



Buying a Home – Within Reach for the Self Employed

Self employed Canadians now account for one-in-six workers and total over 2.3 million, according to Statistics Canada. While many self employed individuals want to take advantage of low interest rates and a surging real estate market, the rigid guidelines of financial institutions often restrict access to mortgage funding for those who own their own business.

The self employed must contend with added scrutiny when getting approval for a mortgage – even if they are financially sound and have spotless credit. Most lending institutions require three years of tax or small business documentation to approve financing. Accountants typically offset as much of their self employed clients' earnings as possible to reduce tax liabilities. The resulting low net income can make it virtually impossible for a mortgage to be approved based on mainstream lenders' traditional requirements.

Some lenders are beginning to offer mortgage products specifically tailored to the self employed, yet the barriers facing entrepreneurs or freelancers when buying a home remain. The good news is financial institutions are beginning to offer specialized consumer lending products that address the particular needs of the self employed and recognize their entrepreneurial efforts. There are lenders who now offer mortgages for the self employed for up to 80% or even 95% of the property value of a home, without providing traditional proof of income.

More lenders are realizing the default rates on mortgages held by the self employed are no higher than for other borrowers, and these lenders are offering very competitive rates to this under-served market. In fact, even those who have had some credit issues can get a mortgage that is more than 75% of the property's value at reasonable rates. Self employed borrowers now have more choices than ever before.

A mortgage agent can streamline the mortgage process for self employed homebuyers, from making sure that they are well informed about specialized mortgage products to helping them to present their earnings history to the satisfaction of the lender. Many Canadians are turning toward independent mortgage agents who can access unique products which aren't always available through traditional financial institutions, and can help their clients decide which mortgage option and payment schedule best meets their individual needs.