

CMHC Self Employed Borrowers

FirstLine is pleased to announce that CMHC's guidelines have been amended to facilitate the mortgage loan insurance approval process for self-employed borrowers. Self-employed borrowers continue to have access to all existing CMHC Homeowner Mortgage Loan Insurance products, subject to the same product criteria and insurance premiums as salaried borrowers. Self-employed borrowers now enjoy a new approach to income determination and verification through a simple 15% gross up of the Total Income (Line 150) on their Canada Revenue Agency (CRA), Notice of Assessment (NOA). Grossing up self-employed income by an amount representative of self-employed borrowers' eligible deductions puts self-employed borrowers into a fast and streamlined application process similar to what salaried employees already enjoy. Self-employed borrowers who have eligible deductions in excess of 15% of their income, will have the option to provide financial statements and to add back specific eligible add backs, in lieu of the 15% gross up, to their income.

Terms and Conditions

In addition to **General Requirements** the following table highlights the policies that permit CMHC Mortgage Loan Insurance for self-employed borrowers:

Borrower Eligibility	<ul style="list-style-type: none"> • Available to self-employed borrowers including: • Self-employed commission (including 100% commission) • Self-employed contract • Self-employed seasonal • Self-employed small business owners • Self-employed professionals
Employment Requirements	<ul style="list-style-type: none"> • Self-employed applicants are required to demonstrate at least two full years of operation of their business. • If a borrower has been working for an extended period of time and recently became self-employed in the same field, performing essentially the same function with the same skill requirements, the two-year self-employment requirement does not apply.
Methods for Confirming Minimum Time of Business Operations	<ul style="list-style-type: none"> • Minimum time of business operation can be documented through income tax returns supported by the borrower's NOA, business credit reports, GST returns, active business bank accounts, audited financial statements where available, or financial statements prepared by a practicing accountant.
Personal Income Tax Arrears	<ul style="list-style-type: none"> • Confirmation is required that the self-employed borrower does not have any outstanding federal or provincial personal income taxes. • The NOA is sufficient confirmation that personal income taxes are paid up-to-date. • In the event that the NOA indicates that there are outstanding income tax arrears, the Approved Lender is required to confirm that the outstanding amounts have been paid, prior to advancing the loan.
Establishing and Confirming Income	<p>Income is to be verified through either the individual's NOA from CRA (Line 150), audited financial statements, or financial statements prepared by a practicing accountant.</p> <ul style="list-style-type: none"> • The income amount is determined by averaging the income of the previous two-year period. • For borrowers who can demonstrate income increases year-over-year for four years or more, income for the most recent year may be used.
Income Gross-Up	<ul style="list-style-type: none"> • Total Income (Line 150) on the NOA is grossed-up by 15%.
Eligible Add Backs	<ul style="list-style-type: none"> • Borrowers who have eligible deductions in excess of 15% of the income on their NOA may opt to provide audited or accountant prepared financial statements to support a higher income level, in lieu of the standard 15% gross-up. • Eligible add backs to Net Income Before Taxes are: Business-Use-of-Home, Motor Vehicle Expenses, and Capital Cost Allowances.