Weekly Updates Issue # 634

1. Weekly Markets Changes

[October 6 , 2017]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,728.32 +93.38 +0.60%	2,549.33 +29.97 +1.19%	22,773.67 +368.6 +1.65%	6,590.18 +94.22 +1.45%	$0.7969 -0.44c -0.55%	$1,274.90 -4.85 -0.38%	$49.29 -2.38 -4.61%

2. Canada adds jobs for 10th straight month

[October 6, 2017] An increase in full-time work fuelled a 10th-straight month of net job gains to match the economy's longest monthly streak since the financial crisis, Statistics Canada said Friday.

September's unemployment rate stayed at a nine-year low of 6.2% after the country added 10,000 net new jobs, including 112,000 full-time positions.

But don't expect the increase in jobs to keep GDP at the levels seen in the first half of 2017.

"Overall, the 10K pace is about what we would expect as a trend if GDP growth is tailing off to the 2% range in the second half of the year, enough of a slowdown to keep the Bank of Canada on hold until 2018," says Avery Shenfeld, managing director and chief economist at CIBC Capital Markets, in a note.

In contrast, Derek Holt, vice-president and head of capital markets economics at Scotiabank, suggests in an economics report that inflation may be starting to spiral upward.

Referring to Bank of Canada action, he says, "If 2015 was about taking out insurance against uncertainties to the downside, then a symmetrical response to the inflation target's risks should arguably involve taking out insurance against being behind the inflation curve. […] Our call is a hike in December." He adds that a potential hike in October must be viewed as live.

The rise in full-time work more than offset a drop of 102,000 part-time jobs; however, last month's job gains were entirely driven by growth in public-sector employment. That wipes out the nearly opposite story in the prior month's survey, notes Shenfeld. "That's just a reminder of how imprecise these monthly survey data really are," he says.

The September figures also showed yet another improvement in the important indicator of wage growth. Compared to the year before, the report said average hourly wages grew at the above-inflation pace of 2.2%, for the biggest increase since April 2016.

The numbers show the employment increase was also concentrated in factory work as the goods-producing sector added 10,500 jobs, compared to a loss of 500 positions in the services industry.

The survey detected a gain of 10,800 paid employee jobs, while the number of people who described themselves as self-employed, including unpaid workers in family businesses, fell by 800.

Statistics Canada said Ontario gained 34,700 jobs in September for its fourth monthly increase in five months and, compared to a year earlier, the province's employment was 2.4% higher. Manitoba shed 5,500 positions for its first notable decline since April 2016, the report said.

Overall, the national numbers show that Canada's year-over-year employment expanded 1.8% with the addition of 319,700 net new jobs, of which more than 90% were full-time positions.

The run of 10 consecutive months of job creation marked the country's longest streak of total employment gains since February 2008.

3. All about the disability tax credit

[October 5, 2017] The disability tax credit (DTC) reduces the tax payable in a year for those who are eligible, and it's the cornerstone of several tax measures set out by the Income Tax Act. Those include the registered disability savings plan (RDSP) and qualified disability trusts (QDTs), as well as the ability to roll an RRSP to a dependent child with a disability.

Overall, eligibility for the DTC opens up many types of plans for people with disabilities, but it also makes financial planning more complex.

Before making any recommendations to disabled people, you must always check whether or not the person you're helping is eligible for the DTC. Apply using Form T2201 – Disability Tax Credit Certificate.

Eligibility for the DTC

An applicant must meet several criteria. First, he or she must have one or several severe and prolonged disabilities that impair mental or physical functions and are expected to last for at least 12 months.

The effects of the disability must also markedly restrict a basic activity of daily living for the person. Basic activities of daily living are:

- speaking;
- feeding and dressing;
- performing the mental functions necessary for everyday life (i.e. using memory, problem solving, goal-setting, judgement, and adaptive functioning);
- hearing; and
- eliminating (having bowel and bladder functions).

