

Mortgage Matters

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How to Get a Mortgage when you are Self-Employed

Do not assume that just because you are self-employed you can't get a mortgage. While there are different requirements, you can still work with your lender to buy the home of your dreams.

First Steps

A good way to prepare for the mortgage application is to improve your credit score. Paying off consumer or credit card debt should be a top priority. Banks also like when people who are self-employed have cash reserves to pay the mortgage for six to 12 months. A larger down payment of 10-20% may also offer lenders assurance when applying for a mortgage.

Documentation

Your biggest hurdle to getting a loan when self-employed may be income verification. Since your tax return likely has significant deductions, it may not show the amount of income needed to qualify for a mortgage, you will need additional documentation to show your banker. Your banker may ask for proof of any debts or assets you own, your business taxes for the last two years, earnings statements, savings and retirement balances and profit and loss statements may be required when you apply. Many lenders may also want to see that you have been in business for two years or more and have a low debt-to-income ratio.

Ways to Plan Ahead

- Remember to keep your business and personal finances separate. This will make it easier for the lender to evaluate your liabilities and examine your business profit and loss.
- If you have trouble getting a mortgage on your own, a co-borrower may improve your chances for approval.
- Do not be afraid to call and ask your mortgage lender questions about how to make the process easier. Even if you are not initially prepared to get a mortgage, they can talk you through the process and make suggestions as you prepare to buy.

If you are self-employed, getting a mortgage may be a challenge. This does not mean you cannot get a mortgage, it simply means you may need to prepare differently to buy a home.

I am here to help, even if you are not an RCB Bank customer. Feel free to call me at 405.742.4871 or email me at jpenny@bankrcb.net.

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