PhysicianFinancing

The self-employed physician mortgage guide.

For fee-for-service, clinic and locum physicians. How lenders read your income, how to keep your tax file mortgage-ready, and how to make lumpy deposits work for you.

2026 edition · physicianfinancing.ca

How lenders read your income.

Billing a provincial plan or working locums makes you self-employed to a lender, even with steady work. They look at your tax returns, not your billings.

1 ### Two years of returns

Lenders usually want your last two personal tax returns and notices of assessment. About 24 months in the same line of work is the usual starting point.

2 ### Net income, not billings

Your income after expenses is what counts. Insured mortgages often use the lower of last year or the two-year average, so a rising income can be averaged down.

3 ### Some expenses come back

Write-offs such as home office, vehicle and depreciation lower your taxes but are not cash you spent. Some lenders add them back to your income.

4 ### Less than two years in?

Your training, earlier employment, a signed contract or taking over an established practice can count. Within 36 months of finishing training, a physician program can use projected income.

Keep your tax file mortgage-ready.

No tax owing

Lenders check your notice of assessment for unpaid tax. A balance owing can stall an approval.

Pay your instalments

CRA expects quarterly instalments once you owe more than $3,000 in a year ($1,800 in Quebec) and did in one of the two years before.

Talk to your accountant before you file

If you are buying in the next year or two, the expenses you claim shape the income a lender sees.

Make lumpy deposits work for you.

Billing and locum payments arrive in large, uneven deposits, and the cash sits in the bank between them. An all-in-one mortgage nets that cash against your balance, at a higher rate than a standard mortgage.

Cash usually in the account	$30,000	$80,000	$150,000
Interest the cash saves, at 4.89%	$1,467	$3,912	$7,335
Extra interest from the higher rate	$3,600	$3,600	$3,600
First-year result	Costs $2,133	Saves $312	Saves $3,735

A $900,000 balance, a standard rate of 4.49% and an all-in-one rate of 4.89%. It starts paying once about $73,600 usually sits in your accounts. Use the rates you are actually offered.

Is it right for you?

It can fit if

Large deposits sit for weeks before you spend them, and you would rather they cut interest than sit in chequing.

Think twice if

Your balance is usually low, or having access to borrow back what you paid down would tempt you to spend it.

Either way

A comfortable regular payment plus a yearly lump sum is the simplest way to pay the least interest on lumpy income.

Before you incorporate.

Incorporating can lower the income a lender sees right away, because you start paying yourself less personally. Whether to incorporate is a tax decision for your accountant. The timing is a mortgage decision.

Buying in the next year or two

Get the mortgage done first, while your full self-employed income is on your returns.

Just incorporated

Many lenders want about two years of corporate statements before they read the corporation.

Already own

Timing matters less, until you renew, refinance or buy again.

What you need to apply.

- [ ] Two years of personal tax returns (T1)
- [ ] Two years of notices of assessment
- [ ] Statement of business or professional activities (T2125)
- [ ] T4A slips, if you are paid for services
- [ ] Practice financial statements, if you have overhead
- [ ] A letter from your accountant, if it helps explain the income

Talk it through with us.

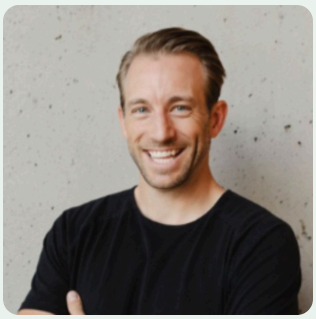
Tell us how you bill and what you are planning, and we will set the mortgage up around how you actually get paid. The guides and calculators at physicianfinancing.ca are free to use.



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Buying, renewing or refinancing?

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Get started at physicianfinancing.ca

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