"Markedly restrict" means when a person takes an inordinate amount of time to perform a basic activity of daily living, even though they benefit from therapy and the use of appropriate devices and medication. A person could also be markedly restricted if they're almost or totally blind.

If the person has more than one disability, the cumulative effect of the disabilities is considered when determining whether or not the person takes longer to do the basic activities of daily living at least 90% of the time.

For example, a person with multiple sclerosis suffers continually from fatigue, depression and balance problems, for instance. Each of these limitations does not markedly restrict the execution of a basic activity of daily living, but, taken together, they may have the same cumulative effect as the inability to do at least one of the basic daily activities. If that's the case, such a person would be eligible for the DTC.

Also consider that if a person who benefits from therapeutic care does not qualify for the credit based on the fact that she does not take an inordinate amount to do a basic activity, she might still be considered markedly restricted if the therapy is needed to support a vital function. In addition, the therapy must be administered at least three times a week for a total average of least 14 hours a week. This therapy reasonably would not have beneficial effects on people who do not have this disability. Examples of life-sustaining therapy include chest physiotherapy to facilitate breathing and kidney dialysis to filter blood insulin therapy to treat Type 1 diabetes in a child who cannot independently adjust the insulin dosage.

On Form T2201, a medical doctor or nurse practitioner must certify the effects of the disability or disabilities. Certification by other specialists could be accepted if the disability falls within their field of expertise. For example, a disability that affects an individual's ability to walk may be certified by an occupational therapist or physiotherapist.

Then, once the form has been filled out by the person (or legal representative) and the authorized medical practitioner, it must be sent to the Disability Tax Credit Unit of the applicable tax centre. It can be sent at any time during the year.

Analysis of the application may take up to six months, and a notice of determination will be sent to inform the applicant of CRA's decision.

Re-examining eligibility

The Minister may at any time re-examine a person's eligibility for the DTC and, as a result, require that the person resubmit Form T2201, along with a new assessment from a medical practitioner.

A taxpayer deemed ineligible – either from the outset or due to re-evaluation – can file an objection using Form T400A, no later than one year after the deadline for filing income tax returns or 90 days after the date the notice of assessment or determination was sent. For example, a taxpayer who applies for the DTC in May 2017 using Form T2201 and who is deemed ineligible for the credit by the CRA in October 2017 will have until April 30, 2019 to submit a notice of objection, or one year after the filing deadline for the 2017 tax year.

T1 adjustment request

A person who was eligible for the DTC in previous years but who didn't benefit from the credit during those years may request a retroactive adjustment for up to 10 years.

To request an adjustment, complete Form T1-ADJ. Alternatively, the taxpayer can send a signed letter explaining the details of the requested change along with Form T2201 or the notice of determination.

This person could also take advantage of other tax benefits for past years, such as the RDSP (from 2008 only, as that was the year it launched). For this to be possible, the person's medical practitioner must indicate on Form T2201 in what year the DTC-eligible person became markedly restricted in his basic activities of daily living (for every disability for which this professional is authorized to certify information).

Basic amount for 2017

The DTC is a non-refundable tax credit calculated at 15% of the amount. The DTC basic amount for eligible individuals for 2017 is $8,113. If the application is for a disabled child under the age of 18, a supplemental amount of $4,733 is added to the basic amount and reduced by any childcare expenses claimed, for a maximum total of $12,846. An equivalent provincial credit is also available.

4. Experts warn tax proposals will be challenging

[October 5, 2017] Tax experts say Finance Minister Bill Morneau's plan to adjust his controversial tax proposals is easier said than done.

Morneau has tried to calm the anger surrounding the federal government's small business tax package with some hints on how he might address some of the concerns.

But tax experts who've studied the government's tax proposals warn that while there are some options, delivering on many of Morneau's tweaks will be challenging.

Earlier this week, as a 75-day consultation period on the three-part plan came to a close, Morneau conceded that "changes are going to be required" to the proposals he announced in mid-July.

