

# Best Practice

## Equity Building Program

### CONTACT

City of Saskatoon  
Alan Wallace  
P. 306-975-2755  
Email. alan.wallace@saskatoon.ca  
222 3<sup>rd</sup> Ave. N, Saskatoon, SK, S7K 0J5  
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### THE PRACTICE

Housing prices in Saskatoon have made it very difficult for first-time homebuyers to purchase a home. The city's Housing Business Plan identified a need for a home-ownership program that would help households with incomes just above the limits for affordable housing programs.

The City of Saskatoon developed their Equity Building Program to help working families with moderate incomes (up to \$80,000) to purchase an entry-level home. The program allows participants to borrow the down payment, and then repay the down-payment loan over a five-year period at a low interest rate

### THE PROCESS

City Council adopted a comprehensive Housing Business Plan in 2008 to meet the ambitious goal of five hundred new units per year across the affordable housing spectrum. In support of the upper end of the affordable housing spectrum, City Council authorized the use of \$3 million to support an entry-level housing program on the condition that the money be paid back with interest comparable to current investment rates.

City administration explored many models from 2008-2010 including land trusts, permanent housing corporations and rent-to-own models. None of these models proved feasible because there was no capital funding available for the program, only low-interest financing.

Consultations with lenders and home builders revealed that the most significant obstacle to home ownership among moderate income earners was securing the down payment needed to purchase a home. Administration concluded that the \$3 million in available investment funds could be made available as equity loans which moderate income buyers could use in the place of a down payment.

The city worked with Affinity Credit Union, Canada Mortgage and Housing Corporation (CMHC), Genworth Canada (Genworth) and the Saskatoon Housing Initiatives Partnership (SHIP) to develop this program. Affinity Credit Union agreed to administer the program, provide mortgages, and share in the risk of default on the equity loans. CMHC and Genworth granted special approval to allow the equity loans to be used in lieu of a down payment when qualifying for mortgage loan insurance. SHIP served as a consultant to evaluate the effectiveness program and to determine if the program would meet a real need.

### THE RESULTS

To date, the Equity Building Program has allowed a total of 69 moderate income households to purchase an entry level home in a variety of neighbourhoods. The program has also freed up the same number of rental units.

Administering the program was a challenge in that the city did not want to be in the position of acting as a lender and the chartered banks indicated they were unable to create a local program. The city was fortunate that Affinity Credit Union was willing to administer and market the program.

## LESSONS LEARNED

- Not all buyers need to borrow the full five per cent; some are simply looking to top up the amount of money that they've already saved.
- The program does not work for everyone and many moderate income households have too much debt to carry an equity loan as well as a mortgage.
- Consider linking the limits to the housing market rather than the current practice of seeking council approval every time it seems appropriate to alter the limits.