

The definition of self-employed and how to verify if you're actually self-employed?

When you want to refinance or buy a home, you need income to qualify for your mortgage. Makes sense, right? I mean, who would loan you money if you can't prove you have the income to pay it back?

If you work in a typical job for a company that provides you a steady income, you're all set. When getting a mortgage, just show your pay stubs and your W-2s and you'll be good to go. I'm simplifying things (there could be exceptions, of course), but when you work for others, you shouldn't really have a problem.

Things get a little different when you're self-employed. There are certain rules that must be met and certain things that must be verified before you'll qualify. I promise you it's not that mortgage companies want to give you a hard time when you're self-employed. In fact, it's quite the opposite.

Today, we'll verify what self-employment really is and the different types of self-employment. Tomorrow, we'll talk about income and self-employment and some common ways that you can prove your income and make qualifying for a mortgage easy.

Let's start with an "official" definition of self-employment.

Self-Employment:

- Any individual who has 25 percent or greater ownership interest in a business is considered self-employed.

Different Types of Self-Employment

Sole Proprietorship

- Owned and run by one individual
- Owner receives all profit and responsible for all losses and debts

Partnership

- Each partner is responsible for running the business
- Each partner is personally liable for the debts of the entire business
- Partnership income is reported on Schedule E
- Partnership must report its profit or loss on the US Partnership Return of Income (IRS Form 1065)
- Each partner's share of the profit or loss is reported on the Partner's Share of Income, Credits, Deductions (K-1)

S Corp

- Has a limited number of stockholders
- Gains and losses are passed on to the stockholders
- Has many of the characteristics of a partnership
- Ordinary income for an S Corp is reported on IRS Form 1120S
- Each shareholder's share of the income reported on the Partner's Share of Income, Credits, and Deductions (K-1)
- Income is reported on Schedule E

LLC – Limited Liability Company

- A hybrid with some benefits similar to a partnership and other benefits similar to a corporation
- LLC income is reported on Schedule E
- If you're an LLC, you may need US Partnership Return of Income (IRS Form 1065) and Partner's Share of Income, Credits, Deductions (K-1) to prove eligibility for a mortgage

Remember, our goal is to get you the best mortgage to reach your financial goals even if you're self-employed. We hope this info up front helps make that happen.

As always, please ask us any questions you may have below. We'll answer them or get you in touch with someone who can help. Let us know if there is anything you think we missed that should be on here as a resource for helping self-employed mortgage applicants qualify. Check back tomorrow for our second post on getting a mortgage when self-employed. We'll see you then.

If you're wondering what that phrase after your name on a deed or title is, then this is the right blog for you! When title companies determine how you will hold title they will look at your "vesting" deed, which is your most recent deed. Determining how to hold title...

Need help.

Contact: <http://mortgagesforselfemployed.com> and have one of our representatives help you get the mortgage you need.