He's offered a few clues on where some adjustments to the proposals might be made.

The highlighted concerns that Morneau will seek to fix include: avoiding any change that would complicate the intergenerational transfer of family farms; ensuring women entrepreneurs will be able to put away money within their firms for maternity leaves; and making sure businesses won't be subjected to additional, onerous administrative work.

Morneau also says he'd make sure angel investors and venture capitalists, whose financing so often helps start-up firms grow — won't face "unintended consequences" from the tax changes.

Morneau has tried to reassure owners of farming and fishing businesses on the family succession issue by saying "technical fixes" may be on the way. There are concerns the reforms could add significant costs for those who seek to keep these businesses in the family.

"Is the challenge that they're dealing with difficult? No question," saidsaysKim Moody, a director at Moodys Gartner Tax Law. "And, frankly, I don't have any easy suggestion for them, either, because I've racked my brain in terms of how they could solve what they're trying to solve."

Officials from Morneau's own department also admitted that finding a fix to the succession issue hasn't been easy.

"We're still struggling to find another approach to this and, to the extent, when we've been talking to farm groups and others we've really been trying the emphasize the point that we're looking for comments on this," says Brian Ernewein, the department's general director of legislation in the tax policy branch.

He adds, "I can't say that we've…looked at all the submissions because most of them just landed with us in the last couple of days with the consultation period closing. We're hopeful that there's something in there that will give us inspiration."

More on the proposed changes

Morneau argues the proposals are designed to create a fairer tax system, especially for those in the so-called middle class. He also hopes the tax reforms will unlock cash for business investment and help lift the country's "productive capacity."

His proposal package includes restrictions on the ability of business owners to reduce their tax rate by sprinkling their income to family members in lower tax brackets, even if those family members do not contribute to the company.

Morneau has also proposed limits on the use of private corporations to make passive investments that are unrelated to the company. Another change would limit the ability of business owners to convert regular income of a corporation into capital gains, which are typically taxed at a lower rate.

Critics of the plan say it would hurt entrepreneurs who take personal financial risks when they decide to open a business, hire staff, save for retirement, save for maternity leave and sock away funds for economic downturns.

Tax experts, including Moody, do see a couple of ways the government can make changes to the reforms to fit the principles Morneau laid out this week.

To address a number of those issues, Moody suggests the government "dramatically simplify" the income-sprinkling rules by extending the existing regime to only allow business owners to split income with family members aged 24 and above. He also recommends that the system should continue to allow income transfers with spouses.

"I think that would be a big one," Moody says. "What they've got right now is just a whole bunch of complexity and a whole bunch of uncertainty, and both of those just are not good policy tenets."

Jack Mintz, a tax expert with the University of Calgary who has been critical of the proposals, agrees that dropping spouses from the legislation and raising the age of family members eligible for sprinkling — even to 28 or 30 — would solve some of the problems.

On the succession issue, Mintz says changes are needed to help families avoid double taxation, but making it happen will be difficult.

Mintz adds some of Morneau's other potential fixes will also be complicated to pull off, including making sure the reforms will enable women to save for leaves through their corporations.

He says there are many reasons why someone would want to retain earnings in a company and that it will be difficult to carve out selected categories. "He's just putting a band-aid on a bad proposal."

Moody notes he didn't know how the proposals could be adjusted for women business owners. One possibility, he says, could be making women entrepreneurs eligible for Employment Insurance.

When it comes to ensuring angel investors and venture capitalists are not hit by unintended consequences of the changes, Mintz says the government would likely have to eliminate the passive investment income proposal altogether. These investors would be "heavily hit" by the new passive income rules.

"I think (the proposal) is completely unworkable," he says. "I would drop it altogether, but I suspect that's not necessarily going to happen."

