



PRESS RELEASE



Canadian Mortgage News - National Archive 2007

CMHC Opens Doors to More Self-Employed Homebuyers

OTTAWA, Ontario, March 06, 2007 — Canada Mortgage and Housing Corporation (CMHC) announced today that it will improve its mortgage loan insurance approval system, through a product enhancement called Self-Employed Simplified, to help more self-employed borrowers realize their dream of homeownership.

“Self-Employed Simplified, will make it easier for certain self-employed borrowers to obtain mortgage loan insurance and, as a result, benefit from competitive interest rates,” said Pierre Serré, CMHC’s Vice-President, Insurance Product and Business Development. “This product enhancement will help self-employed borrowers and commissioned salespersons to obtain a CMHC-insured mortgage, much like borrowers who receive a salary or hourly wage from an employer.”

In recognition of the growing proportion of self-employed people in today’s workforce, CMHC has developed tools that help assess the risk associated with borrowers who have difficulty obtaining third-party validation of their income using traditional forms of documentation. Increasingly sophisticated risking models will enable the Corporation to launch this product enhancement effective March 30, 2007.

CMHC Self-Employed Simplified is designed for borrowers who have a minimum of two years in the same type of work and a proven track of responsibly managing their debt. CMHC Self-Employed Simplified will insure mortgages on one- or two-unit homeowner properties and will also be available for refinance transactions, for mortgages up to 90 per cent of a home’s value.

As Canada’s leading mortgage insurer, CMHC shares a wealth of knowledge and housing expertise for the benefit of Canadians. CMHC’s mortgage insurance has opened doors for millions of Canadians, giving them the assurance and piece of mind that comes with homeownership.

As Canada’s national housing agency, Canada Mortgage and Housing Corporation (CMHC) draws on 60 years of experience to help Canadians access a variety of quality, environmentally sustainable, and affordable homes — homes that will continue to create vibrant and healthy communities across the country.

For media enquiries:

Kristen Scheel
Media Relations
613-748-4632

Backgrounder

CMHC Self-Employed Simplified

Self-employed people represent a growing proportion of the Canadian workforce. CMHC's Self-Employed Simplified product enhancement responds to this reality by making it easier for more self-employed borrowers to obtain CMHC mortgage loan insurance, and as a result to benefit from competitive interest rates.

CMHC already has mortgage loan insurance products for self-employed borrowers and commissioned salespersons who can provide traditional documentation to substantiate their income. These products will continue to be available.

CMHC Self-Employed Simplified will help more self-employed borrowers realize their dream of homeownership by making mortgage loan insurance available for borrowers who have difficulty obtaining third-party validation of their income through traditional forms of documentation. However, it will be limited to self-employed borrowers who have a proven track record of managing their debt, and who have worked a minimum of two years in the same type of work, either as an employee or self-employed.

CMHC System Enhancements

CMHC Self-Employed Simplified is possible due to enhancements to CMHC's emili mortgage insurance approval system. These enhancements will include the use of new predictive models that assess the reasonableness of the income declared by the self-employed borrower. They will also allow for better assessment of mortgage default risk associated with self-employed borrowers who cannot provide traditional forms of documentation to substantiate their income.

The use of these models will help CMHC to insure these mortgage loans in a responsible and prudent manner.

Premium Levels

The CMHC Self-Employed Simplified mortgage insurance premium will vary from 0.8 per cent of the mortgage loan amount for loans with at least a 35 per cent down payment, to six per cent for loans with a 5 per cent down payment. These levels reflect the absence of traditional forms of documentation to support the current income of the self-employed borrower.

While CMHC Self-Employed Simplified premiums are higher than those paid by borrowers with traditional forms of documentation, it is important to recognize that this product enhancement also allows borrowers to benefit from lower interest rates than would otherwise be the case.

As always, CMHC will continue to review its product suite on an ongoing basis, and where possible will act to reduce the cost of mortgage financing for Canadians. This is evidenced by the elimination of homeowner application fees in June 2006, and reductions in homeowner mortgage loan insurance premiums of up to 30 per cent since 2003.