

New RRSP plan helps 'move-up' home buyers

By ERIC FOX
Special to Marketplace

The new \$20,000 Home Buyers Plan (HBP) that is part of the federal budget released last Tuesday is not only useful to first-time home buyers, but to anyone wishing to upgrade their current living conditions, say local real estate experts.

Anyone can now sell their current home and buy a more expensive unit, explained Brampton Real Estate Board president Jim Vlachos.

The HBP is based on people borrowing money from their

Registered Retirement Savings Plan (RRSP), up to a maximum of \$20,000 per individual. The loan is interest free, but must be paid back to the RRSP within 15 years.

What this means is people "can get their dream house," said Vlachos. That in turn will "get the economy going," he said, as "People who buy houses buy a lot of other things," such as cars, furniture and appliances.

The federal government estimates more than 100,000 Canadians will be able to accumulate a down-payment that had previously been out of their reach.

"Obviously all potential home-buyers aren't going to buy," said David Humphries of the Canadian Real Estate Association, adding he feels the government's estimate of 100,000 buyers is "extremely conservative."

Based on the most recent statistics available, Humphries said at least 250,000 people don't currently own property but have significant amounts of money in their RRSPs. He added that 297,000 people with incomes between \$22,000 and \$49,000 per year don't own property, but have contributed an average of \$3,200 per year to an RRSP.

Only a principal residence purchase can be used as a basis for an RRSP loan under the HBP. A purchase agreement must be signed before the money can be borrowed, and the property must be acquired between Feb. 25, 1992 and Oct. 1, 1993. Only the money in an RRSP that was contributed up to the 1992 taxation year is usable under the HBP.

Critics of the HBP say that while it's good that some people may now get a break if they were looking to purchase a home, many more are in no financial condition to even think of such an option.

"Who has \$20,000 when you're laid off and out of work?" asked Doug Cooper, president of the Canadian Auto Workers (local 252) Housing Group. "It's a fictitious amount of money for them," Cooper said.

"The new RRSP plan only helps

certain segments of our society," added Marcel Lefebvre, executive director of the CAW Community Development Group.

The HBP "is an unknown," Lefebvre said but co-op and low-income housing are proven, workable concepts that he believes are much more important in poor economic times.

Lefebvre said the irony is the recent federal budget forced the Canadian Mortgage and Housing Corporation (CMHC) to completely eliminate its funding for co-op housing projects.

Since the start of the CMHC's Co-Operative Housing Program in 1986, approximately \$6 million per year was budgeted for new co-op developments.

Now, Lefebvre added, the program has been completely eliminated, even after it's recognized success by labor, industry and government.



