

The Canada-Ontario Affordable Housing Program Homeownership Program

The Federal and Provincial governments have implemented the Canada-Ontario Affordable Housing Homeownership Program (COAHP) designed to provide down payment assistance to individuals and households in Windsor and Essex County. Down payment assistance of 10% to a maximum of \$16,000 is provided for house closings after January 1, 2009, on a first come, first serve basis and expires March 6, 2009 or when program funds are depleted, whichever occurs first. The purchase price of the home cannot be more than \$160,000.

An accepted Agreement of Purchase and Sale must be submitted by March 6, 2009. Conditional offers may be submitted provided all conditions are removed on or before March 6, 2009. The purchase transaction must be completed on or before September 30, 2009 provided the applicant meets all other requirements by March 6, 2009.

The home can be located anywhere in one of the following municipalities where full municipal services are provided: Amherstburg, Essex, Kingsville, Lakeshore, Leamington, Tecumseh and Windsor.

The home can be new or used and of varying type – detached, semi, row houses, apartments, condominium, mobile homes. Life lease arrangements are not eligible.

The down-payment loan does not have to be paid back if the purchaser stays in the home for 20 years.

COAHP Homeownership Program – Questions & Answers

1. Who is eligible?

Applicants who:

- are 18 years of age or older and a Canadian citizen or landed immigrant under the *Immigration and Refugee Protection Act (Canada)*
- have a combined total maximum gross income of all members of the household at or below \$61,400 annually
 - Household of an individual defined as and includes:
 - the individual making the application
 - any person the individual is living with in a spousal relationship, including same-sex spousal relationship
 - any person eighteen years or older expected to be normally living with the individual at the time of first occupancy of the home
- have a combined total maximum asset limit of all members of the household at or below the value of \$20,000. Cars, furnishings, RRSP, and RESP are not included when determining these assets.
- are currently renting and will be vacating a tenancy to buy a sole and principal residence
- do not have, and are not living in a spousal relationship, including a same-sex spousal relationship with a person that has any form of interest in ownership of a home

2. How do you determine my income if I am self employed?

- Income from self employment will be reduced by all deductions allowed by the Canada Customs and Revenue Agency, except for the following:
 - Capital cost allowances for the depreciation of assets
 - Rent paid by the individual, where the individual operates the business from the unit
 - Childcare expenses

However, the lenders/financial institutions definition of income from self-employment may differ. You may be required to provide more detailed documentation to your lender/financial institution in order for your lender/financial institution to determine your continued eligibility for the purpose of obtaining a mortgage.

3. What does the Homeownership program offer?

- eligible households will receive financial assistance to be used as a down payment to purchase a resale or newly built home
- ten percent (10%) down payment assistance is provided up to a maximum of \$16,000 to assist in purchasing a home at a purchase price not to exceed \$160,000
- funds provided are a 20-year interest free and payment free loan subject to some conditions and rules.

4. What are the rules for not having to pay back the down-payment loan?

- If the purchaser owns and stays in the home for 20 years, the down-payment loan is forgivable and does not have to be paid back.

5. What are the circumstances that would make the loan repayable?

- Circumstances where the loan is repayable include:
 - insolvency
 - death
 - house is leased
 - household ceases to occupy as a sole residence
 - misrepresentation of information you provided
 - improper use of program funds
 - sale of house prior to 20 years

6. If the loan has to be repaid, how much would I have to pay back?

- the original amount of the down-payment assistance PLUS ten percent (10%) of the capital gain.
- capital gain defined as difference between original purchase price and current market appraised value.

7. What if I sell the house before 20 years and get less than I paid for it?

- The loan is forgiven and you do not have to repay it if:
 - the home is sold for less than the original price and
 - the transaction is at arm's length
 - we are satisfied the sale is at fair market value

8. Am I allowed to stay in the home and pay the loan back before the 20 years is up?

- Yes, households may pay the loan back at any time but,
 - the original amount of the down-payment assistance plus 10% of the capital gain established by an appraised value of the home must be paid in full
 - partial payments are not allowed
 - you must pay all costs associated for appraisals/discharges/processing

9. If I am eligible for a Habitat for Humanity home, am I eligible for this program?

- Yes, 10 units have been allocated to Habitat for Humanity.

