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## Business For Self (Alt. A)

With a strong emphasis placed on reasonability of income type, amount, and durability, Self-Employed borrowers and Commissioned Sales people that cannot provide traditional income verification may now qualify for a high ratio mortgage for purchase or refinance purposes.

### Acceptable loan purpose:

- Purchase, Purchase Plus Improvements
- Progress Advance
- Refinance for repayment of existing mortgage debt, home renovations, debt consolidation, or asset enhancement
  - Equity takeout limited to \$200,000
  - Where the loan purpose is to consolidate existing first and second mortgages, the maximum LTV will apply

### Loan-to-value ratio limits:

- Purchase 1-2 Units: 95% LTV
- Purchase 3-4 Units: 90% LTV
- Progress Advance (Max. 2 Units): 95% LTV
- Refinance 1-4 Units: 90% LTV

### Maximum Loan Amounts:

- Do not apply with the exception of the following loan purposes:
  - Secondary Homes (Type A):
    - Metro Toronto, Metro Calgary & Metro Vancouver: \$700,000
    - Rest of Canada: \$600,000
  - HELOC (maximum credit limit):
    - Metro Toronto, Metro Calgary & Metro Vancouver: \$700,000
    - Rest of Canada: \$600,000

### Eligible properties:

- Owner-occupied properties: maximum 4 units where at least 1 unit must be occupied as the principal residence
- Secondary home: maximum 2 units. Property may not be used for rental purposes. Only Type A properties are eligible (for more details, please refer to the [Secondary Home overview](#) )
- Existing and new construction
- Readily marketable residential dwellings, located in markets with demonstrated ongoing re-sale demand
- Older homes (pre 1950) must have been substantially modernized and the estimated remaining property (economic) life must be at least 25 years
- New construction must be covered by a Genworth approved New Home Warranty Program

### Occupancy:

- Owner occupied primary residence or secondary home. All applicants used to qualify must occupy the property.
- Spousal guarantors acceptable provided they occupy the subject property

- Non-occupant co-borrowers or guarantors not permitted

**Amortization options:**

- Up to 40 years

**Terms/qualifying interest rates:**

- Fixed, standard variable, capped variable, or adjustable rate mortgages are permitted

**Borrower qualification:**

- Income declared by the borrower must be reasonable for the industry and occupation/type of business
- Strong credit and credit score (for recommended bureau score requirements see the premium matrix below)
- For HELOC applications, a minimum 650 bureau score is recommended up to 90% LTV; 700+ bureau score is recommended for 90.01-95% LTV
- Genworth will average the scores pulled from both credit bureaus for each borrower, and the minimum score requirement will apply to all borrowers on the application
- No mortgage, installment or revolving credit delinquencies appearing on the credit bureau in the past 12 months
- No reported defaults on residential mortgages for the past 7 years
- No previous bankruptcy
- No gifted / borrowed down payment allowed
- Lender to ensure borrower(s) have no tax arrears (recent NOA or a signed affidavit by the borrower(s) will suffice)
- Maximum two (2) Genworth-insured Alt. A mortgages

**GDS/TDS Guidelines**

Bureau Score	GDS	TDS
680+	No limit	44%
600 - 679	35%	42%

**Self employed borrowers:**

- 2-years self-employed tenure is recommended, however will consider borrowers with less than 2-years BFS tenure depending on the length and type of previous employment.
- One (1) form of written third party documentation confirming self-employment tenure must be on file
- Lender is required to capture the borrower's "Stated" income and submit to Genworth as part of the application.
- The "Stated" income should be reasonable based on the type and size of the business, and should be able to service the required mortgage as per the GDS/TDS Guidelines above
- Reasonableness of the income is a critical factor in the approval of the loan as is the borrower's ability to service the loan and all other obligations

**Commissioned sales:**

- A commissioned sales applicant is defined as someone who derives 100% of their income from a commissioned source
- The lender is responsible for ensuring that the borrower is a commissioned sales applicant as defined above, with a minimum of two years tenure, for example by way of letter of employment, T1 Generals or T4's
- Lender to ensure borrower(s) have no tax arrears (recent NOA will suffice)
- Commissioned sale applicants who are paid a salary plus commission are NOT eligible under this program and must

qualify in the usual manner (e.g. GDSR/TDSR and income confirmation will be required)

- Lender is required to capture the borrower's "Stated" income and submit to Genworth as part of the application.
- The "Stated" income should be reasonable based on the type and size of the business, and should be able to service the required mortgage as per the GDS/TDS Guidelines above
- Reasonableness of the income is a critical factor in the approval of the loan as is the borrower's ability to service the loan and all other obligations

