

# ARCHITECTING THE APPROVAL

## The Realtor's Playbook for Self-Employed Borrowers



**Stop losing deals to undocumented income.  
A strategic field guide to navigating complex financing.**

# THE DOCUMENTABLE DISCONNECT



## THE BUYER'S REALITY

I MAKE \$200,000 A YEAR.



Buyers look great on paper—strong business, solid credit, nice lifestyle. ✓



## THE UNDERWRITER'S REALITY

YOUR TAX RETURNS SHOW \$47,000 IN USABLE INCOME.



Mortgage qualifying does not care what they gross. It cares what they can document. ⚠

**A successful business owner may appear to make less on paper because they legally reduce taxable income through write-offs. This is great for taxes, but highly disruptive to mortgage qualification.**

# The Illusion of Wealth Funnel

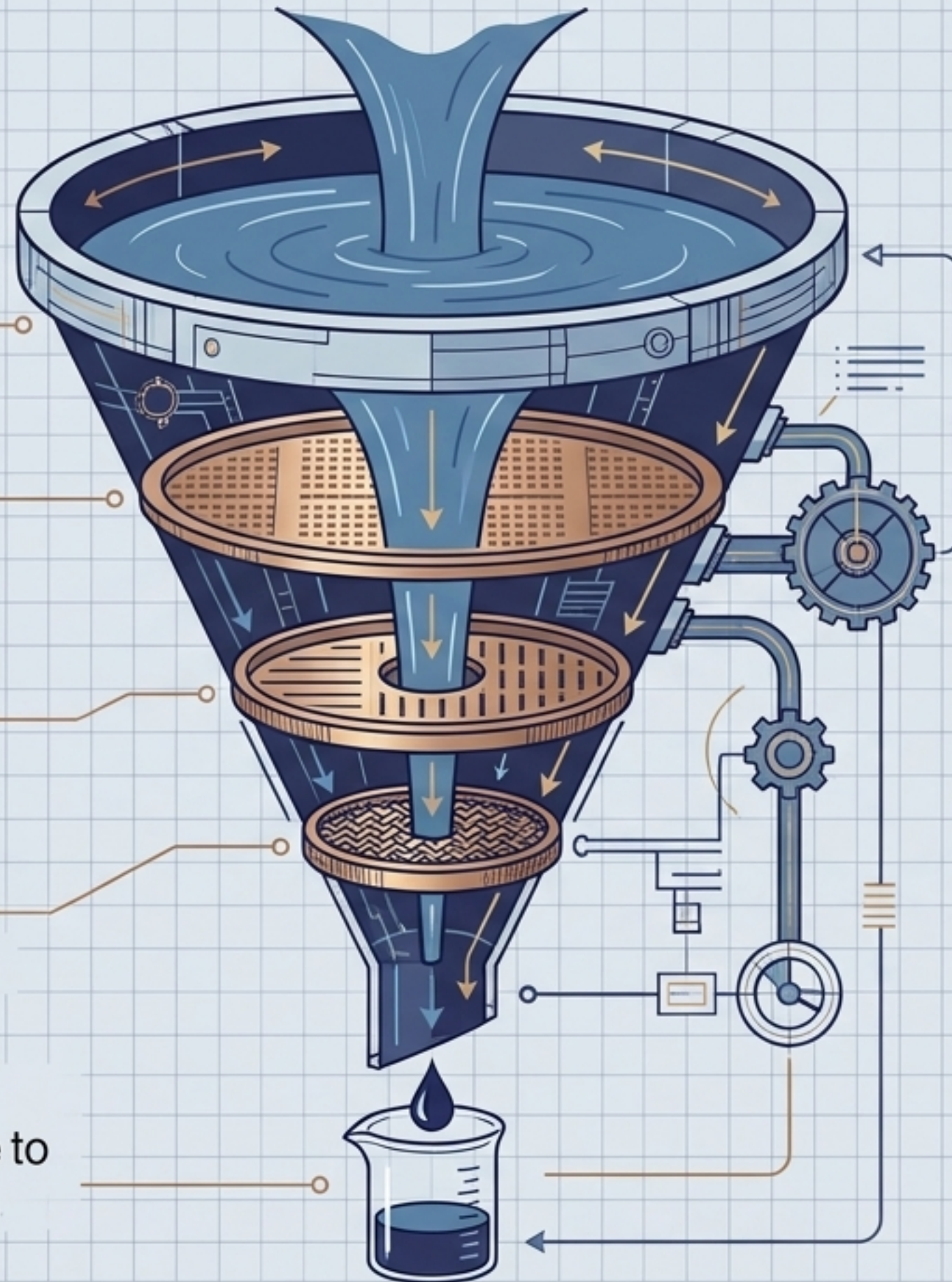
**Gross Revenue (\$200,000)** –  
What the buyer feels they make.

