



**Discontinuation of CMHC Self-Employed
Without Traditional Third Party Validation of Income**

Operational Questions and Answers for Industry Partners

1) Will self-employed borrowers still be eligible to access CMHC mortgage loan insurance?

CMHC will continue to offer mortgage loan insurance for self-employed borrowers with traditional third party validation of income. Self-employed borrowers with documentation to support their income have access to all existing 1-4 unit CMHC Mortgage Loan Insurance products subject to the same product criteria and insurance premiums as salaried borrowers.

2) What type of documentation is required for self-employed borrowers to support and verify their income when seeking CMHC-insured financing?

For the majority of self-employed borrowers, income validation is readily available. For example, self-employed borrowers can submit copies of their Canada Revenue Agency (CRA) Notice of Assessment (Avis de Cotisation applicable for Quebec residents only), audited financial statements or review engagement financial statements prepared by a practicing accountant for the previous two year period.

3) What are some examples of supporting documentation for confirming the length of business operation for prospective borrowers who are self-employed?

The form and detail of the documentation may vary depending on the characteristics of the individual loan application submitted for insurance. Examples of supporting documentation for confirming the length of business operation include: income tax returns supported by the CRA Notice of Assessment, business credit reports, GST returns, active bank accounts, financial statements accompanied by a Review Engagement Report signed by a practicing accountant, audited financial statements, business license or articles of incorporation.

4) A self-employed borrower without traditional third party validation of income is purchasing a home/having a home built and will require a CMHC-insured mortgage. The closing date/progress advance draws will only occur on or after May 30, 2014. Will the discontinuation of this product impact this borrower?

As long as the request for mortgage loan insurance is received by CMHC prior to May 30, 2014, the application will be subject to the existing product offering, terms and conditions, even if the closing date/progress draws occur on or after May 30, 2014.

5) Does CMHC plan to make changes to the Self-employed With Traditional Third Party Validation of Income product?

CMHC is not making any changes to the self-employed product where borrowers are able to provide traditional third party validation of their income.

6) Does the discontinuation of this product impact loans that are submitted by the Approved Lender for CMHC emili Low Ratio risk assessment?

Effective May 30, 2014, CMHC will no longer accept applications for Low Ratio risk assessment where the borrower is self-employed without traditional third party validation of income. Loans that have been submitted by the Approved Lender for CMHC **emili** Low Ratio risk assessment and have received an “insurable” response no earlier than 6 months before the date of request for Portfolio Insurance, will be eligible for inclusion in a pool of loans for Portfolio Insurance subject to any limitations that CMHC may, from time to time, place on Portfolio Insurance.

7) What happens if a lender submits an application for a self-employed borrower without traditional third party validation of income on or after May 30, 2014?

If a request for mortgage loan insurance is submitted to CMHC on or after May 30, 2014, the lender will receive the following error message:

XXXX SE W/O INCOME VALIDATION NOT ELIGIBLE
XXXX PLS RESUBMIT WITH TRAD INCOME VALIDATION

The Approved Lender will have the ability to re-submit the application provided that the borrower is able to provide traditional third party validation of income. Alternatively, the Approved Lender may cancel the loan application.

8) If a loan application for a self-employed borrower without traditional third party validation of income is submitted to CMHC prior to May 30, 2014 and then re-submitted with changes on or after May 30, 2014, will the application still be eligible for CMHC mortgage loan insurance?

As long as the request for mortgage loan insurance is received by CMHC prior to May 30, 2014, the application will be subject to the existing terms and conditions of CMHC’s Self-Employed Without Third Party Validation of Income even if the application is re-submitted on or after May 30, 2014.

9) When will CMHC’s website, The Handbook for Approved Lenders, marketing collateral and online tools be updated?

Updates will be effective May 30, 2014.