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Mortgage Tips for Self-Employed

According to Industry Canada, self-employed workers represented 15.4 per cent of the workforce in 2012, about 2.67 million people. Some are likely looking at low mortgage interest rates and thinking about buying a home.

It can sometimes work against you in a mortgage application to be self-employed. The main reason isn't what you do for a



living, but the lack of proof of income in the form of tax records.

It's not any more difficult to get a mortgage when you're self-employed. The basic rules still apply for getting a mortgage but if you don't declare your freelance income, then you may have a problem.

There are two basic methods that freelancers can (use to) show income. The first is 'declared income,' and the second is 'stated income.' Declared income is provable. It is usually averaged over your last two income tax years. If you have been self-employed for a certain length of time, you may be able to use stated income. This is reasonable income based on the type and size of your business.

Being accountable and organized is key for any self-employed or freelance worker.

Self-employed workers who are looking to get approved for a mortgage should always keep their personal tax returns up-to-date and filed on time.

Pay all income tax owing on time, and keep your credit repayment history clean. If you do this, you will be able to demonstrate to lenders that you are serious about your business, and serious about home ownership.

If you are self-employed and looking to qualify for financing, here are a few things to consider:

- Many banks are now offering mortgages specifically geared towards freelance and self-employed individuals.



- If you have a healthy amount of money in your savings account, it can boost your chances of getting approved for a mortgage, and may even help you qualify for a lower rate. Self-employment can often times result in severe income level fluctuations from month-to-month, so if you don't already have an emergency fund, consider building one before you try to qualify for a mortgage.

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