

**Canada-Ontario Affordable Housing Program (AHP)
2009 Extension**

Homeownership Component



Ministry of Municipal Affairs and Housing
© Queen's Printer for Ontario, 2009
ISBN 978-1-4435-0782-0 (PDF)
Disponible en français

Program Guidelines
June 2009

Table of Contents

Homeownership Component – Overview	1
Program Requirements	2
Service Manager Homeownership Revolving Fund (HRF)	2
Household Eligibility and Selection	2
Purchase Price	3
Eligible Unit Types	3
Co-ownership/co-signing and Guarantee Agreements	3
Title Search	4
Security Agreements	4
Environmental Assessment	4
Funding.....	5
Payment	5
Conditions for Repayment by Homeowner	5
Conditions for Non-Repayment by Homeowner.....	6
Reporting	7
Documentation Required for Records	7
General Recommendations.....	8
Purchaser Selection.....	8
Mortgage Insurance.....	8
Mortgage Terms.....	9
Education and Training	9
Ministry Contacts.....	9
APPENDIX A: Maximum Household Income Level – 2009.....	10
APPENDIX B - Maximum House Price Limit – Fourth Quarter, 2008.....	12
APPENDIX C – CEAA Considerations	14
APPENDIX D - Municipal Services Offices (MSOs) Contacts	15

Homeownership Component – Overview

The Homeownership component of the Canada-Ontario Affordable Housing Program (AHP) Extension 2009 was developed to assist low- to moderate-income rental households to purchase affordable homes by providing down payment assistance in the form of a forgivable loan. The objectives of the program are to:

- Ease the demand for rental housing by assisting renter households across the province to purchase affordable homes
- Provide low- and moderate-income individuals and families with an opportunity to move up the socio-economic ladder through home ownership
- Encourage developers to build affordable housing by fostering demand.

Highlights of the AHP Extension (2009) – Homeownership Component

Homes eligible under the Homeownership component of the AHP must be new construction units, including conversions from non-residential use that qualify for Tarion's new home warranty.

The total funding advanced by each Service Manager (SM) must not exceed 10% of the sum of purchase prices for all units acquired by eligible purchasers (other than units acquired from Habitat for Humanity affiliates). Maximum down payment assistance is \$50,000 per eligible unit.

Funding will be provided on receipt of Purchase and Sale Agreements on a "first come first served" basis until all funding is exhausted, or the deadline of March 31, 2011 is reached.

SMs may partner with private or non-profit homeownership developers to deliver the program.

Program Requirements

Service Manager Homeownership Revolving Fund (HRF)

The HRF is a permanent fund/dedicated account designed to provide sustainable ongoing support to moderate income individuals and households to pursue homeownership.

Creation and maintenance of a revolving fund is a prerequisite of program participation. Those with an already-established HRF of 20 years are eligible to receive federal/provincial down payment assistance funding. SMs who do not have an HRF established will need to ensure that one is created and maintained for a 20-year period with the option of phasing out after 15 years.

Service Managers participating in this component of the AHP must commit to the delivery of the Homeownership component through the HRF for a minimum of 15 years. After the 15-year period, SMs may continue to provide down payment assistance to households to purchase affordable homes, or phase out the program. If they choose to phase out the program, they must inform the province and submit a phase-out plan. It is expected that money from the HRF would be returned to the province or reinvested in affordable housing within the SM's area (subject to provincial agreement). The plan must detail how remaining funds will be reinvested within the SM area.

SMs are encouraged to partner with private or non-profit home ownership developer(s) to assist in program delivery and administration (e.g., establish and maintain the Revolving Loan Fund). However, SMs must remain as the sole trustees to the AHP funds.

In addition, AHP funding for Homeownership is available for down payment assistance only, and may not be used for any construction financing.

Household Eligibility and Selection

To be eligible for down payment assistance, prospective purchasers must:

- Be a renter household buying a sole and principal residence
- Have incomes at or below the 60th percentile income level for the SM's area or the province, whichever is lower (See Appendix A)
- Meet any additional criteria as established and communicated by the SM

Persons seeking funds to offset construction costs on land that they currently own are not eligible for funding.