5. Canada's young entrepreneurs drive exports: CIBC

[October 5, 2017] More than half (72%) of Canada's small business owners aged 25 to 39 export goods and services, with many increasing their focus on international growth in the last five years, finds a poll by CIBC.

Further, 67% of those same business owners are concerned about trade uncertainty, with 65% worried changes to NAFTA could negatively impact their businesses.

While NAFTA's outcome is still being negotiated, your business owner clients may not know that a deal between Canada and the EU eliminated 98% of tariffs between the two trade zones. That's thanks to the Canada–European Union Comprehensive Economic and Trade Agreement (CETA), which came into effect September 21, 2017.

That's good news for those who export to Europe. Of the 59% of all business owners who export, CIBC finds 31% export to Europe; 84% export to the U.S. and 16% to Latin America.

Here are additional findings.

Of the 59% of small business owners who export: 72% of owners aged 25 to 39 years export, compared to 60% of those aged 40 to 59 and 37% of those aged 60+.

46% of those aged 25 to 39 have increased their focus on international growth in the past five years, compared to a third of those aged 40 to 59.

53% plan to increase their capital investment to grow or expand their business in the next year.

"Business owners typically wait until later in their growth cycle to expand abroad, but it's happening far sooner with the rise of digital commerce and adoption of new technologies that create more cost-efficient growth opportunities," says Andrew Turnbull, senior vice-president, Small Business

Banking, CIBC. “That’s helped accelerate the pace of growth, particularly for younger entrepreneurs.”

This focus on international expansion is a positive trend, but it also creates challenges, he adds.

While too much competition (31%) was cited as the top challenge for all business owners, those under 40 are almost equally concerned about sources of future growth (25%), being able to respond quickly to changing market needs (25%), and fluctuating currencies (24%).

Among small business owners not exporting, 41% are comfortable with their current volume, growth and revenue, 21% haven’t considered it, and 16% worry the legal and regulatory requirements are too complicated.

Timer set for aging business owners

Among business owners aged 60+, 63% do not plan to grow nor expand their business in the next year, with 36% intending to either close, sell or transfer their businesses.

Yet, the poll found 78% of aging business owners do not have a formal or detailed plan in place for retirement or in the event of an unexpected emergency.

Winding down a business or transferring it to family or business partners can be complicated and fraught with tax consequences if not handled carefully, says Sean Foran, managing director, Business Transition Planning, CIBC Wealth Strategies Group.

“The biggest mistake small business owners make is not having these conversations early enough,” adds Foran. “It’s important to involve a team of experts including lawyers, accountants and financial advisors to achieve a higher valuation, maximize retirement income and reduce their overall tax bill.”

About the survey: From September 6 to September 15, an online survey was conducted among 1,014 randomly selected Canadian adults who are decision makers for a small business, and who are Angus Reid Forum or EMI Research Solutions panellists.

6. Montreal home sales up 6%

[October 5, 2017] The real estate market in Greater Montreal matched September’s heat wave with sales reaching an eight-year high for the month.

The Greater Montreal Real Estate Board says 2,893 residential sales were completed last month, a 6% increase from a year ago. Four of the area’s five metropolitan areas sustained growth, led by a 17% jump in sales in Laval, north of Montreal.

Paul Cardinal of the Quebec Federation of Real Estate Boards has attributed monthly housing gains to strong job creation, consumer confidence and foreign migration.

Sales on the island of Montreal, which accounted for 43% of all area sales, were up 5%. Condominiums continued to drive sales volume, rising 11% overall, including a 49% jump in Laval, north of Montreal.

Condo sales have been growing steadily for months while selling times are down, says Mathieu Cousineau, GMREB president. He adds the condo market has returned to a balanced market with 10 months of inventories.

“For a little more than four years, there was a surplus of condominiums on the resale market and inventory had reached a new peak of 15 months exactly two years ago. The turnaround has therefore been quite impressive,” he says.

Although fewer in number, sales of buildings with two to five units were up 23%.