**Premium rates:**

- Premiums must be paid in full at closing, and may be capitalized into the mortgage balance.
- Where the first and second mortgages are insured concurrently, the total premium will be equal to the amount that would be required if insured as a single first mortgage

**Premium matrix:**

**Single Upfront Premium**

LTV Ratio	Bureau Scores	Purchase**	Refinance**	Top-Up Premium
90.01% - 95%	700	6.00%	N/A	8.50%
85.01% - 90%	650	4.75%	4.75%	7.00%
80.01% - 85%	620	2.90%	2.90%	5.50%
75.01% - 80%	620	1.64%	1.64%	3.85%
65.01% - 75%	600	1.00%	1.00%	2.60%
< 65%	600	0.80%	0.80%	1.50%

*\* A .20% premium surcharge will be applied for every 5 years of amortization beyond the traditional 25 - year mortgage amortization period*

*\*\* For HELOC applications, a 0.25% surcharge will be applied for a 5-year HELOC term and a 0.50% surcharge for a 10-year HELOC term*

**Portability:**

- Mortgage default insurance is portable under the following conditions;
  1. When porting from an ALT. A to another ALT. A mortgage, the premium will be the lesser of:
    - The increase in the loan amount multiplied by the top-up premium rates defined in the table above, or
    - The new loan amount multiplied by the full premium rate
  2. When porting from an ALT. A loan to an existing standard Genworth insured loan, the premium will be the lesser of:
    - The increase in the loan amount multiplied by our standard premium top-up rates as described in our

- Portability feature Product Overview, or
  - The new loan amount multiplied by the full standard premium rate
3. When porting from an existing standard Genworth insured loan to an ALT. A loan, the premium will be the lesser of:
- The outstanding mortgage balance multiplied by 1.5% + the top-up amount multiplied by the top-up premium rate, or
  - The new loan amount multiplied by the full premium rate

Example for Scenario #3:

**Outstanding mortgage balance** = \$100,000; **Top-up mortgage amount** = \$80,000; **New Loan Amount** = \$180,000 (90% LTV)

1.  $(\$100,000 \times 1.5\%) + (\$80,000 \times 7.0\%) = \$7,100$
2.  $(\$180,000 \times 4.75\%) = \$8,550$

Premium Payable is \$7,100

When porting with a top-up mortgage amount, the blended amortization option is available

**Assumptions/assignments:**

- Mortgages issued under this program may be assumed. We will continue to provide insurance coverage if the mortgage is sold to an investor, provided servicing continues with a Genworth approved lender in compliance with Master Policy terms.

**Ineligible loan purpose/type:**

- New to Canada
- Family Plan
- Cashback Equity
- Vacation Homes
- Homebuyer 100
- Investment Property Program

**Documentation/information requirements:**

**Sole Proprietorship**

- A one-owner operation where the owner directs all the activities of the business, assumes all authorities and obligations, and is liable for its business debts. The sole proprietor income is reported to revenue Canada on the standard tax return (T1 General) together with Revenue Canada's required statement of business or professional activities.
- Documentation requirements - Any one of the following:
  - Business License
  - Business Credit Report
  - GST/HST Return Summary
  - T1 Generals with statement of business activities attached for a minimum 2 years
  - Audited Financial Statements for the last 2 years, prepared and signed by a CA
- Plus a recent Notice of Assessment or a signed affidavit by the borrower(s) to confirm no income tax arrears

**Partnerships**

- Partnerships are businesses owned by two or more individuals who share the profits or losses of the business operation. The partnership income is reported to Revenue Canada on the standard tax report (T1 General) together with Revenue Canada's required statement of business or professional activities, which reflects the percentage of the NET income or loss for each partner of the enterprise.

- Documentation requirements - Any one of the following:
  - Business License
  - Business Credit Report
  - GST/HST Return Summary
  - T1 Generals with statement of business activities attached for a minimum 2 years
  - Audited Financial Statements for the last 2 years, prepared and signed by a CA
- Plus a recent Notice of Assessment or a signed affidavit by the borrower(s) to confirm no income tax arrears

### **Corporations**

- A limited company or corporation is a legal entity, separate from the persons (all shareholders) who own it. The business can own assets, enter into contracts and conduct business transactions in its own capacity. The company is called limited because the liability of the shareholders is limited to their investment. All provincial Corporations must obtain articles of incorporation from the province in which they are registered or may be federally incorporated. The applicant's personal income will be reported by T4 from the corporation.
- Documentation requirements - Any one of the following:
  - Articles of incorporation
  - Business Credit Report
  - Audited Financial Statements for the last 2 years, prepared and signed by a CA
- Plus a recent Notice of Assessment or a signed affidavit by the borrower(s) to confirm no income tax arrears