The maximum income levels will be updated annually and posted on the ministry website at ontario.ca/mah. SMs may establish local limits at or below the posted levels.

Purchase Price

The purchase price of the home must not exceed the average resale price in that particular SM's area (see Appendix B). SMs may establish their own maximum house prices, provided they are consistent with mandatory program requirements.

Maximum house prices will be updated on a quarterly basis and posted on the ministry's website.

Eligible Unit Types

Since the AHP Extension Program (2009) is meant to provide economic stimulus, eligible homes must be new construction units.

New construction is defined as new homes not previously occupied, including conversions from non-residential use, to which the *Ontario New Home Warranties Plan Act* applies. Units must be located in a neighbourhood revitalization area designated by the Service Manager.

New construction units may be detached, semi-detached, town (condo and freehold), stacked homes, row houses, apartments or other similar built forms approved by the ministry.

SMs may choose to include new construction duplexes or year-round new mobile homes as eligible units. Mobile homes may include both mobile units and prefabricated dwellings.

The SM should consult with municipal staff to ensure that the use of a mobile home on a particular parcel of land is permitted and suitable on a year-round, not just seasonal, basis.

If an SM wishes to include these types of dwellings as eligible units, a number of other issues must be taken into account. In particular, additional considerations for mortgage underwriting and security interests for mobile homes under the *Personal Property Security Act (PPSA), 1990* are required.

The home must be modest in size, relative to community norms, in terms of floor area and amenities, as determined by the province and/or the Service Manager.

SMs are encouraged to set local guidelines outlining a definition of "modest" in the context of the local housing market and AHP program parameters.

The home must be the sole and principal residence of the purchaser.

AHP funding is not available for projects on First Nations lands, including down payment assistance for properties located on reserves.

Co-ownership/co-signing and Guarantee Agreements

The Administration Agreement (AA) and mortgage documents state 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. Where there are two borrowers/mortgagors (i.e. two owners of the home), both must live in the home. In the event where one of the two owners wishes to move out of the home, and/or have the home transferred to the one who will remain living in the home, both parties (former co-owners) are responsible for the loan and capital appreciation payment.

An SM could consider waiving its right to require the loan payment at that time, provided the loan remains in place with respect to the remaining homeowner. In such case, it would be up to the owner staying in the home to ensure that he/she receives from the person leaving the home such share of the liability for the loan as the homeowner deems appropriate.

A parent or another party not living in the home and not on title to the home may guarantee the obligations of a borrower under his or her mortgage in favour of the primary lender. This would be in the form of a Guarantee Agreement. Mortgage guarantors would not enter into Homeownership agreements or be subject to the purchaser's eligibility requirements. This Guarantee Agreement may satisfy a primary lender's requirement for security.

Title Search

SMs must ensure a title search is conducted to confirm that the property is, at the time of closing, free and clear of registered restrictions, charges, encumbrances and liens. Once the title search is completed, and either a legal opinion on title matters or title insurance has been obtained, a finance provider can register the mortgage with assurances as to its priority.

Security Agreements

SMs should enter into a loan agreement with the purchaser and register the AHP loan in the form of a second mortgage on title. This will provide for any repayment of the down payment assistance and a proportionate percentage of the realized capital gains to the HRF. Either the SM or the purchaser will assume the cost of registering the mortgage.

Environmental Assessment

Funding from CMHC is now subject to the Canadian Environmental Assessment Act (CEAA) (see Appendix C for details).

Funding

Down payment assistance funding will be provided to participating SMs on receipt of fully executed Purchase and Sale Agreements (PSAs.) These may be fully executed prior to the end of construction.

An eligible purchaser will use Homeownership assistance as a down payment on the purchase of a new home. The amount of down payment assistance for each eligible purchaser will be determined by the SM, up to a maximum of \$50,000 per eligible unit. However, the total of all funding advanced by the SM must not exceed 10% of the sum of the purchase price for all units acquired by eligible purchasers (other than units acquired from Habitat for Humanity affiliates.)