The weak spot was single-family homes, where sales dipped by 1% to mark the first sales decline in five months.

Canada’s second-largest city remains a real estate bargain as the average price of homes grew 2.6% to $364,862. That compared to $775,546 in Greater Toronto, also up 2.6% from the prior year, according to the Toronto Real Estate Board.

7. GTA homeowners expect fall uptick in sales activity: TREB

[October 4, 2017] Home sales in the Greater Toronto Area fell 35% in September compared with the same month last year, although the average selling price rose.

The Toronto Real Estate Board said Wednesday sales of all major types of residential property fell, but the biggest move was a 40.4% drop in sales of detached homes.

The average selling price for all types of property sold in September climbed 2.6% from a year ago, rising to $775,546.

The average price was also up 5.9% from $732,039 in August — the first month-over-month increase since April, when the average hit a record high of $918,285.

“With more balanced market conditions, the pace of year-over-year price growth was more moderate in September compared to a year ago,” said Jason Mercer, the board’s director of market analysis.

He added there was an exception in the condominium apartment market segment, where average and benchmark sales prices were up by more than 20% compared to last year.

The Toronto-area sales and price report comes a day after the Real Estate Board of Greater Vancouver reported strong demand for condos and townhouses in September.

The number of new listings in the Toronto on the Multiple Listing Service increased to 16,469 in September, up 9.4% from a year earlier, and the number of active listings increased by 69% from last year to 19,021.

"The improvement in listings in September compared to a year earlier suggests that homeowners are anticipating an uptick in sales activity as we move through the fall," board president Tim Syrianos said in a statement.

A spike in Toronto-area home prices early this year resulted in the provincial government's imposition of a number of measures to cool the overheated market after a shortage of detached home listings helped push up prices.

There have also been a number of warnings about the economic risk to Canada posed by high consumer debt, mostly due to mortgages.

The Toronto board said high-priced detached homes accounted for a smaller share of sales than in September 2016 The region's average price for that category was flat at $1,015,067.

Meanwhile the average price for condos was up 23.2% to $520,411 and the average price for semi-detached houses was up 7.4% at $752,379.

Mortgage news

The head of Canada's banking regulator says it will put forth updated mortgage underwriting guidelines by the end of the month.

Superintendent Jeremy Rudin said Tuesday that after the final version of changes to its B-20 guidelines are submitted, which included a stress test for uninsured mortgages, he expects them to come into force two or three months later.

"We clearly see the potential risks caused by high household indebtedness across Canada, and by high real estate prices in some markets," the head of the Office of the Superintendent of Financial Institutions said during a speech to the Economic Club of Canada in Toronto.

"We are not waiting to see those risks crystallize in rising arrears and defaults before we act."

In July, OSFI put forward for consultation a raft of proposed changes to mortgage underwriting guidelines, including a stress test for uninsured mortgages.

Rudin said Tuesday that the final version would be similar to what OSFI had outlined in its earlier proposal.

His comments come after the Ontario government moved to cool down the hot housing market with a host of measures in April.
Those actions included a foreign buyers tax, similar to one previously handed down in Vancouver.

