

GETTING TO KNOW YOUR SELF-EMPLOYED CLIENTS



The Gateway Self-Employed Mortgage, often referred to as 'ALT BFS' or 'ALT Provable' (Alternative), is designed for self-employed individuals who can prove their income in a more traditional way, relying on comprehensive financial documentation to determine qualifying income.

This underwriting approach is ideal for borrowers with an established business, a history of stable business income and profitability, and a conservative approach to personal income withdrawals. It offers competitive mortgage terms without premiums and without the need to significantly increase reported personal income, making it a tax-efficient option for self-employed individuals.

TO QUALIFY FOR SELF-EMPLOYED.

- Must have a minimum of 2 years in the same industry
- Have 2 years of financial statements
- Minimum beacon requirement of 500 on owner-occupied and 550 on rental

COLLECT DOCUMENTS:

- Proof of business ownership via one of the following:
 - Articles of incorporation
 - Business license or registration
 - Two years of GST/HST registration
 - Corporate Search (*if incorporated or limited*)
- CRA statement of account to confirm no personal income tax owing
- Notice of Assessments (NOAs) for the last 2 years
- Business bank statements for the most recent 6 months *may be required*

If sole proprietor or partnership, additional documentation is required:

- T1 Generals for the last 2 years, including Statement of Business Activity

If Incorporated (Inc) or Limited (Ltd), additional documentation is required:

- Most recent 2 years of accountant-prepared financial statements
- Current corporate search

UNDERSTAND YOUR CLIENT'S BUSINESS.

Brokers play a vital role in ensuring the success of these applications. One of the key factors that can greatly influence the outcome of a self-employed borrower's application is a comprehensive understanding of their business and adding this insight into your deal notes.

Please submit **all the following** information in your deal notes.

Business background:

What are the primary products or services, and in what industry?

- How many years has the client owned the business or had experience in the same industry?
- Does the client have any employees?
- How does the client pay themselves? (e.g., T4 income, dividends, a combination of both)

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Financial performance:

- Are the year-to-date revenues of the business on track to support the previous year's financial statements?
- Is there a non-reporting cash component of their business?
- Are there any upcoming major expenses anticipated that would impact the client's ability to repay? (e.g., rent or mortgage increases)
- Does the business have the capacity to maintain the same earnings in the future?

HOW WE QUALIFY INCOME.

At Bridgewater Bank, we employ two distinct approaches to qualify income for this product: the add-back approach and the gross-up approach.

Option 1: Add-Back Approach

The add-back approach involves identifying specific deductions or expenses on the borrowers' tax returns that can be added back to their reported income. This method enables us to assess the borrower's true financial capacity by excluding non-recurring or discretionary expenses.

The following add-backs, combined with the net income of the company, may be considered if deemed reasonable for the industry and type of job:

- Travel
- Meals + entertainment
- Telephone
- Donations
- Amortization or CCA
- Amortization/Capital Cost Allowance
- Motor vehicle expenses

Please reference the [Self-Employed ALT Provable Worksheet](#)

There may be exceptions made on a case-by-case basis. Please discuss with your BDM.

Option 2: Gross Up Approach

In some cases, we also employ the gross-up approach, which involves increasing the borrower's net income by a specified percentage. This adjustment accounts for legitimate business expenses or tax deductions and ensures a more accurate representation of the borrower's ability to meet their mortgage obligations. However, it is essential to emphasize that once the income is grossed up, it cannot exceed the reported gross income for the year.

INTRODUCING: THE GATEWAY SELF-EMPLOYED FLEX MORTGAGE

Every self-employed borrower's situation is unique. A cookie-cutter approach to business files simply doesn't work. If your client doesn't fit into the Self-Employed Mortgage using financial statements, their application could be considered under our Self-Employed Flex program.

Self-Employed Flex relies on bank statements to prove income. To increase the likelihood of a successful application, [talk to your BDM](#) today.