10. Do I have to choose a specific type of home?

- You may select a home of your own choice provided the home meets with the following program criteria:
 - purchase price of the home does not exceed \$160,000.
 - house price is affordable to the household income
 - house can be new or used and of varying type – detached, semi, row houses, apartments, condominium, mobile homes
 - house must be modest in size, relative to community norms, in terms of floor area and amenities.
- if a new home – must be subject to Ontario New Home Warranties Plan Act
- if a used home – must have satisfactory results from a home inspection by a qualified inspector at purchaser's expense.
- life lease arrangements are not eligible

11. Do I have to buy a home in a specific area?

- Yes, this program is available in the following participating municipalities where full municipal services are provided: Amherstburg, Essex, Kingsville, Lakeshore, Leamington, Tecumseh and Windsor.

12. What information will I need to complete the application Verification Process to be considered for funds?

A Financial Institution verification of Income, Assets & Pre-Qualified Mortgage package with all the required attachments must be completed and submitted. Applications are being taken on a first come, first serve basis. In order to assist you, an application checklist (page 6) is provided with this package.

1. all applicants must complete page 1 and 2 of the package.
2. Page 2 must be read, completed and signed by applicants and all members of the household 18 years of age and older
3. applicants take the application package to a financial lending institution of their choice to apply and be approved for a pre-qualified mortgage
4. the financial lending institution must complete pages 3 and 4 of the package and at the applicants request, provide applicants with a copy of their pre-qualified mortgage application that was completed and approved by the financial lending institution.
5. applicants and all members of the household 18 years of age or older must submit:
 - 2007 proof of income and assets. examples of income and assets are included on page 5 in the application
 - 2007 Canadian income tax Notice of Assessment (if available),
 - if 2007 Canadian income tax Notice of Assessment is not available, must attach 2007 T4 slip(s); 2007 T5 slip(s) **and** copy of their 2006 Canadian income tax Notice of Assessment
 - one month of recent 2008 stubs from their current source(s) of income
 - photocopy of government issued photo identification
 - a copy of the pre-qualified mortgage application that was completed and approved by the financial lending institution

NOTE: While at the financial lending institution, applicants ask for a copy of the pre-qualified mortgage application that was completed by the financial institution, as well as copies of any and all information/documentation the financial institution requested from them in order to have their pre-qualified mortgage application completed and approved. Copies of all this information must be submitted with the application.

13. What happens next?

All applications received will be accepted on a first come, first serve basis and will be reviewed by the city for completeness & eligibility:

If the application is:

- **complete & eligible**, applicants receive an information package and a Letter of Confirmation confirming that if the applicant remains in compliance of the program, the applicant will receive the 10% down payment loan up to a maximum of \$16,000.
- **incomplete**, applicant will be notified and must start over, losing their first come, first serve date/place of ranking. We encourage you to refer to the application checklist on page 6 (yellow page) of the application package to avoid this.
- **ineligible**, applicant will be notified.

Approved applicants:

- will receive an information package and be provided with a written Letter of Confirmation confirming that, if they remain in compliance with the program, they will receive a 10% down payment loan up to a maximum of \$16,000
- will receive a draft copy of a Loan Agreement. If there are any questions regarding this document, it should be discussed with their lawyer prior to signing/closing.
- take the Letter of Confirmation of eligibility to prospective lenders to make final mortgage arrangements.
- must submit an accepted Agreement of Purchase and Sale on an eligible home by March 6, 2009 with a closing date of no later than September 30, 2009. Conditional offers may be submitted provided all conditions are removed on or before March 6, 2009.
- After the City forwards an accepted Agreement of Purchase and Sale to the Ministry of Municipal Affairs and Housing, approximately 30 to 45 days are required for the Purchaser's lawyer to receive program funds. As a result, applicants will need to plan for this timeframe in their timelines when purchasing and choosing a Closing Date.

