



Affordable Home Ownership Program

Put less down. Pay less monthly. Access homeownership.

AHOP is an innovative program from BC Housing. AHOP helps put homeownership in reach for middle-income British Columbians. Through the AHOP program, BC Housing takes out a second mortgage which is assigned to the buyer, called the AHOP Mortgage, of 10% or more of the purchase price. It is interest and payment-free for up to 25 years.

For the buyer, this means:

- ▼ total first mortgage is less
- ▼ monthly mortgage payments are lower
- ▼ lower income requirement for stress test and qualifications for the first mortgage

How does it work?

The program provides buyers an interest-free, payment-free second mortgage – known as an AHOP Mortgage – toward the purchase of their home. As an interest-free mortgage, this essentially credits buyers with a percentage of their home's value. A minimum target percentage is 10%. However, depending on the project, this percentage could be significantly higher.

How much of a down payment do buyers need to have?

Eligible homeowners only need a 5% down payment on the first \$500,000 (10% down is required on the remaining value of the purchase over \$500,000). That 5% deposit equates to a minimum total 15% down payment when combined with a 10% AHOP Mortgage. Buyers can also choose to put greater than 5% down.

Do buyers need to pay CMHC insurance premiums?

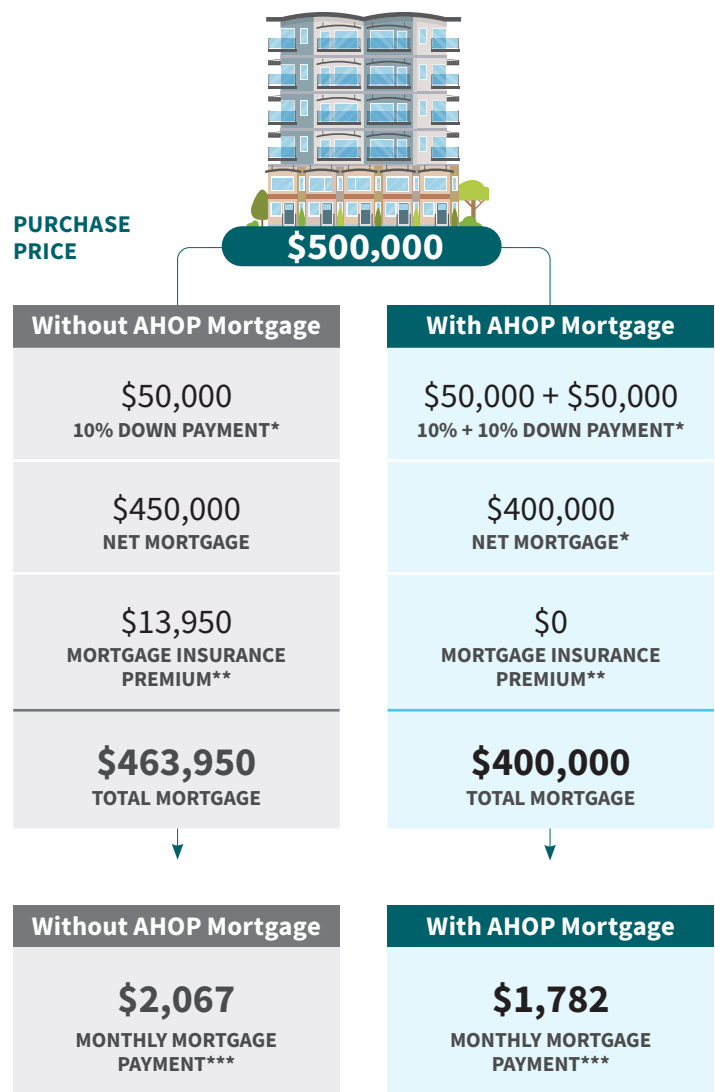
The AHOP program allows for lower or no insurance premium (if the total combined down payment is equal or greater than 20%). In the case of the AHOP 10% scenario and a minimum 5% down payment by the Buyer, the total down payment is now 15% due to the AHOP Mortgage. This would result in a reduced CMHC insurance premium compared to without the AHOP Mortgage. If the buyer increases their deposit from 5% to 10% there is no CMHC insurance premium. In the case of a \$500,000 home, no insurance premium means savings of about \$15,000 over the life of the mortgage.

How does the AHOP second mortgage impact the primary mortgage?

The AHOP Mortgage results in a lower primary mortgage amount. For example, without an AHOP Mortgage, on a \$500,000 purchase with a 5% (\$25,000) down payment and approximately \$19,000 in CMHC insurance premiums, the primary mortgage amount is roughly \$494,000. However, the AHOP second mortgage at 10% of the price (\$50,000) would lower the primary mortgage amount to about \$436,900. If the buyer chooses to put a 10% (\$50,000) down payment, in addition to a 10% AHOP second mortgage, the buyer does not have to pay the CMHC insurance premium and the mortgage would be reduced to \$400,000.

