You Make Good Money. Here's How to Prove It.

Nov 19, 2026 · @DILAN ASHLEY

The Self-Employed Home Buyer's Guide

By Dilan Ashley, Mortgage Loan Officer, NEXA Lending | NMLS #2704096



This guide is for business owners, 1099 contractors and anyone who gets paid on their own terms. If your business is doing well but your tax return tells a different story, read this before you talk to a bank. It takes about 10 minutes.

1. Why your tax return is the problem

Most traditional loans qualify you on the income left after your write-offs, not the money your business brings in.

When you're self-employed, a lender usually looks at your net income from your tax returns, often averaged over two years. Every deduction that lowered your tax bill also lowered the income a lender can count.

Here's how that plays out:

- Your business deposits a strong amount every month.
- You write off the truck, the phone, the home office, meals and equipment.
- Your tax return shows a fraction of what you actually earned.
- The bank looks only at that return and says your income is too low.

You didn't do anything wrong. You did exactly what your accountant told you to do. The issue is that many lenders only have one way to read your income.

The good news: some loan programs read it differently. They look at your bank deposits, a profit and loss statement or your 1099s instead. They aren't right for everyone, and they come with trade-offs. But they exist, and most self-employed buyers never hear about them.

2. Your loan options

The right option depends on how you get paid, how long you've been in business and what you're buying. Here's how the main ones compare.

Loan type	How your income is shown	Often a fit for	Trade-offs to know
Conventional (full documentation)	Personal and business tax returns, usually two years	Owners whose returns show enough income after write-offs	Usually the most competitive pricing, but write-offs count against you

Loan type	How your income is shown	Often a fit for	Trade-offs to know
Bank statement loan	12 or 24 months of personal or business bank statements; the lender reviews your deposits	Owners with strong deposits and heavy write-offs	A non-QM loan: pricing and down payment requirements are typically higher than conventional
P&L loan	A profit and loss statement, often prepared or signed by a CPA or tax preparer	Owners with a solid P&L and a tax pro who can sign off	Non-QM; requirements vary a lot by lender
1099 loan	Your 1099 forms instead of full tax returns	Contractors, agents and others paid on 1099s	Non-QM; usually requires a steady 1099 history
VA loan	Typically tax returns, like conventional	Eligible veterans and service members	Only for VA-eligible borrowers; self-employment income is reviewed closely
DSCR loan	The rental income the property is expected to bring in	Investors buying rental property	Investment property only, not a home you'll live in

"Non-QM" means the loan falls outside the standard rules most banks follow. That's what lets it read your income differently. It also usually costs more, so it's worth comparing against a conventional loan before you decide.

I'm a broker, so I can compare these across multiple lenders instead of being stuck with one bank's rules.

3. Documents to gather now

Having these ready turns a vague "maybe" into a real answer much faster. You won't need every item for every loan. Gather what you can.

Income

- [ ] Last two years of personal tax returns, all pages and schedules
- [ ] Last two years of business tax returns, if you file them separately
- [ ] Last 12–24 months of business bank statements, all pages
- [ ] Last 12–24 months of personal bank statements, all pages
- [ ] Year-to-date profit and loss statement
- [ ] 1099s for the last two years, if you're paid that way

Business

- [ ] Business license, or proof of how long you've been in business
- [ ] Contact info for your CPA or tax preparer

Assets and ID

- [ ] Statements for savings, investment or retirement accounts
- [ ] Driver's license or state ID

Housing

- [ ] Current lease or mortgage statement
- [ ] If you're refinancing: homeowners insurance declarations page

4. Mistakes that get self-employed borrowers declined

Most of these are easy to avoid if you know about them before you apply.

1. **Mixing personal and business money.** Paying personal bills from the business account, or the reverse, makes your deposits hard to read. Keep them separate starting now.
2. **Large deposits you can't explain.** Lenders usually ask where any unusual deposit came from. Keep invoices, transfer records or a paper trail for big ones.
3. **Depositing cash with no records.** Cash that can't be traced is often hard or impossible to count.
4. **Taking on new debt right before or during the process.** A new truck, equipment loan or credit card can change your numbers. Talk to your loan officer first.
5. **Changing your business setup mid-process.** Switching from a sole proprietorship to an LLC or S-corp, or changing industries, can reset how your history is viewed.
6. **Being too new.** Many programs want to see about two years of self-employment. Some allow less in certain cases, so ask before you assume.

7. **Owing the IRS without a plan.** Unpaid tax balances or liens can block a loan. A payment plan in good standing may help.
8. **Assuming one "no" means every lender says no.** Each lender has its own rules. One decline is one lender's answer.

A note on taxes: some people consider claiming fewer write-offs to show more income. That's a decision to make with your CPA, not your loan officer. I'm not a tax advisor, and changing your tax strategy has real costs.

5. Your next step: a 20-minute call

This guide shows you what's possible. A short call shows you where you actually stand.

On the call, we'll cover:

- How you earn and what your deposits and write-offs look like
- Which loan options may fit, and the trade-offs of each
- Which documents to gather and what happens next, even if the answer is "not yet"

It's free, and there's no credit pull to talk. Pick Zoom or a phone call.

Book here: calendly.com/dashley-nexalending/self-employed-mortgage-strategy-call

Dilan Ashley | Mortgage Loan Officer | NEXA Lending | NMLS #2704096 | dashley@nexalending.com

Disclosures

This guide is for general educational purposes only and is not a commitment to lend, a loan approval or tax, legal or financial advice. Loan programs, requirements and availability vary by lender and may change.

This is not an offer to enter into an agreement. Not all customers will qualify. Information, rates and programs are subject to change without notice. All products are subject to credit and property approval. Other restrictions and limitations may apply.

Disclaimer: All loans subject to qualifying factors. Not all applicants will qualify.

Licensed In: FL | NMLS #2704096 | NMLS ID 1660690 | AZ BANKER license: BK-2006218

Corporate Address: 5559 S Sossaman Rd Building 1 #101, Mesa, AZ 85212

Copyright © 2026 | NEXA Lending | Equal Housing Opportunity | NMLS Consumer Access



EQUAL HOUSING OPPORTUNITY