8. BoC can't afford to delay normalization: report

[October 3, 2017] When the Canadian economy was suffering from the effects of the 2015 oil shock, and after the BoC cut interest rates that were already low, it became clear that the economic policy mix was unbalanced, notes a report by Desjardins.
It was time for more expansionary fiscal policy, writes Jimmy Jean, senior economist at Desjardins. During the 2015 federal election campaign, the Liberals made such a commitment. In its spring 2016 budget, the government announced $120 billion in total infrastructure projects over a 10-year period. An additional $81 billion was announced in the fall update.
"The government is now approaching the middle of its mandate, and while some fiscal interventions have paid off (notably the family tax credits), the economic impact of the public infrastructure component is widely regarded as a disappointment to date," notes Jean. "This is a crucial component of fiscal policy. Infrastructure spending has higher multiplier effects than tax relief for households. It also helps boost productivity growth, thus ensuring long-term gains."
But there are signs that indicate the beginning of a more substantial effect, he adds.
"True, the national accounts revealed an anemic annualized growth rate of 0.5% in government fixed capital formation for Q2, hardly contributing to GDP growth. However, part of the weakness is due to an annualized decline of 4.1% in public investment in non-residential buildings, as well as a 1.0% contraction in investment in intellectual property."
These declines, notes Jean, masked a robust 14.7% expansion in engineering works, the component most directly related to public transit infrastructure projects.
"And this might only be the beginning," he writes. "According to Infrastructure Canada, 60% of the first public transit investment fund remains to be allocated, mainly in Quebec and Ontario."
Even while the Canadian economy hovers near its full capacity, the full effect of announced infrastructure investments has yet to be felt, notes the report. It speaks to the main shortcoming of fiscal policy: its slowness.

"There are implications that can be drawn for monetary policy," adds Jean. "The risk is that the Canadian economy is over-stimulated, which would in principle lead to upward pressure on inflation and force the BoC to tighten its monetary policy more rapidly. With the high debt load of Canadian households, an abrupt tightening would not be the ideal scenario."

He adds, "This is why, despite the uncertainty that prevails on several issues, the BoC cannot afford too much delay in its normalization. Rather, the BoC would be better off signaling that, apart from a major negative shock, it will continue to reduce the degree of monetary accommodation in gradual fashion."

9. Brexit negotiations halted until U.K.'s exit bill is resolved

[October 3, 2017] The EU insisted Tuesday that Brexit negotiations with Britain will not move on to the question of future relations until enough progress has been made on divorce issues, such as how much the country's exit bill should be.

Britain desperately wants talks to move on to future trade and security arrangements but EU commission president Jean-Claude Juncker says that more needs to be done on the withdrawal issues first.

Juncker told the European Parliament that "we have not made the sufficient progress needed" and the legislators backed him, approving a resolution underscoring the same point with a vote of 557 to 92 with 29 abstentions. It further underscored the unity of the 27 EU nations as they face off with Britain in the talks.

The EU wants London to commit to guaranteeing the rights of EU citizens already in Britain, making sure border posts do not reappear between the U.K.'s Northern Ireland and Ireland itself and pay up for everything it had agreed to while it was a member.

Juncker says "the taxpayers in the EU 27 should not pay for the British decision" to leave, while the bloc's chief negotiator, Michel Barnier, says "serious differences remain" on how many bills the U.K. still has to settle. Estimates vary widely from 20 billion euros ($27 billion) to over three times that amount.

"Serious rifts remain, especially on the financial settlement," Barnier says. "We will not pay at 27 what has been decided at 28, it is simple as that."

The parliamentary resolution called for postponing any move to widen the talks with Britain unless "a major breakthrough" takes place during the fifth round of negotiations in Brussels next week.

Observers say decisive progress was highly unlikely. Tuesday's moves further dampened hopes that the EU leaders might give the green light to an expansion in the talks at a summit on Oct 19 to October 20.

Many lawmakers were also dismissive of Britain's Conservative government, which is widely seen as insecure and bumbling.

The head of the biggest party group in the European Parliament called for the sacking of British Foreign Secretary Boris Johnson for stoking confusion over the Brexit talks.

The European People's Party chairman, Manfred Weber, appealed to Prime Minister Theresa May: "Please sack Johnson, because we need a clear answer who is responsible for the British position."

Weber turned Henry Kissinger's famous observation about the many leaders in the EU onto Britain: "Who shall I call in London? Who speaks for the government? Theresa May, Boris Johnson, or even (Brexit negotiator) David Davis?"

Others are speculating that Britain might actually be stalling to make sure that the member states that trade heavily with the U.K. would buckle and concede at the last moment, sowing discord among the 27.

