

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.

Need help.

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