

Mortgages for the Self-Employed

Advancements in technology have meant professional and financial freedom to many. Whether freelancing, working as a contractor or operating a business, the new economy allows these professionals to live and work anywhere.

But the self-employed still must combat significant challenges — among them the ability to get a mortgage, at least not as easily as their counterpart who work for an employer. And because of new requirements brought on by the pandemic, securing a mortgage is even more challenging.

Prior to the pandemic, lenders usually required only the previous year's tax returns and proof their business was in operation.

Now, much more proof is required, experts say, such as year-to-date profit and loss statements and bank statements to back up profit-and-loss accounting.

In addition, you'll still need to show your FICO score has



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REAL ESTATE 101

Extra Credit for the Self-Employed

Lenders don't always see the self-employed as ideal borrowers. But you can improve your chances for mortgage by following other guidance besides that outlined in this article, such as offering a larger down payment. The higher the equity in the home, the less likely a borrower is to walk away from it during times of financial strain. For more advice, the experts at Investopedia prepared this tip sheet at bit.ly/2Ychcqt.

maintained a solid average or increase and your debt-to-income ratio is sound.

While the pandemic has significantly impacted the documentation you'll need for a mortgage, it might have also made things easier or

more difficult depending on how your business has fared during this period.

For some, the pandemic has created unexpected opportunity and opened up whole new markets. The documented strength of this

upswing can offer proof of your financial strength.

For others, it's caused a slowdown or loss of work that can make obtaining a mortgage more difficult.

But keeping organized records, tracking your credit

score and constantly working to improve your viability are key to proving your sound financial status.

IMPROVING YOUR CHANCES

According to recent report on Realtor.com, there's one other tool freelancers can use to help secure a mortgage quickly — an audited financial statement.

Most CPAs don't offer this specialized service because it's a complicated process with many requirements. It can take weeks to finish and cost thousands of dollars, according to financial experts.

But given the stakes in a red-hot housing market, many self-employed workers view the time and expense as a deterrent to acting quickly on the home of their dreams.

But an unaudited statement is also acceptable by some lenders.

It isn't easy, but it eliminates the time and expense of an audited statement. And if you've kept your financial records in order, completing this statement might take no longer than an afternoon.

You'll want to be as complete and thorough as possible, documenting your finances as far back as 24 months. The more detailed documentation you can provide, the higher the chances are you'll be able to obtain a home loan.



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HOMEWISSE GLOSSARY

Origination fee: The fee charged by most lenders to originate a loan, typically 1% of the loan amount. SOURCE: MLS.com

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