



FINDING A HOME LOAN WHEN YOU'RE SELF-EMPLOYED

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There are many perks to working for yourself, but when it comes to applying for a home loan, it seems being your own boss sends up a red flag to banks and other lenders. Why?

A salaried employee has a regular, steady income and is less likely to experience the cash flow volatility of a small business owner, contractor, entrepreneur, tradesperson or freelancer.

Yet by being proactive and accessing specialist advice, self-employed applicants can also enjoy a successful and hassle-free road to securing a home loan. Try these top tips for starters.

1. SEEK EXPERT ADVICE

Trying to navigate the home loan landscape solo may not produce the outcome you desire. There are many experts who can help self-employed people access a home loan, and a mortgage broker is a good first port of call. They will be able to provide you with an up-to-date overview of which lenders on their panel are most comfortable lending to the self-employed, and also explain what sorts of loan products are available. They can also provide valuable advice around the sort of documentation you will need to have ready before you submit your application.

2. GET YOUR AFFAIRS IN ORDER

Many lenders will lend to self-employed borrowers who provide their full business financials. This generally includes your personal and business tax returns for the past two years. If you have these documents on hand - and they reveal a fairly consistent income - applying for a loan should be relatively straightforward.

However, the hectic schedule that comes with running your own business means many self-employed borrowers' tax returns are not up to date. If you have time on your side, consider working with your accountant to lodge your outstanding returns. If you're in a hurry, you may wish to explore the option of applying for a low doc loan.

3. CONSIDER A LOW DOC LOAN

Low doc loans are offered by a wide range of lenders and, as the name suggests, require less documentation than traditional loans. Many low doc loans only require 12 months of business activity statements instead of full financials, for example. A downside of some low doc loans is that they may only be available at a lower loan to property value ratio (LVR), which means you may need a larger deposit.

4. DO YOUR HOMEWORK

Checking your credit history is a good step for anyone applying for a home loan. If you're self-employed, it's definitely worth taking the time to make sure your credit history doesn't include any defaults or errors - these can hold up your loan application if they are not rectified in advance.

Taking the time to work out exactly how much you'd like to borrow is also a good idea. That way, you can hit the ground running when you meet with lenders or your mortgage broker.

5. THINK OUTSIDE THE SQUARE

It may be possible to apply for a home loan using a Certificate of Income Declaration - a document that verifies your income and is signed by your accountant. It's wise to consult a mortgage broker before applying for a loan in this way, as he or she can advise which lenders will accept an income declaration. It should be noted, however, that applying for a loan using such a document may mean that the required LVR (the portion of the property value you can borrow) may be lower, so you may need a larger deposit.

While it's a little more complicated for self-employed borrowers, getting a home loan can be easier than you'd imagined with a mortgage broker in your corner.

Speak to your broker to find out how a broker could help you secure a home loan.



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