

Initial Deposit vs. Down Payment

\$ Initial Deposit =

The amount of money you place in trust with a real estate brokerage or a law firm upon an accepted offer. The initial deposit is a refundable deposit during the condition period. Once the conditions have been met, and the deal goes firm, the deposit is no longer refundable and becomes a portion of (or the entire) down payment towards the purchase price. The initial deposit forms part of the down payment.

\$ Down Payment =

The total amount of money you pay to the lender to fund your mortgage. This down payment of funds typically includes your initial deposit and any additional funds, less fees and disbursements that amount to the total amount (or percentage) of the purchase price your lender is requiring to fund the mortgage. The down payment will go towards your purchase price. The down payment combined with the mortgage, will amount to the total purchase price of the property.

Sources to help with a down payment:

| The Home Buyer's Plan (HBP) | Mortgage Insurance |
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| The HBP allows first time buyer's to withdraw up to \$25,000 per person from their RSP for a home purchase without penalty. The amount withdrawn must be repaid within 15 years, subject to an annual repayment that is 1/15 of the amount withdrawn. Consult with your financial advisor to see if this option is right for you. | Mortgage Insurance helps home buyers when they are using less than a 20 percent down payment. This option allows the banks to offer the same competitive interest rates as those with a lower loan to value ratio. This is possible due to the reduced risk of having the insurance. For more information visit: www.cmhc.ca or www.genworth.ca |

Important to note:

Keep in mind, down payments cannot be borrowed, but they can be gifted from a family member if it comes along with a letter stating it will not require repayment.