



TREB to Feds: More help to Homebuyers

Maureen O'Neill

TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

January 23, 2009

It was encouraging, and inspiring, to see the optimism surrounding the inauguration of President Barack Obama earlier the week. Considering the importance of the U.S. economy to the world, I, like many, hope that the President will move swiftly and decisively to address his nation's economic challenges; but while U.S. action is critical for the global economy, action is needed by all governments, including Canada's. This is why next week's federal budget announcement in Ottawa is receiving so much attention from all circles, including REALTORS®.

The federal budget has one simple mission: take action on the economy. To do so, there are various areas that it can, and should focus on, but there is no question that the housing sector is, always has been, and always will be, one of the most important parts of the economy. A recent study conducted for the Canadian Real Estate Association (CREA) determined that every time a consumer purchases a re-sale property in Ontario, they pump approximately \$33,000 into the economy on things like furniture, renovations, and appliances. Nationally, in an average year, re-sale housing sales generate approximately \$16 billion of spin-off spending for the Canadian economy, including over \$2 billion for the Toronto area alone.

This spending translates directly into jobs and should be encouraged. With this in mind, one of the things that REALTORS® have been telling the federal government it can do is to increase the amount that home buyers can borrow from their RRSP's, under the Home Buyers' Plan, to put towards the down payment on a home.

Under this program, individual home buyers are allowed to withdraw up to \$20,000 (\$40,000 per couple), tax-free, from their RRSP, to put towards the down payment on a home. The funds must be deposited in their RRSP at least 90 days before being withdrawn under the program. This makes the Home Buyers' Plan one of the best ways to save for a down payment because home buyers get the added benefit of a tax deduction for contributions made to their RRSP. Under the program, home buyers are required to repay funds into their RRSP, but repayments are not required to begin until the second year after the withdrawal, and can be made over 15 years.

Since 1992, an estimated 2 million Canadians have used the Home Buyers' Plan to purchase approximately 900,000 homes, making the program a huge success. Unfortunately, as time has passed, the usefulness of this program has eroded because withdrawal limits have not been adjusted. For this reason, REALTORS® are calling on the federal government to use its upcoming budget to increase the Home Buyers' Plan withdrawal limit to \$25,000 and adjusting it for inflation every five years.

Governments across the world have been taking bold action to address the economic challenges we face. In this regard, next week's budget will be an important opportunity for Canada's federal government to show that it understands the critical role of the housing sector in the economy.