How does this program impact monthly mortgage payments?

In cases where the buyer puts down 10%, the total combined down payment amount (from buyer and AHOP) is greater than 20%. This means that the primary mortgage can be extended from 25 to 30 years. With a lower primary mortgage amount, no CMHC insurance premium, and by extending the amortization, monthly mortgage amounts are much lower. For a \$500,000 home purchase with 10% down, based on a 2.90% interest rate, monthly mortgage payments are about



* Based on a 10% deposit without an AHOP Mortgage, and a 10% deposit + 10% secondary mortgage with an AHOP Mortgage.

** Based on 3.10% CMHC Mortgage Insurance Premium for mortgages with 10% down.

*** Based on standard 5-year market financing at 2.45%. 25-year amortization period applied to high ratio mortgages with 10% down. 30-year amortization period applied to conventional mortgages with 10% down and 10% AHOP Mortgage.

\$511 less for an AHOP unit. This lowers the cost of homeownership by \$6,128 per year. That is \$30,641 less over the 5-year mortgage term.

Do buyers need to pay the AHOP Mortgage back?

Yes. When a buyer sells their home in the future, they need to repay the percentage loan value at that time. In the typical 10% AHOP scenario, the AHOP Mortgage is repaid at 10% of the then current market value.

The AHOP Mortgage also needs to be repaid if the buyer defaults on their first mortgage, rents their home during the first five years of ownership, otherwise defaults on the AHOP program, or when the 25-year AHOP Mortgage term ends. Buyers may also choose to repay the loan at any time.

If a buyer sells, will they walk away with the same return as they would not under the AHOP program?

An AHOP purchaser who buys a \$500,000 home with a 10% down payment and then sells that home five years later for \$600,000, pays a lot less over the life of the mortgage. Yes, they can potentially walk away with about the same return or more return.

SELLING PRICE
AFTER 5 YRS

\$600,000

Without AHOP Mortgage

- \$174,008
10% DOWN PAYMENT
PLUS MORTGAGE PAYMENTS

- \$381,811
MORTGAGE BALANCE
REPAYMENT

\$44,181
RETURN

With AHOP Mortgage

- \$206,915
10% + 10% DOWN PAYMENT
PLUS MORTGAGE PAYMENTS

- \$339,387
MORTGAGE BALANCE
REBATE

\$53,697
RETURN

Where does my repaid AHOP Mortgage money go?

The money that homeowners repay in association with the AHOP Mortgage will be contributed to the municipality where there is an agreement in place to help support more affordable homes within that municipality. In the event that there is no agreement in place between BC Housing and the municipality, BC Housing will use the proceeds to help support more affordable homes in British Columbia.

Who is eligible for AHOP?

To qualify for an AHOP Mortgage, the following is required of the buyer(s):

- ✓ Canadian citizen or permanent resident;
- ✓ Lived in British Columbia for the past 12 months;
- ✓ Not own other property anywhere in the world;
- ✓ Currently live in rental housing or other non-ownership housing (e.g., living with family);
- ✓ Combined gross household income of those on title must not exceed the Middle Income Limit defined as:

Units with two or more bedrooms: Middle-income households are those whose gross household income does not exceed the 75th income percentile for families with children, as determined by BC Housing.

Units with less than two bedrooms: Middle-income households are those whose gross household income does not exceed the 75th income percentile for families without children, as determined by BC Housing.

Can AHOP homeowners rent out their places?

Rentals are not permitted during the first five years of ownership. Once the AHOP Mortgage is repaid, the homeowner is free and clear to rent out their home if rentals are allowed by the Strata.

Can I qualify for AHOP if I already own a home?

No. In order to qualify for AHOP, buyers cannot own property anywhere else in the world.

Can I buy another home while also owning a home with an AHOP Mortgage?

Buyers cannot own property anywhere else in the world at the time of application and must maintain the AHOP home as their principal residence for the first 5 years.

Can buyers sell their current homes and purchase a home with AHOP?

No, unless they have sold their home more than 12 months prior to the purchase of a home with AHOP. While buyers may have owned homes in the past, they cannot be current homeowners to qualify for an AHOP Mortgage.

What happens if an AHOP homeowner's income increases above the income limits?

Eligibility, including income, is approved by BC Housing at the time of application. Eligibility is not impacted if income increases after this, however, if there are any changes to who's on title/living in the unit, eligibility for the entire household will have to be re-approved by BC Housing based on the latest information.

What happens if a buyer cannot repay the AHOP Mortgage when it is due?

In the event that a buyer is unable to repay the AHOP Mortgage when due, BC Housing may take various steps and measures to ensure that the AHOP is repaid including potential foreclosure proceedings as necessary.

For more information about BC Housing's Affordable Homeownership Program, visit: bchousing.org/housinghub, call 604-439-4757 or email: housinghub@bchousing.org