

Cost estimate

Publication date: 2019-04-30

Short title: First-Time Home Buyers Incentive

Description: Providing financial support to first-time home buyers to reduce the size of their insured mortgages, thereby reducing beneficiaries' monthly mortgage payment. Canada Mortgage and Housing Corporation (CMHC) will fund 5 or 10% of the purchase price for first-time home buyers who meet the eligibility criteria. Beneficiaries will be required to repay the principal amount of the incentive.

Operating line(s): Public Debt Interest Costs

Data sources:	<u>Variable</u>	<u>source</u>
	Public Debt Amount	Budget 2019
	Marginal Effective Interest Rate	PBO Economic Model

Estimation and projection method: The cost of the program reflects the cost of borrowing \$1.25 billion over three years. CMHC would borrow \$250 million in 2019-20, and \$500 million in both 2020-21 and 2021-22.

The estimate was calculated using PBO marginal effective interest rate projections on Government of Canada borrowing.

Uncertainty assessment: The estimate has high uncertainty. Many of the details relating to the program have yet to be determined or published, therefore many assumptions are used. We assume no credit losses on debt; no gains or losses in the equity holding; 100% of the loans are administered at the beginning of the fiscal year, except in 2019-20 (September 1); the portfolio is fully dispersed at all times, that is, any principal repayments are immediately redistributed to other eligible buyers; and, the Government generates no interest income from the eligible first-time home buyers. The estimate is sensitive to changes in interest rates, which can vary over time. There is insufficient information on the program to quantify a behavioral response.

Cost of proposed measure

\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	-	3.4	20.6	39.2	39.9	39.9

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost