

# Can I Get A Mortgage If I Am Self-Employed?

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If you're self-employed, you can still get a mortgage. You may need to take a few extra steps, but your process will be almost the same as someone who earns a salary.

Let's take a look at how you can get a mortgage if you're self-employed.

## What Lenders Want to See From Self-Employed Borrowers

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Lenders need to know that you can pay back your loan. Usually, a salary lets them know that your income is reliable. However, when you're self-employed, your lender will want to know a little more. Here's what you can show them.

- How much money you make
- That your income is steady
- What kind of work you do
- Where you do your work
- That your business will make money into the future

## **What Documents You'll Need for a Self-Employed Mortgage**

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It's not enough to just tell your lender these things; you'll have to prove them. To do that, you will need to provide documentation. Here are some examples of documents you can submit to prove your business and income are real.

- Any business licenses you have
- Copies of your incorporation paperwork
- Evidence of your DBA status
- Records of insurance for your business
- A letter from your accountant certifying your business
- Names and contact information of current clients



- Letters or paperwork from any professional organization that you belong to

## How to Prove Your Self-Employed Income

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Your lender will also want proof of how much money you make. They will want to see that this income has been steady and can continue to be steady. There are several ways to prove that.

First, you can provide your lender with your previous tax returns. Make sure to include W-2s if you paid yourself from a company you own.

Another way you can demonstrate income is by showing how much money your company makes. You can use profit and loss forms such as the Schedule C or 1120S forms to do this.

Typically, lenders like to see self-employed income for at least two years when they issue a mortgage. Some lenders may consider giving you a mortgage if you've been self-employed for less time. However, in those cases, you may have to provide extra documentation.

## How to Prepare to Apply for a Mortgage if You're Self-Employed

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Your goal is to prove to lenders that you can and will pay back your loan—that means bringing in enough money to comfortably pay your mortgage. It also means establishing a good credit history. Here are a few steps you can take to make yourself a more attractive borrower.

## Lower Your DTI

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One of the key metrics lenders use is debt-to-income ratio (DTI). This number shows how much of your income goes to regular debt payments each month. This can include things like a car loan, credit card payments and mortgages.

Ideally, your DTI would be under 30% including what your mortgage payments would be. If your DTI is more than 50%, you will need to work to lower it before you are likely to get a mortgage. Look for ways to bring in more money or reduce how much you have to spend on debt each month.

## Keep Your Credit Healthy

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Your credit score is another metric your lender will use when they evaluate you. Make sure you're taking care of your credit.

Lenders want to know that you have a history of paying back your debts. Too many missed or late payments could be a red flag.

In addition, they will look at your credit utilization ratio. This is how much you're using of your available credit. The lower you keep this number, the better chance you'll have at getting a mortgage with your self-employed income. You'll also get better rates.

Self-employed people can get a mortgage. However, you may need to provide more documentation than someone with traditional employment.



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