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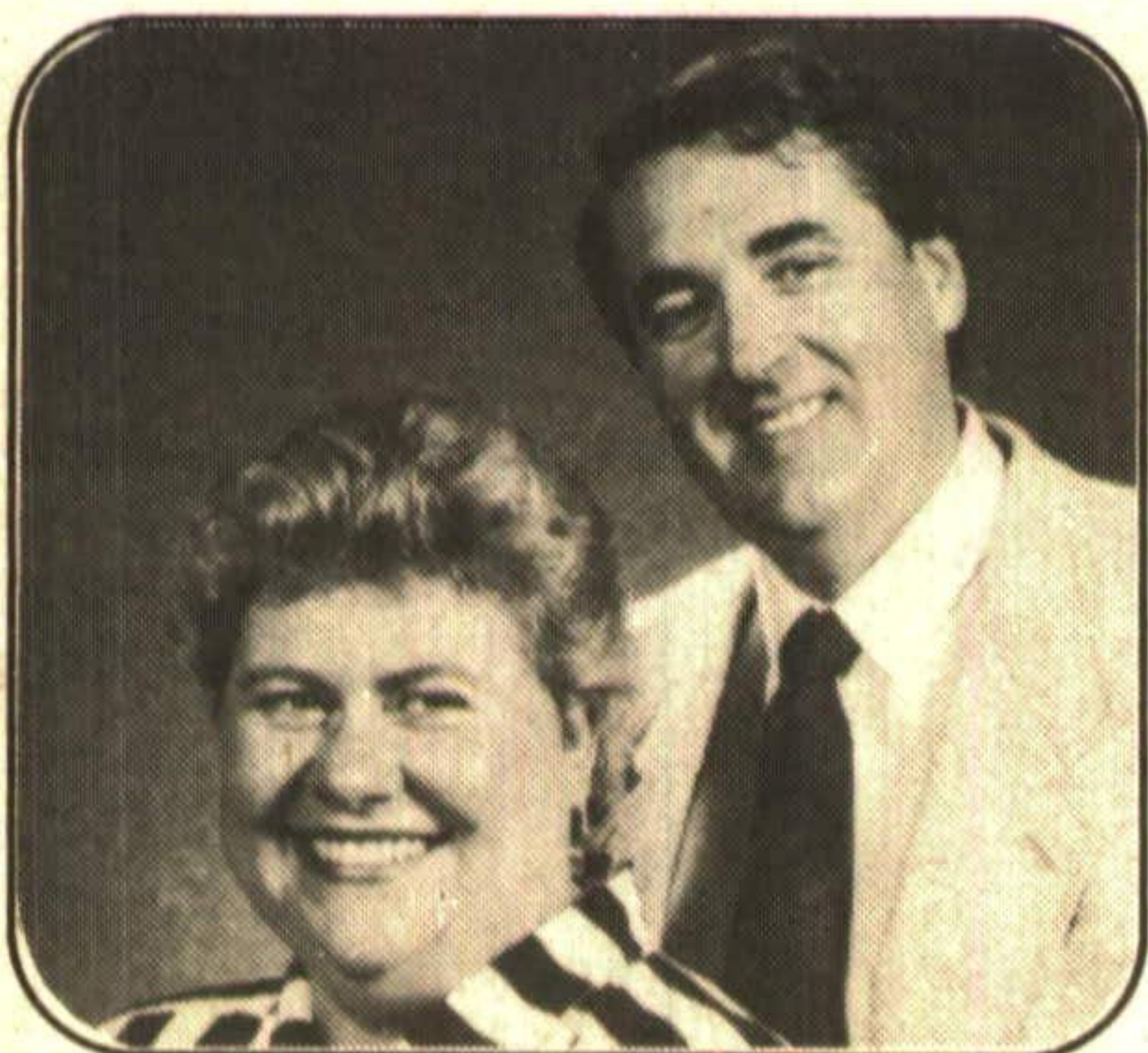
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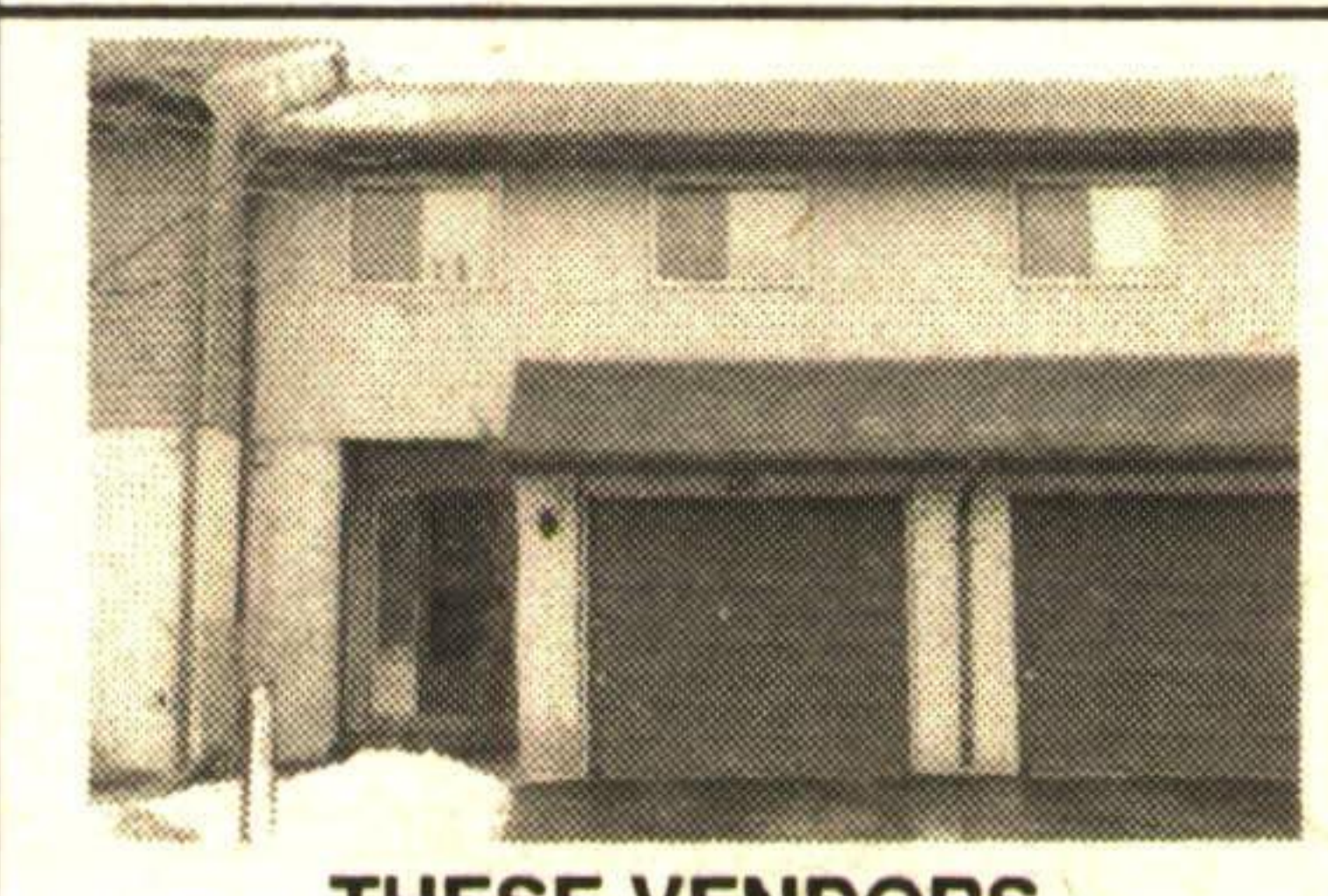