If an SM elects to provide less than 5% down payment assistance, the primary lending institution and/or insurance provider may require additional equity to be contributed by the purchaser.

The SM will provide the down payment assistance to eligible purchasers at the time of closing of the purchase and sale of the home. Traditional interest shall not be charged on the assistance (please refer to “Conditions for Repayment by Homeowner.”) Appropriate documentation should be in place on title or in an agreement on closing to secure the down payment assistance.

AHP funding may not be used for deposits toward eligible units. Funding is provided to the home buyer at closing when a mortgage can be registered on title.

Payment

Once an eligible purchaser has been approved by the SM, a payment request – along with a copy of the first page and the signature page of the Purchase and Sales Agreement (PSA) – must be submitted to the ministry. Please contact your local MSO for information on submission requirements.

Funding will be provided by the province upon receipt of fully executed PSAs on a “first come first served basis” until all funding is exhausted or the deadline of March 31, 2011 is reached.

If federal funding for the first fiscal year of the AHP Extension (2009) is exhausted prior to the end of the first fiscal year of the AHP Extension (2009) - March 31, 2010 - the province is under no obligation to fund any further funding requests submitted before the commencement of the second fiscal year.

Conditions for Repayment by Homeowner

When a homeowner is in default, a unit is sold, or if it is no longer the principal residence of the purchaser before the 20-year affordability period expires, repayment of the original AHP contribution must be made, plus a percentage share of the realized capital gains proportionate to the down payment assistance.

For example, if the purchaser was assisted with 5% of the purchase price, this amount plus 5% of any capital gains/appreciation would have to be repaid.

Homeowners may wish to repay the down payment assistance within the 20-year affordability period without selling the home. Homeowners are still required to repay the proportionate percentage of any notional capital gain as of the date of repayment. Notional capital gains will be calculated based on current fair market value of the home at the time of repayment of the loan. Fair market value may be based on either an independent appraisal or the current municipally-assessed value of the home. The cost of an independent appraisal may, at the discretion of the Service Manager, be paid by the Service Manager or homeowner.

Only the principal would have to be repaid in the event of the death of a homeowner prior to the expiry of the 20-year affordability period.

Repayments are to be made into the HRF and redistributed under the Homeownership component in the SM's area.

Conditions for Non-Repayment by Homeowner

The AHP loan is forgiven after 20 years.

If a home is sold within the 20-year affordability period, but the seller experiences a capital loss (meaning the home is sold for less than the original purchase price) repayment of the Homeownership down payment assistance would be waived, provided the sale meets the following criteria:

- The unit is sold at fair market value
- The purchase and sale of the unit is an arm's-length transaction

Fair market value may be based on an independent appraisal or the current municipally assessed value of the home. The cost for an independent appraisal may, at the discretion of the Service Manager, be paid by the Service Manager or homeowner.

If the home were sold after 20 years, there would be no repayment of the contribution or capital gains.

Reporting

SMs are responsible for timely and accurate reporting so that the ministry can, in turn, report back to the CMHC.

Enhancements to AIMS are currently under development. In the interim, SMs will need to submit documentation to MSOs. Contact your local MSO for information on how to submit.

Participating SMs are required to report annually to the ministry on the progress of the Homeownership component. The report will include information on:

- Number of households assisted/units financed through the program
- Number of occupants
- Price of unit
- Actual occupancy and closing dates
- Amount of AHP subsidy
- Funding commitments to date
- Financial position of the HRF
- Other financial contributions.

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 a declaration that all information is accurate
- The notice of assessment for all members of the household
- Copies of photo identification
- Unit eligibility information.

Loan information:

- Purchase and Sale Agreements
- AHP loan agreement
- 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 Agreement (e.g., 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 on any defaults.

General Recommendations

Purchaser Selection

SMs should establish an approach to income verification to target households in need.

Purchasers should be selected through a fair and open process developed by the SM based on local criteria and needs. The SM is expected to make information about the Homeownership component – including administrative procedures – available to the public. This should include information about the application process and selection procedures in the SM’s area. This allows potential purchasers to submit their names for consideration for down payment assistance.

