

HOME FINANCING FOR
SELF-EMPLOYED

Borrowers



**AMERICAN
PACIFIC
MORTGAGE**

Proud to be Employee Owned





THE CHALLENGES OF HOME LOANS FOR THE SELF-EMPLOYED

For self-employed borrowers, qualifying for a mortgage can be frustrating. Even if your business is successful and you have strong cash flow, traditional lenders may still deny you due to inconsistent income, tax deductions, or complex financials.

In this eBook, we'll break down why self-employed borrowers face more hurdles, the alternative loan options available, and how to increase your chances of approval.

TABLE OF CONTENTS

- 1: Why Traditional Mortgage Qualification is Harder for the Self-Employed
- 2: Alternative Mortgage Programs for Self-Employed Borrowers
- 3: Bank Statement Loans: How They Work
- 4: P&L-Only Loans: Qualifying Without Tax Returns
- 5: Asset-Based Loans: Using Your Wealth Instead of Income
- 6: Debt Service Coverage Ratio (DSCR) Loans for Investment Properties
- 7: Tips to Strengthen Your Loan Application
- 8: Common Misconceptions About Self-Employed Home Loans
- 9: Next Steps: How to Get Started with the Right Mortgage



CHAPTER 1

WHY TRADITIONAL MORTGAGE **QUALIFICATION** CAN BE HARDER FOR **SELF-EMPLOYED BORROWERS**

How Traditional Mortgages Work



W-2s and pay stubs



Two years of tax returns



A stable employment history

Why This is a Problem for the Self-Employed

- Business owners often write off expenses, reducing taxable income.
- Income may fluctuate month to month or year to year.
- Multiple income streams can make proving financial stability complex.

The Good News?

There are mortgage programs designed specifically for self-employed borrowers that don't require tax returns or W-2s.



CHAPTER 2

ALTERNATIVE MORTGAGE **PROGRAMS** FOR **SELF-EMPLOYED BORROWERS**

There are many options that offer flexible financing options, including:



Bank Statement Loans

Qualify using 12-24 months of personal or business bank statements.



P&L-Only Loans

Use a Profit & Loss statement from your CPA instead of tax returns.



Asset-Based Loans

Qualify based on your savings and investments, not your income.



DSCR Loans

For real estate investors who qualify using rental income instead of personal income.

Each of these programs removes traditional employment verification requirements, making homeownership more accessible.



CHAPTER 3

BANK STATEMENT LOANS: HOW THEY WORK

How This Loan Works

Instead of tax returns, borrowers may be able to use bank deposits to determine income. Borrowers submit:

- 12–24 months of personal or business bank statements
- A self-employed business narrative providing detail about the borrower's business
- A letter from a CPA verifying self-employment

Who are these loans best for?



Entrepreneurs & freelancers



Small business owners



Gig economy workers

Bank statement loans provide a solution for those with strong cash flow but low reported taxable income.



CHAPTER 4

P&L-ONLY LOANS: QUALIFYING WITHOUT TAX RETURNS

What is a P&L-Only Loan?

Instead of tax documents, lenders accept a Profit & Loss (P&L) statement prepared by a CPA.

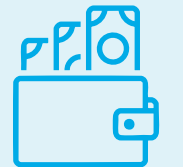
Why Use a P&L Loan?



