cc: Dan Maxwell; Shayne Ramsay
Subject:
s.12,s.13

Thanks,
Jenn

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Page 038 to/à Page 111

Withheld pursuant to/removed as

s.12