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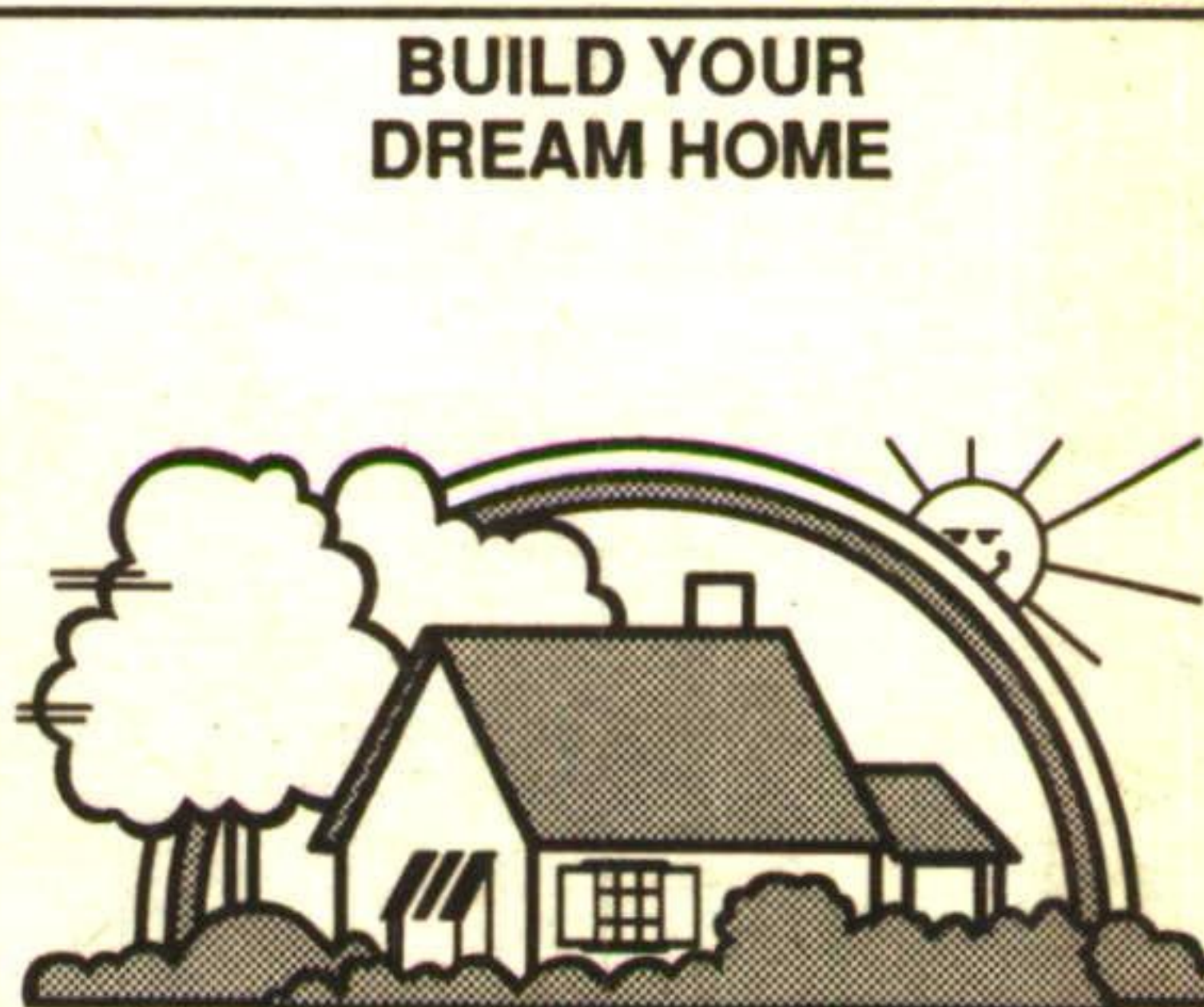
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