Provincial Guide on Shared Equity Homeownership

What is shared equity?

In shared equity arrangements, a home buyer and shared equity investment provider will both invest in a property and share the potential rewards and risks associated with an increase or decrease in the value of that property over time. [This guide] provides practical information to help buyers understand the different types of shared equity arrangements, the potential benefits and things to consider in order to determine if such an arrangement is the right option. The guide also provides steps consumers can take to protect themselves before entering a shared equity arrangement.

Most shared equity investment providers require home buyers to contribute towards the down payment on the property (usually a minimum of 5% of the purchase price), while the shared equity investment provider contributes to or 'tops up' the down payment by providing an additional percentage of the purchase price (often between 5% and 15%). There are no payments required on a shared equity investment until the arrangement ends, whereby the shared equity investment provider will be entitled to receive a portion of the appreciation or depreciation of the home's value, either at a pre-determined date or at the time when the homeowner chooses to sell, rent out the home, or buy out the shared equity investment provider in advance of any set repayment date.

Benefits

There are several potential benefits to a shared equity arrangement, which may include:

- assisting with down payment
- lowering monthly mortgage payments by boosting the initial down payment
- making it possible to buy a larger or more suitable home due to larger down payment
- reducing or eliminating the requirement to obtain and pay for mortgage default insurance

Considerations

There are several things to consider before entering into a shared equity arrangement, which may include:

- potentially building less wealth if the home grows in value, since owner will need to share a portion of the increase with the shared equity investor
- potentially needing to sell the home if owner does not have the funds available to buy out the shared equity investment provider at the end of the agreement
- less flexibility – i.e. owner may not be allowed to rent out your home to tenants or short-term rentals, renovate or rebuild your home unless you get permission from the shared equity investment provider
- extra fees associated with a shared equity arrangement, including higher legal fees, appraisal fees and origination fees, all of which are typically paid by you, the homeowner

More information is available on the provincial website at **Ontario.ca/HousingInnovation**.

Read the Guide

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