EPP member Tom Vandenkendelaere adds the strong backing of the resolution proved differently. "If the Brits they can play their old divide-and-rule game; they'd better think again."

10. Home Capital cuts 65 jobs to save costs

[October 2, 2017] Home Capital Group Inc. says it has eliminated 65 jobs from its workforce as part of a program to cut $15 million in annual costs.

The Toronto-based alternative mortgage lender says after factoring in the latest job cuts, the company's head count has been reduced by 10% since the end of June.

Home Capital said Monday it cut the 65 full-time positions from its operational, sales and underwriting division.

In February 2017, the company announced an expense-savings initiative called Project Expo, which targeted annual cost savings of $15 million.

Home Capital says Project Expo is largely complete and it expects to achieve its goal.

However, the alternative mortgage lender says it is still facing elevated expenses after a run on deposits by customers in April, following allegations by regulators that it misled investors.

11. CMHC could make it easier for entrepreneurs to get mortgage insurance

[October 2, 2017] Canada Mortgage and Housing Corp. (CMHC) is exploring ways to cut some of the red tape currently required for entrepreneurs or newcomers to Canada to prove their ability to make mortgage payments.

"Right now, under our mortgage insurance policies, you have to be able to document income to get mortgage insurance, to a level of specificity that discriminates against new Canadians, because they can't do that," Evan Siddall, CMHC CEO, said in a wide-ranging interview with The Canadian Press.

"It discriminates against entrepreneurs, as well, because they can't prove their income as well, so we're looking at our own policies to try and make sure that there is more equity in our mortgage insurance programs," he said.

Anyone who wants to buy a home in Canada without a down payment of at least 20% of the purchase price is usually required to get mortgage loan insurance from the CMHC, which requires a smaller down payment of 5% on a home worth up to $500,000.

A 10% down payment is required for the portion of the price over $500,000, with $1 million being the maximum property value allowed.

The mortgage insurance comes with a premium, which the lender will then pass on to the person buying the home.

Borrowers need to satisfy lenders that they'll be able to make their mortgage payments, which usually means providing proof of employment and a few pay stubs. But that can be tricky for people who just started their own businesses.

It can also be a barrier to those whose employment history has gaps for other reasons, such as having recently immigrated to Canada.

People who are self-employed, for example, usually need to provide notices of assessment for the previous two years. Their income is determined by averaging those two years, although the most recent year can be used if it has increased annually for at least four years.

They also need to have been doing the same type of work for at least two years.

Dan Kelly, president of the Canadian Federation of Independent Business, said more flexibility would be welcome, especially for startups.

"If one starts a business or is self-employed, the lines between their personal and business finances are often quite blurry," said Kelly.

"Often, their personal assets are required to get financing for the business. But then they also have a challenge getting financing on the personal side, because they don’t have the nice, clean letter of offer from an employer that is often quite convincing in these situations,” he said.

Any relaxation of the rules would naturally increase the risk. So Siddall said the agency is looking at how to manage that, including different ways to document income, and higher premiums.

“Can we charge for that risk? Better to charge that risk than not to make it available,” he said.

Jack Fiorillo, a broker with TMG The Mortgage Group in Woodbridge, Ont., said he expects the CMHC to be fairly conservative on this front.

“It will be a very small sandbox that CMHC will play in, probably at the beginning, and then maybe if once their risk appetite increases, maybe they can expand that box,” said Fiorillo.

He said he expects the potential change to make it easier for a relatively small number of self-employed people to get a mortgage, and they will likely have to pay higher interest rates.

The CMHC said it has been compiling data on how many would-be homeowners have their mortgage applications rejected for these reasons, but cannot disclose those numbers right now because it is based on conversations with commercial lenders.

“We are still doing research and development to move this forward,” CMHC spokesman Jonathan Rotondo said in an email.

Siddall said the Crown corporation has raised the idea with its board and expects to announce something within the next six months.

Have a nice and fruitful week!