

SHAWN SELANDERS

# The Self-Employed Mortgage Guide

*How to qualify for a mortgage when you work for yourself.  
What lenders look for, what documents you need, and how to maximize your  
approval.*

March 2026 Edition

Your Local Mortgage Professionals  
403-703-6847 | [Shawn@ShawnSelanders.ca](mailto:Shawn@ShawnSelanders.ca)

## The Self-Employed Challenge

If you're self-employed, you know the frustration: your business is thriving, your bank account is healthy, but when you apply for a mortgage, the lender says you don't make enough money. Why? Because lenders use your NET income from your tax return — after all your business deductions — not the revenue your business actually generates.

A business owner who grosses \$200,000 but writes off \$140,000 in expenses shows \$60,000 on their tax return. The lender qualifies them on \$60,000. This is the fundamental disconnect that makes self-employed mortgages challenging — but not impossible.

## Two Paths to Qualification

### Path 1: Traditional (Full Documentation)

You provide the same documentation as a salaried employee: 2 years of T1 Generals (tax returns), 2 years of Notice of Assessments (NOAs), and financial statements if incorporated. The lender averages your net income over 2 years and uses that for qualification.

This works well if you've been reporting strong income consistently. It gives you access to the best rates and the most lender options. The challenge: most self-employed people minimize their taxable income through deductions, which reduces their qualifying income.

### Path 2: Stated Income (Alternative Documentation)

Some lenders and insurer programs allow you to "state" a reasonable income based on your industry and role, supported by documentation showing your business is active and profitable. You still need to prove the income is reasonable — you can't claim \$200,000 if the average for your profession is \$70,000.

Stated income programs typically require a higher down payment (often 10–20%), may have slightly higher rates, and require proof that you've been self-employed for at least 2 years. But they allow you to qualify based on a more realistic picture of your earning capacity.

## What Documents You'll Need

### For Traditional Qualification

- 2 years of personal T1 General tax returns

- 2 years of Notice of Assessments (NOAs) — confirm no taxes owing
- Business financial statements (if incorporated)
- Articles of incorporation or business registration
- 6–12 months of business bank statements
- Letter from your accountant confirming the business is active

### **For Stated Income Programs**

- Proof of self-employment for minimum 2 years
- Business registration or articles of incorporation
- 6–12 months of business bank statements showing healthy cash flow
- Recent NOAs (to confirm tax filings are current)
- Letter from accountant confirming business and stated income is reasonable

### **Tips to Maximize Your Approval**

- File your taxes on time and pay any balances owing. Outstanding taxes are a red flag.
- Keep personal and business finances separate. Clean bank statements show professionalism.
- Talk to your accountant about the trade-off: lower taxes vs mortgage qualification. Sometimes showing a bit more income saves you money on mortgage insurance and rates.
- Save for a larger down payment. 20% eliminates mortgage insurance, opens up more lenders, and compensates for the "income on paper" problem.
- Build your credit score. Self-employed applicants with 720+ credit get access to the best programs.
- Use a mortgage broker. Brokers know which lenders have the best self-employed programs — your bank may not offer the best option.

**⚠️ Support payments (child support, spousal support, alimony) affect qualification for self-employed borrowers too. Some lenders deduct them from your already-reduced qualifying income, which can be devastating. Discuss this with your broker upfront.**

## **Common Self-Employed Situations**

### **Sole Proprietor / Freelancer**

Your business income flows directly onto your personal tax return. Lenders use Line 15000 (net income) from your T1. Deductions reduce this number. Use the 2-year average.

### **Incorporated Business**

If you pay yourself a salary, that's your qualifying income. If you take dividends, lenders gross up the dividend income (typically by 15–38% depending on the province). Some lenders also allow retained earnings in the corporation to count. This gets complex — a broker who specializes in self-employed financing is essential.

### **Multiple Income Streams**

If you have both employment income and self-employed income, most lenders will use both — but the self-employed portion still needs 2 years of history. If you just started a side business, the income from it may not count yet.

## **Why a Broker Is Non-Negotiable for Self-Employed**

Self-employed mortgages are not commodity products. The difference between lenders is enormous — some won't touch you, some will qualify you at half what others will. A broker who knows the self-employed landscape can be the difference between approval and rejection, and between a good rate and an expensive one.

## Important Disclaimers

This guide provides general information only and is not a commitment to lend, rate guarantee, or pre-approval. All figures are approximate and must be verified with your mortgage broker and realtor before making any decisions. Lender guidelines, insurer policies, and government programs change frequently. Support payments (child support, spousal support, alimony) affect qualification. 50% of condo fees and 100% of HOA fees are included in debt servicing. Canadian semi-annual compounding applies to all mortgage calculations. Information compiled as of March 2026. OAC. E.&O.E.

## Ready to take the next step?

Shawn Selanders

Mortgage Broker — 25+ Years | \$1 Billion+ Funded

 **403-703-6847**

[Shawn@ShawnSelanders.ca](mailto:Shawn@ShawnSelanders.ca) | [ShawnSelanders.ca](https://ShawnSelanders.ca)

Your Local Mortgage Professionals

Serving Calgary, Okotoks, High River & Southern Alberta