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## How to save for a down payment

Owning your own home has a lot of payoffs, especially these days when mortgage rates are still among the lowest in 30 years. There are also many housing options available in a wide range of prices.

Simply put, you can carry a home of your own for no more than what you would pay in rent. And, unlike renting, your payments go toward increasing the equity in your home.

So, what's stopping you? For most people who have never owned a home before, it's the initial down payment and the ability to keep up with the monthly financial obligations (mortgage payment, insurance, utilities, maintenance).

The effort to save for and buy a home may require you to make significant changes in your way of life. For most people, it means changing their spending and lifestyle habits to support the additional costs of saving for, paying for, and maintaining a home.

One of the best ways of saving for a down payment is to take advantage of government programs available to first-time home buyers. A real estate professional can help you understand how these programs work and ensure that you get the maximum benefit possible.

### RRSP Home Buyers' Plan

Contribute to a Registered Retirement Savings Plan (RRSP) regularly and to the maximum allowed. The federal government's RRSP Home Buyers' Plan enables eligible taxpayers to withdraw up to $20,000 tax free from their plan to buy or build a qualifying home. The amount of money withdrawn must be repaid within 15 years.

If you buy the qualifying home together with your spouse or other individuals, each person can withdraw up to $20,000 tax free. A government form must be completed for each withdrawal. Generally, an RRSP holder can participate in the Home Buyers' Plan only once in a lifetime. The pamphlet, Home Buyers' Plan (HBP) - For 1998 Participants, is available from Revenue Canada and will help you determine if you are considered a first-time home buyer.

A qualifying home is a housing unit located in Canada. Those participating in 1998 have to buy or build a home before Oct. 1, 1999. You must also agree to occupy the home as your principle residence no later than one year after buying or building it. Once you occupy the home, there is no minimum period of time that you have to live there.

### Ontario Home Ownership Savings Plan (OHOSP)

OHOSP is a provincial program where participants receive interest on the money they deposit and may receive a tax credit. If you earn less than $40,000 a year, or if you and your spouse have a combined income of less than $80,000, you can benefit from the program. To be eligible, you must be an Ontario resident over 18 years of age with a social insurance number and have never owned a home.

While there is no limit to the amount of money you may deposit in your OHOSP, you can only receive OHOSP tax credits on annual contributions of $2,000 ($4,000 per couple) or less. Depending on your annual income and the amount of money you invest, you can earn up to $500 individually or $1,000 a couple in OHOSP tax credits. Participants are eligible for tax credits for five consecutive years and must close the plan and use the funds to purchase a home by the end of the seventh year. Otherwise, OHOSP tax credits must be repaid with interest.

An OHOSP plan, with interest earned at competitive rates, may be opened at any participating financial institution. To qualify, a home must be located in Ontario and be suitable for year-round residential occupancy. In addition, you must live in the home for at least 30 consecutive days within two years of the date of purchase.

**CMHC five per cent down**

While Canada Mortgage and Housing Corporation's (CMHC) five per cent down option program doesn't help you save for the down payment, it sure eases the way to home ownership.
With as little as five per cent down, all home owners now have access to CMHC mortgage insurance. This means CMHC may insure the mortgage on your home (against default in payments) for up to 95 per cent of the lending value of the home. This helps make home ownership a reality for many Canadians who can afford monthly mortgage payments but would have trouble saving for a larger down payment.

Previously available only to first-time home buyers, the program was expanded earlier this year to include all home buyers. Eligible borrowers include anyone who buys a home in Canada and occupies it as a principle residence. The mortgage insurance premium in 1998 is about 3.75 per cent of the mortgage loan and can be added to the mortgage or paid on a monthly basis.