



Loan restrictions for the self-employed

Effective April 9, Canada Mortgage and Housing Corp. (CMHC) is adding more restrictions to its Self-Employed state income program.

Self-employed borrowers who choose to apply under this program, and not verify their income using traditional means, will have to put down 10 per cent when purchasing a home (instead of 5 per cent today).

Stated income applicants who wish to refinance will be limited to 85 per cent loan-to-value (instead of 90 per cent today).

CMHC says the self-employed borrowers with more than three years in the same business and commissioned-income borrowers will be required to provide third-party validation of income to qualify for CMHC's Self-Employed program.

For the majority of self-employed borrowers, income validation is readily available through financial statements, contracts, T4s and other third-party income validations. The changes will ensure that self-employed borrowers with third-party income validation will benefit from a lower premium.

A small portion of borrowers, such as those recently self-employed, may continue to apply for the CMHC Self-Employed program without traditional third-party validation of income, subject to a maximum loan-to-value of 90 per cent for purchase transactions and 85 per cent for refinance transactions.

These new rules will make it more difficult to purchase a home if you are self-employed.