SMs are encouraged to address target groups identified under the Canada-Ontario Affordable Housing Program Agreement such as Aboriginal peoples, persons with disabilities, and/or groups identified through municipal needs assessments or other methods (this could include first-time home buyers, new immigrants, single-parent households or recent graduates), provided the eligibility criteria are met.

SMs are encouraged to increase the level of down payment assistance based on the number of dependents* in the household, in accordance with applicable laws. This is in recognition of the additional expenses for households with one or more dependents. Larger households may face extra challenges with saving for a down payment and may also need to spend more to buy a home with adequate space.

*The definition of dependants can be taken from Ontario Works, Ontario Regulation 134/98 made under the *Ontario Works Act, 1997*

For the purposes of the Act and the regulations,

“child” means a person under 18 years of age; (“enfant”)

“dependant”, in relation to an applicant or recipient, means,

- (a) a person who resides in the same dwelling place and who is,
 - (i) the spouse of the applicant or recipient,
 - (ii) a dependent child of the applicant or recipient or of his or her spouse, or
 - (iii) a dependent adult of the applicant or recipient or of his or her spouse, or,
- (b) a spouse who is absent from the dwelling place of the applicant or recipient if the absence is for a reason other than a breakdown in the relationship with no reasonable prospect of reconciliation

Mortgage Insurance

Neither the AHP nor the Administration Agreement requires that CMHC insure participants’ mortgages.

In support of the AHP Homeownership component, CMHC has agreed to waive the surcharge for extending the amortization period for eligible purchasers to 35 years. In addition, CMHC will recognize AHP down payment assistance as owner's equity in its underwriting evaluation.

If the eligible purchaser's lender is seeking mortgage insurance through CMHC, a notification is required to confirm that the SM has approved the client for AHP assistance. The notification will allow local CMHC underwriters 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. SM approval of Homeownership funding should include a notification to the eligible purchaser 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 SM 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.

Mortgage Terms

The SM's AHP mortgage is long term (20 years) and no renewal is required.

The Mortgages Act, 1990 outlines prepayment rights so that the mortgagor has the right to pay off the mortgage after five years if he/she also pays interest due at the time of payment and interest for three additional months. The AHP mortgage characterizes the percentage of capital appreciation owing, as outlined in the terms of the AHP loan, as the interest due up to the time of payment.

SMs may wish to limit any postponement of the AHP mortgage to only "renewals" of the current first mortgage on the property. Otherwise the mortgagor may be able to add to the first mortgage by amending it and increasing the principal, which would reduce the amount of security available for the SM's mortgage.

Education and Training

SMs are encouraged to offer education and training sessions for recipients of down payment assistance. They should also consider partnering with neighbouring SMs, builders and/or developers to facilitate providing these sessions.

Ministry Contacts

Housing staff in Municipal Services Offices are available to assist in an advisory role to SMs. Please refer to Appendix D for contact information.

APPENDIX A: Maximum Household Income Level – 2009

Service Manager Area	Income at 60th Percentile*
Greater Toronto Area**	\$73,500
City of Toronto	
Regional Municipality of Durham	
Regional Municipality of Halton	
Regional Municipality of Peel	
Regional Municipality of York	
City of Brantford	\$68,800
City of Cornwall	\$58,800
City of Greater Sudbury	\$67,600
City of Hamilton	\$68,000
City of Kawartha Lakes	\$64,600
City of Kingston	\$66,700
City of London	\$67,000
City of Ottawa**	\$73,500
City of Peterborough	\$63,300
City of St. Thomas	\$68,400
City of Stratford	\$68,300
City of Windsor	\$72,800
County of Bruce	\$67,200
County of Dufferin**	\$73,500
County of Grey	\$60,000
County of Hastings	\$59,500
County of Huron	\$62,200
County of Lambton	\$69,200
County of Lanark	\$67,800
County of Lennox & Addington	\$65,700
County of Norfolk	\$68,200
County of Northumberland	\$66,300
County of Oxford	\$70,100
County of Renfrew	\$62,400
County of Simcoe**	\$73,500
County of Wellington**	\$73,500
District Municipality of Muskoka	\$63,600
Municipality of Chatham Kent	\$62,300
Regional Municipality of Niagara	\$66,100