Simplifies the mortgage approval process for business owners

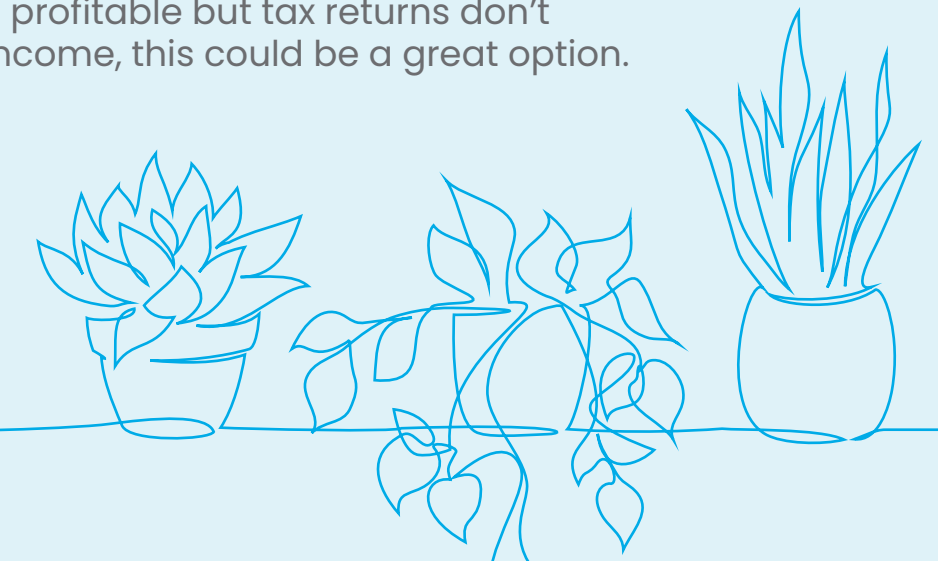


Avoids the need for extensive income verification



Works for borrowers with tax deductions that lower reported income

If your business is profitable but tax returns don't reflect your true income, this could be a great option.



CHAPTER 5

ASSET-BASED LOANS: USING YOUR WEALTH INSTEAD OF INCOME

How This Loan Works

Rather than using income, lenders assess:

- Liquid assets like savings, stocks, and retirement accounts
- Total net worth as a measure of ability to repay

Who Benefits?



Retirees



Business owners
with substantial
personal savings



Investors with
significant non-
traditional income

This option is ideal for those with wealth but irregular monthly earnings.



CHAPTER 6

DEBT SERVICE COVERAGE RATIO (DSCR) LOANS FOR INVESTMENT PROPERTIES

DSCR loans are designed for real estate investors. Instead of personal income, lenders look at rental income.

How DSCR Loans Work



If the rental income covers the housing expense (PITIA, or ITIA for IO loans), the borrower qualifies.



No personal income verification required.

This is a great option for self-employed individuals looking to invest in real estate without showing traditional income.



CHAPTER 7

TIPS TO STRENGTHEN YOUR LOAN APPLICATION

Even with alternative loans, self-employed borrowers can prepare by:



Keeping business and personal finances separate



Maintaining strong credit (620+ recommended)



Ensuring consistent deposits in bank accounts



Saving for a larger down payment (10-20% standard)



Having reserves to cover 6+ months of mortgage payments



Taking these steps can help you secure better loan terms and a smoother approval process.

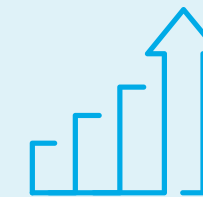


CHAPTER 8

COMMON MISCONCEPTIONS ABOUT SELF-EMPLOYED HOME LOANS



You Can't Get a Mortgage Without Tax Returns
False. There are many no-tax-return options.



Self-Employed Borrowers Always Pay Higher Rates
Not necessarily. Rates depend on credit, down payment, and lender guidelines.



You Need Two Years of Self-Employment
Some programs allow just one year of business history if you were previously employed in the same field.

Understanding these myths can help you navigate the process with confidence.



NEXT STEPS GETTING STARTED WITH THE RIGHT MORTGAGE

We specialize in helping self-employed borrowers **find the right financing solutions**—even if other lenders have turned you down.

Don't let self-employment stand in the way of owning a home. **With the right mortgage program, you can qualify with confidence. Let's get started!**



Proud to be Employee Owned

About APM

As a company, we embrace the concept of homeownership with enthusiasm and optimism for housing in America. Every employee at American Pacific Mortgage takes personal ownership in ***Creating Experiences That Matter™*** for our customers and consumers. Every transaction represents a family, a home, and a life decision –we understand and value that our participation is a privilege and that our job is to delight everyone involved in the loan process.



© 2025 American Pacific Mortgage Corporation (NMLS 1850). All information contained herein is for informational purposes only and, while every effort has been made to ensure accuracy, no guarantee is expressed or implied. Any programs shown do not demonstrate all options or pricing structures. Rates, terms, programs, and underwriting policies are subject to change without notice. This is not an offer to extend credit or a commitment to lend. All loans are subject to underwriting approval. Some products may not be available in all states and restrictions apply. Equal Housing Opportunity.

NMLS CONSUMER ACCESS LINK: www.nmlsconsumeraccess.org

rev. 03/2025