

THE MORTGAGE CORNER

“Mortgages for Self-employed Clients”

Often people who are self-employed, or those who receive commission income, find it a challenge to qualify for mortgage financing on their principal residence. Even though they know they can make the monthly mortgage payments, it may be hard for them to prove their monthly income.

According to statistics, approximately one in six people are considered “self-employed”. The lending potential for this large market segment has resulted in financial institutions creating lending programs for self-employed clients. The programs fall into one of two categories – the Conventional mortgage, where the client has at least 25% equity in the property – or the Insured mortgage, where the client may borrow up to 95% for a purchase, or up to 90% for a refinance of an existing property.

In the past, those self-employed clients who did manage to get financing may have been facing a higher interest rate. Now, because of mortgage insurers such as Canada Mortgage & Housing (CMHC) and Genworth, self-employed clients with a good credit rating normally pay the same interest rates as those who have salaried income.

Stated Income Programs allow a client to state their reasonable monthly income and provide proof of at least 2 years self-employment, by providing third-party documentation such as a business license, GST returns, business name registration, etc.

Programs for self-employed clients may even allow the client to build their own dream home. If you are self-employed or receive a commission-based income, speaking with a mortgage broker will determine if you qualify for a mortgage under a Stated Income Program.

Midwestern Mortgage