Service Manager Area	Income at 60th Percentile*
Regional Municipality of Waterloo**	\$73,500
United Counties of Leeds & Grenville	\$66,300
United Counties of Prescott & Russell	\$72,900
Algoma DSAB	\$59,300
Cochrane DSSAB	\$66,200
Kenora DSSAB	\$65,100
Manitoulin-Sudbury DSSAB	\$47,900
Nipissing DSSAB	\$57,400
Parry Sound DSSAB	\$56,300
Rainy River DSSAB	\$64,400
Sault Ste. Marie DSSAB	\$59,300
Thunder Bay DSSAB	\$67,100
Timiskaming DSSAB	\$54,600
ONTARIO**	\$73,500

* Based on 2006 census, rounded to the nearest hundred.

** In areas where 60th percentile is greater than the provincial level, the provincial level 60th percentile is used.

APPENDIX B - Maximum House Price Limit – Fourth Quarter, 2008

Service Manager Area	Maximum House Price Limit*
Greater Toronto Area:	
City of Toronto	\$383,613
Regional Municipality of Durham	\$269,711
Regional Municipality of Halton	\$396,699
Regional Municipality of Peel	\$330,419
Regional Municipality of York	\$408,666
City of Brantford	\$212,650
City of Cornwall	\$141,387
City of Greater Sudbury	\$203,809
City of Hamilton	\$260,861
City of Kawartha Lakes	\$202,034
City of Kingston	\$231,147
City of London	\$204,647
City of Ottawa	\$282,390
City of Peterborough	\$216,412
City of St. Thomas	\$204,647
City of Stratford	\$196,793
City of Windsor	\$153,565
County of Bruce	\$191,178
County of Dufferin	\$258,582
County of Grey	\$191,178
County of Hastings	\$181,963
County of Huron	\$196,793
County of Lambton	\$175,972
County of Lanark	\$282,390
County of Lennox and Addington	\$231,147
County of Norfolk	\$188,997
County of Northumberland	\$234,884

Service Manager Area	Maximum House Price Limit*
County of Oxford	\$182,758
County of Renfrew	\$182,815
County of Simcoe	\$247,862
County of Wellington	\$270,021
District Municipality of Muskoka	\$270,657
Municipality of Chatham-Kent	\$131,809
Regional Municipality of Waterloo	\$261,637
Regional Municipality of Niagara	\$189,999
United Counties of Leeds Grenville	\$282,390
United Counties of Prescott Russell	\$282,390
Algoma DSSAB	\$117,746
Cochrane DSSAB	\$129,137
Kenora DSSAB	\$124,538
Manitoulin-Sudbury DSSAB	\$114,545
Nipissing DSSAB	\$176,145
Parry Sound DSSAB	\$268,967
Rainy River DSSAB	\$104,859
Sault Ste. Marie DSSAB	\$128,590
Thunder Bay DSSAB	\$133,670
Timiskaming DSSAB	\$106,158

*Average MLS® Resale Price - Q4, 2008

APPENDIX C – CEEA Considerations

Funding from CMHC is now subject to the Canadian Environmental Assessment Act (CEEA). To be eligible for funding, housing proponents must confirm that project proposals do not impose adverse impacts that cannot be mitigated. Considerations include:

1. Projects that involve construction, expansion, modification or demolition within 30m of a water body.
2. Projects that involve construction, expansion or modification with a footprint of more than 500m² on land not serviced at the time of the commitment.
3. Does not involve the likely releasing of a polluting substance into a water body.
4. Projects that involve the demolition of a building where its floor area is more than 1,000m² or where the proposal is to be carried out within 30m of another building.
5. Does not:
 - (i) possibly affect the permafrost AND
 - (ii) take place on land not serviced at the time of the commitment AND
 - (iii) involve construction or expansion of a sidewalk, boardwalk, path, pedestrian ramp or access road longer than 100m.
6. Projects that involve construction or expansion or modification in a national park, park reserve, national historic site or historic canal.
7. Does not involve a USE OTHER THAN:
 - residential accommodations
 - institutional accommodations offices
 - common-carrier passenger facilities and services
 - retail sales facilities
 - medical, educational, informational or recreational facilities or services
 - food services
 - parking facilities
 - non-hazardous storage facilities
 - presenting artistic, cultural, sporting or other community-related events.