14. If I am approved for a loan under this program, what happens after I have an accepted Agreement of Purchase and Sale and I am approved for a mortgage?

Provide the Program Development Officer (PDO) located at 400 City Hall Square, 3rd Floor, Suite 301, Social Services Dept. Business Office with the following:

- a copy of the Agreement of Purchase and Sale
- the following information of the lawyer/legal representative you chose to close the transaction:
 - your lawyer's name
 - the name of the legal firm
 - address
 - city and postal code
 - contact/phone number(s) of the law firm
- a copy of the home inspection
- the number of people that will be residing in the household
- the number of bedrooms in the home

- PDO sends a copy of the Agreement of Purchase of Sale to the Ministry of Municipal Affairs and Housing (MMAH).
- MMAH approves the sale and transfers the funds to PDO.
- PDO sends a package to your lawyer/legal representative including a copy of the Loan agreement for your signature.
- Your lawyer/legal representative will register the loan as a second mortgage on title.
- PDO transfers the funds to the Purchaser's lawyer/bank prior to the closing date.

15. Information from the Ministry of Municipal Affairs and Housing (MMAH)

The following are excerpts from an information bulletin from the MMAH:

Mortgage insurance

The Affordable Housing Program (AHP) Agreement does not impose an obligation to have Canada Mortgage and Housing Corporation (CMHC) insure the mortgages of participants. Nor do the Homeownership Program Guidelines and Administration Agreement (AA) impose any such requirement.

In support of the AHP Homeownership component, CMHC has agreed to waive the surcharge for extending the amortization period for eligible purchasers up to 40 years on a case-by-case basis. As well, CMHC will recognize AHP down payment assistance as owner's equity in its underwriting evaluation.

The documents provided as part of the Homeownership Kit (i.e. Notice to CMHC, CMHC Communication Progress and references within the Service Manager Implementation Steps), are designed as program support. If the eligible purchaser's lender is seeking mortgage insurance through CMHC, the notification is required to confirm to CMHC that the SM has approved this client for AHP assistance. The notification will allow local CMHC underwriters an opportunity to prepare and work with the primary lender to support the eligible purchaser's application, should the primary lender have questions regarding the treatment of AHP funds. Service Managers (SM) should confirm whether or not a client's lender will be seeking mortgage insurance and notify eligible purchasers of CMHC's recognition of AHP down payment assistance as equity.

Mortgage insurance underwriting approval and AHP approval are two separate processes. Eligible purchasers may be approved by the SMs under the Homeownership component, but may not be eligible for mortgage insurance.

Whether or not an AHP eligible purchaser requires mortgage insurance will be determined by the primary lender based on the client's application (i.e. credit history, equity contribution). The client's lender may seek mortgage insurance from any vendor.

Eligible Unit Types

The Canada-Ontario Affordable Housing Program Agreement sets out the key elements for each of the program components, including the Homeownership component. Section 7 (Modesty Assurance) of Schedule A, Program A2 – Affordable Homeownership Program, states that "Housing will be modest relative to community norms in terms of floor area and amenities as determined by MMAH or the Service Manager."

The province obliges SMs to evaluate units before approving applications. The Service Manager Administration Agreement (AA) Schedule C – Unit Eligibility Criteria, paragraph (c) states that "unit[s] must be modest in size, relative to community norms, in terms of floor area and amenities, as determined by the Service Manager."

Duplexes

While duplexes are not prohibited, to be considered they must be modest in size relative to community norms and the selling price of the property must fall below the applicable maximum house price.

CMHC will accept duplexes as an eligible unit type for the purpose of underwriting assessment. However, each application will be reviewed on a case-by-case basis and must satisfy underwriting criteria.

SMs are encouraged to set local guidelines outlining a definition of "modest" in the context of the local housing market and AHP program parameters. If SMs determine that duplexes are not appropriate housing types based on local priorities, SMs may deem duplexes ineligible based on local standards.

If purchasers are submitting these types of units for approval, SMs must verify that the purchaser is compliant with the sole and principal residence clause of the loan agreement. If a purchaser does opt to rent a portion of the unit, they must remain in residence throughout the term of the loan. If they vacate the property, they default on the loan.

Triplexes

Municipally zoned triplexes are not eligible under this program. Based on local Zoning By-laws the SM may wish to provide eligible purchasers with a definition of a triplex unit. In cases where a home has been split into several units, although not officially recognized as a triplex, CMHC would not consider eligible a property that is not legally zoned for this purpose.

Mobile Homes

Mobile homes may be considered an eligible unit type under the AHP's Homeownership component. This may include both mobile units and prefabricated dwellings. If an SM wishes to include these types of dwellings as eligible units under the AHP, a number of additional considerations must be taken into account.

The SM should ensure through discussions with appropriate municipal staff that the use of a mobile home on a particular parcel of land is permitted on a year-round basis, and not just a seasonal basis. As well, the unit must be suitable for year-round occupation.

If an SM wishes to consider a trailer/mobile home to be an eligible unit, the SM must take a mortgage over the homeowner's interest in the land on which the mobile home is to be parked. This will likely be a leasehold interest. Where this is the case, the lease must be for a period of at least twenty years to remain in compliance with the AHP requirements regarding the duration of affordability. The SM would also need to take a security interest in the mobile home and register that interest under the *Personal Property Security Act (PPSA)*, 1990. The AHP loan agreement would have to be amended to address these considerations.

The underwriting assessment for mobile homes differs from that of fixed dwellings. For example, the maximum amortization period for CMHC insured mobile homes is 25 years. The amortization period may also not exceed the economic life of the mobile home (based on age and condition). Therefore, in the event of the economic life of a mobile home being less than 25 years, the amortization period must be reduced accordingly. A shorter amortization period may translate into higher carrying costs thereby reducing the long-term affordability of these units.

As a result of these additional considerations, SMs may deem mobile homes not to be eligible (or set specific guidelines) for Homeownership down payment assistance based on local standards or priorities.

Co-ownership/co-signing

The AHP Homeownership program requires that the borrower reside in the purchased home. The AA and mortgage documents require that if during the period in which the borrowed amount is outstanding the borrower ceases to occupy the home as his or her sole and principal residence, the loan becomes due and the associated capital appreciation must be paid. This means that where there are two borrowers/mortgagors (i.e. two owners of the home), both must live in the home.

However, there is nothing preventing a parent or another party not living in the home from guaranteeing in a Guarantee Agreement the obligations of a borrower under his or her mortgage in favour of the primary lender. This Guarantee Agreement may satisfy a primary lender's requirement for security.

New home construction

The Homeownership component addresses only situations where a person is buying a home, which may include units that are being newly constructed. The program is structured to provide down payment assistance to a purchaser, which implies the occurrence of a sale. Funds flow to the SM upon receipt of an agreement of purchase and sale and the amount of funding is based on a percentage of the sale price of the unit being acquired. The loan is advanced by the SM on the closing of the purchase of the unit. Persons building homes on land that they currently own and who are seeking funds to offset construction costs are not eligible for funding.

Documentation required for records

SMs are responsible for retaining the following documents over the life of the program:

Eligibility information:

- The signed application form, including declaration that all information is accurate
- The notice of assessment for all members of the household as defined, 18 yrs of age and older
- Copies of government issued photo identification
- Unit eligibility information
- Any information required by the Service Managers

Loan information:

- The Purchase and Sale Agreements
- The AHP loan agreement
- The legal package completed by the applicants legal representative/lawyer which includes but is not limited to the following:
 - mortgage registration documentation
 - Title search

Payment documents and default actions:

- Records of all payments and defaults
- Confirmation of compliance with the terms of the loan (i.e. letter confirming that the unit remains the sole and principal residence of the eligible purchaser)
- Record of actions taken by the SM and the participant with respect to the defaults