

## **RRSP Home Buyer's Plan**

The federal Home Buyers' Plan is an effective instrument of housing finance, originally promoted by REALTORS® through CREA as a way the government could support home ownership. More than 1.4 million plan users have borrowed \$15 billion from their RRSPs to purchase a home since the plan's inception in 1992. The plan is estimated to have helped with more than 902,906 home purchases, including 48,680 homes bought in 2006.

The temporary, or "test" plan introduced in the federal budget in 1992 allowed the use of RRSP funds for any homebuyer in Canada. A change in 1994 restricted the RRSP withdrawal option only to first-time homebuyers.

Under terms of the plan, participants in a home buying agreement can borrow up to \$20,000 from their RRSP to use in the purchase. Because there are usually two participants involved in the purchase of each home, there is a maximum of \$40,000 available from individual RRSPs that can be used in the down payment. Individuals have 15 years to repay the RRSP withdrawal without penalty. The latest statistics show homebuyers are repaying their loans under the HBP.

The Home Buyers' Plan has proven to be of enormous social and economic benefit. Home purchases attributed to the plan have resulted in more than \$14.6 billion in economic spin-off benefits in addition to the major benefits arising from new home construction. In addition, the rate of home ownership in Canada rose from 62.3 per cent in 1991 to 66.1 per cent in 2002. The plan also encourages Canadians to start retirement savings earlier, since owning a principal residence represents the foundation of an overall financial and retirement plan.