APPENDIX D - Municipal Services Offices (MSOs) Contacts

Service Managers are encouraged to contact their regional Municipal Services Office if they require clarification or have questions regarding the AHP Extension (2009) Homeownership Component Guidelines.

<p>Canada-Ontario Affordable Housing Program Housing Programs Branch 777 Bay Street, 2nd Floor Toronto ON M5G 2E5 General Inquiry: (416) 585-5013 Fax: (416) 585-7003 www.mah.gov.on.ca</p> <p>Community Partnerships and Projects Branch – Toronto Unit</p> <p>777 Bay St., 2nd Floor Toronto, ON M5G 2E5 Tel: (416) 585-6711 Fax: (416) 585-6588</p> <p><u>Contact:</u> Chris Ryter, Manager, Community Partnerships and Projects Branch</p> <p>Tel: 416-585-6711 Email: chris.ryter@ontario.ca Serving: Toronto</p>	<p>Central Municipal Services Office 777 Bay Street, 2nd Floor 2nd Floor Toronto ON M5G 2E5 General Inquiry: (416) 585-6226 Toll Free: 1-800-668-0230 Fax: (416) 585-6882</p> <p><u>Contact:</u> Ian Russell, Team Lead, Regional Housing Services</p> <p>Tel: 416-585-6965 Email: ian.russell@ontario.ca Serving: Peel, Durham, Halton, York, Simcoe, Muskoka</p>
<p>Eastern Municipal Services Office 8 Estate Lane Rockwood House Kingston ON K7M 9A8 General Inquiry: (613) 548-4304 Toll Free: 1-800-267-9438 Fax: (613) 548-6822</p> <p><u>Contact:</u> Mila Kolokolnikova, Team Lead, Regional Housing Services</p> <p>Tel: 613-545-2123 Email: mila.kolokolnikova@ontario.ca Serving: Northumberland, Peterborough, Kawartha Lakes, Ottawa, Kingston, Hastings, Lanark, Leeds & Grenville, Lennox & Addington, Prescott & Russell, Renfrew, Cornwall</p>	<p>Western Municipal Services Office 659 Exeter Road, 2nd Floor London ON N6E 1L3 General Inquiry: (519) 873-4020 Toll Free: 1-800-265-4736 Fax: (519) 873-4018</p> <p><u>Contact:</u> Tony Brutto, Team Lead, Regional Housing Services</p> <p>Tel: 519-873-4032 Email: tony.brutto@ontario.ca</p> <p>Serving: Hamilton, Waterloo, Wellington, Bruce, St. Thomas, Windsor, Grey, Huron, Chatham-Kent, Lambton, London, Niagara, Oxford, Stratford, Norfolk, Brantford, Dufferin</p>

<p>Northeastern Municipal Services Office 159 Cedar Street, Suite 401 Sudbury ON P3E 6A5 General Inquiry: (705) 564-0120 Toll Free: 1-800-461-1193 Fax: (705) 564-6863</p> <p>Contact: Cindy Couillard, Team Lead, Regional Housing Services Tel: 705-564-6808 Email: cindy.couillard@ontario.ca</p> <p>Serving: Parry Sound, Sault Ste Marie, Algoma, Cochrane, Manitoulin, Nipissing, Sudbury, Timiskaming</p>	<p>Northwestern Municipal Services Office 435 James Street, Suite 223 Thunder Bay ON P7E 6S7 General Inquiry: (807) 475-1651 Toll Free: 1-800-465-5027 Fax: (807) 475-1196</p> <p>Contact: Peter Boban, Team Lead, Regional Housing Services Tel: 807-473-3017 Email: peter.boban@ontario.ca</p> <p>Serving: Kenora, Rainy River, Thunder Bay</p>
---	--