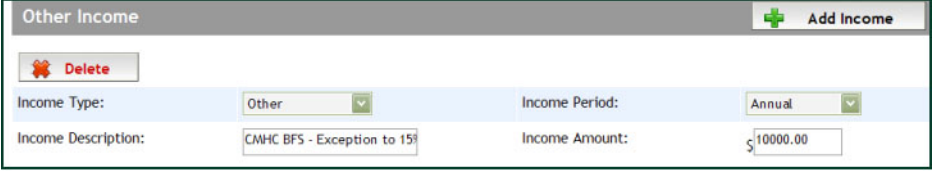
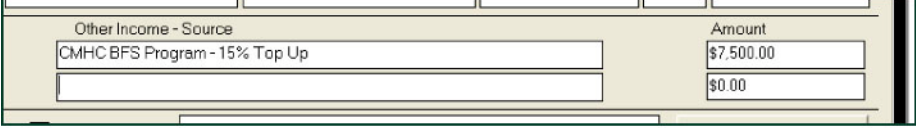


Self Employed Borrower Guidelines



<p>How does a broker submit a deal to qualify under the self-employed borrower guidelines?</p>	<p>The broker must use the 'Other Income' description field in the Mortgagebase / LSS system to flag the deal for self-employed income</p> <p>The broker must add the 15% income gross up amount under 'Other Income'</p> <p>Morty Example:</p>  <p>Expert Example:</p> 
<p>Who qualifies as a self-employed applicant under these guidelines?</p>	<p>Self-employed commission (including 100% commission) Self-employed contract Self-employed seasonal Self-employed small business owners Self-employed professionals</p>
<p>How long does the applicant have to be self-employed?</p>	<p>Two full years of operation of their business</p>
<p>How is income calculated for self-employed applicants?</p>	<p>The income amount is determined by using the lower of the most recent NOA or the average of two years of NOAs.</p> <p>To calculate the average income for the previous two year period:</p> <p style="text-align: center;"> Example: 2004 income \$100,000 + 2005 income \$200,000 ----- Total \$300,000 </p> <p style="text-align: center;"> Two year average: <u>\$300,000 divided by 2</u> Amount used to qualify: \$150,000 </p> <p>Exception to Policy of using the lower of the most recent NOA or the two year averaging of income:</p> <p>Macquarie Financial will consider an exception to this policy if the applicant can demonstrate income increases year-over-year for four years. In this instance, income from the most recent year may be used to qualify.</p>
<p>What documents do the brokers need to fulfill income requirements?</p>	<p>Two most recent years NOAs: Line 150 from the borrower's NOA (Will use the lower of most recent NOA or the average of two years of NOAs)</p> <p style="text-align: center;">And one of the following documents:</p> <ul style="list-style-type: none"> T1 generals supported by the borrower's NOA Audited Financial Statements Financial statements prepared by a practicing accountant Business Registration Articles of Incorporation GST returns Business Credit Report Business bank account reference letter <p style="text-align: center;">And confirmation that any tax arrears have been paid:</p> <p>NOA required to confirm that there are no outstanding federal or provincial personal income taxes.</p> <p>In the event the NOA indicates there are income tax arrears, proof that the outstanding income tax arrears have been paid will be required prior to funding the loan.</p>

Self Employed Borrower Guidelines



<p>Income Gross Up – how does this work?</p>	<p>Total income (line 150) on the NOA is grossed up by 15% to qualify the income for debt servicing purposes.</p> <p>Example:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">2003 line 150 income</td> <td style="text-align: right;">\$100,000</td> </tr> <tr> <td style="text-align: right;">+</td> <td style="text-align: right;">2004 line 150 income</td> <td style="text-align: right;"><u>\$150,000</u></td> </tr> <tr> <td style="text-align: right;">=</td> <td></td> <td style="text-align: right;">Total \$250,000</td> </tr> </table> <p>Two year average income: \$250,000 divided by 2 = \$125,000 Income Gross up: \$125,000 x 1.15 = \$143,750 Income used to qualify client using Income gross up option: <u>\$143,750</u></p>		2003 line 150 income	\$100,000	+	2004 line 150 income	<u>\$150,000</u>	=		Total \$250,000																			
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<p>Are there exceptions to the income gross up amount?</p>	<p>Yes, Macquarie Financial may consider exceptions to policy. Some applicants may have eligible deductions in excess of the 15% of the income on their NOA – in this case, the borrower may opt to provide us with audited or accountant prepared financial statements to support the higher income level, in lieu of the 15% gross up. Borrowers must provide the financial statements in addition to the required two most recent years NOAs.</p> <p>Eligible Add Backs to Net Income before Taxes: Business use of home, reasonable motor vehicle expenses and Capital Cost Allowances.</p>																												
<p>What if the applicant has personal income tax arrears?</p>	<p>Income taxes must be up to date</p> <p>NOA's are required to confirm that there are no outstanding federal or provincial personal income taxes. In the event the NOA indicates there are income tax arrears, proof that the outstanding income tax arrears have been paid will be required prior to funding the loan.</p>																												
<p>What if an applicant is salaried and has self-employed income?</p>	<p>The applicant must provide Macquarie Financial standard documentation to prove salaried income as well as their NOA to prove self-employed income. The borrower is eligible for the 15% gross up on the self-employed income only.</p> <p>Self-employed income can be calculated by deducting salaried income from Total Income (Line 150) on the NOA.</p>																												
<p>What is the CMHC insurance premium for this program?</p>	<p>CMHC charges the same premiums as it does for salaried borrowers.</p> <table style="width: 100%;"> <tr> <td colspan="2">CMHC purchase premiums:</td> <td colspan="2">CMHC refinance premiums:</td> </tr> <tr> <td>Up to and including 65%</td> <td style="text-align: right;">0.50%</td> <td>Up to and including 65%</td> <td style="text-align: right;">0.50%</td> </tr> <tr> <td>Up to and including 75%</td> <td style="text-align: right;">0.65%</td> <td>Up to and including 75%</td> <td style="text-align: right;">0.65%</td> </tr> <tr> <td>Up to and including 80%</td> <td style="text-align: right;">1.00%</td> <td>Up to and including 80%</td> <td style="text-align: right;">1.00%</td> </tr> <tr> <td>Up to and including 85%</td> <td style="text-align: right;">1.75%</td> <td>Up to and including 85%</td> <td style="text-align: right;">1.75%</td> </tr> <tr> <td>Up to and including 90%</td> <td style="text-align: right;">2.00%</td> <td>Up to and including 90%</td> <td style="text-align: right;">2.00%</td> </tr> <tr> <td>Up to and including 95%</td> <td style="text-align: right;">2.75%</td> <td></td> <td></td> </tr> </table>	CMHC purchase premiums:		CMHC refinance premiums:		Up to and including 65%	0.50%	Up to and including 65%	0.50%	Up to and including 75%	0.65%	Up to and including 75%	0.65%	Up to and including 80%	1.00%	Up to and including 80%	1.00%	Up to and including 85%	1.75%	Up to and including 85%	1.75%	Up to and including 90%	2.00%	Up to and including 90%	2.00%	Up to and including 95%	2.75%		
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