**Filter 1: Business Expenses & Overhead** – Equipment, software, marketing

**Filter 2: Depreciation** – Non-cash deductions lowering paper value

**Filter 3: Legal Tax Write-Offs** – Meals, travel, home office deductions

**Qualifying Income (\$47,000)** – The strict metric conventional lenders use to calculate DTI (Debt-to-Income) ratios



## Takeaway:

Lower taxable income directly hurts conventional loan qualification.

Write-offs reduce taxes but destroy buying power.

# The Modern Economy Taxonomy



## Traditional Founders

Business Owners,  
Contractors



## Independent Professionals

Realtors, Commission-based  
Professionals, Consultants



## The Gig & Creator Economy

Gig Workers, Freelancers,  
Influencers / Content Creators



## Capital Allocators

Real Estate Investors

Self-employed income isn't monolithic. It flows through W-2s, 1099s, K-1s, and business revenue.  
Each structure requires a distinct underwriting approach.

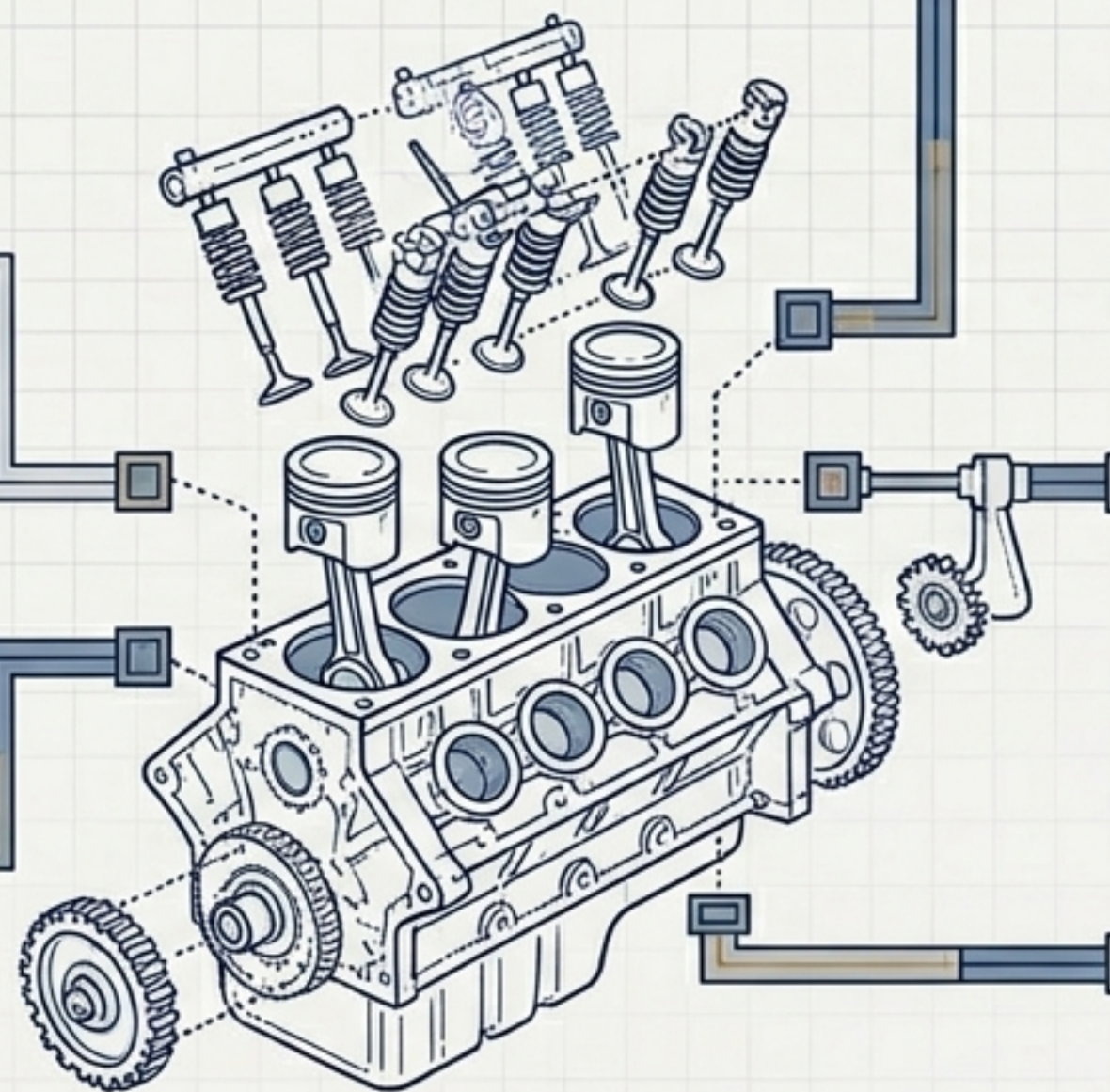
# Fueling the Underwriting Engine



**Document 1**  
**2 Years Personal Tax Returns**  
→ Verifies Reported Personal Income



**Document 2**  
**2 Years Business Tax Returns**  
→ Verifies Entity-Level Revenue (Impacted by Business Structure: Sole Prop, LLC, S-Corp, C-Corp, Partnership)



**Document 3**  
**Year-to-Date Profit & Loss (P&L)** → Proves Current Business Performance & declining/improving trends



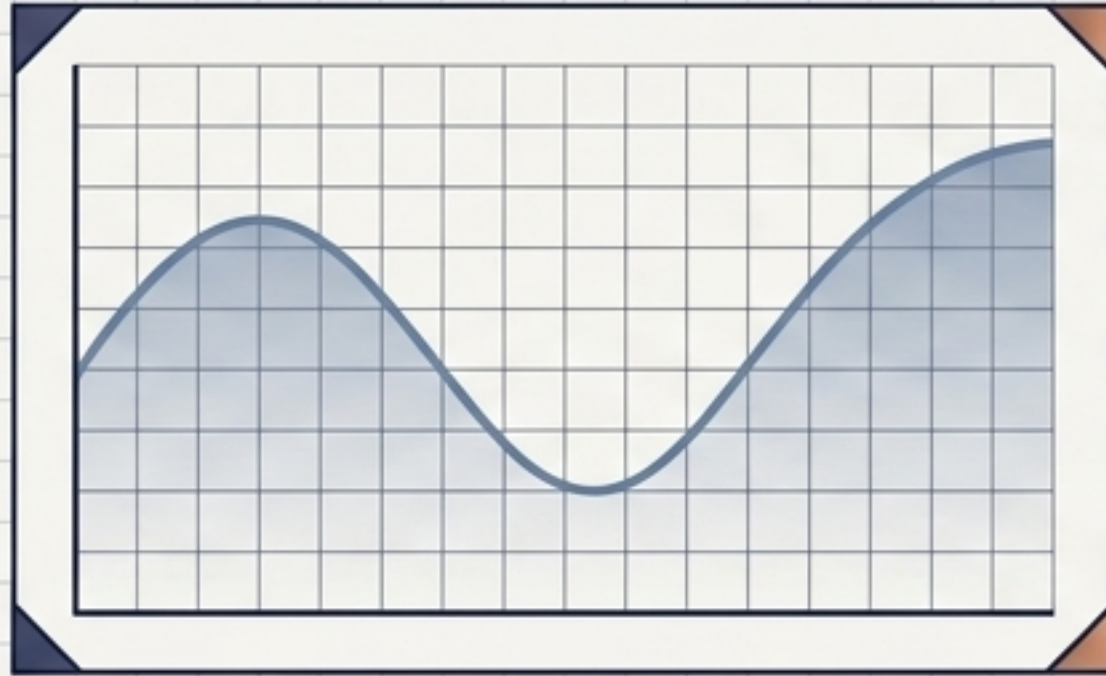
**Document 4**  
**Recent Bank Statements**  
→ Supports Alternative Income & Cash Flow



**Document 5**  
**CPA Letter / Business License**  
→ Verifies Business History & Ongoing Operations

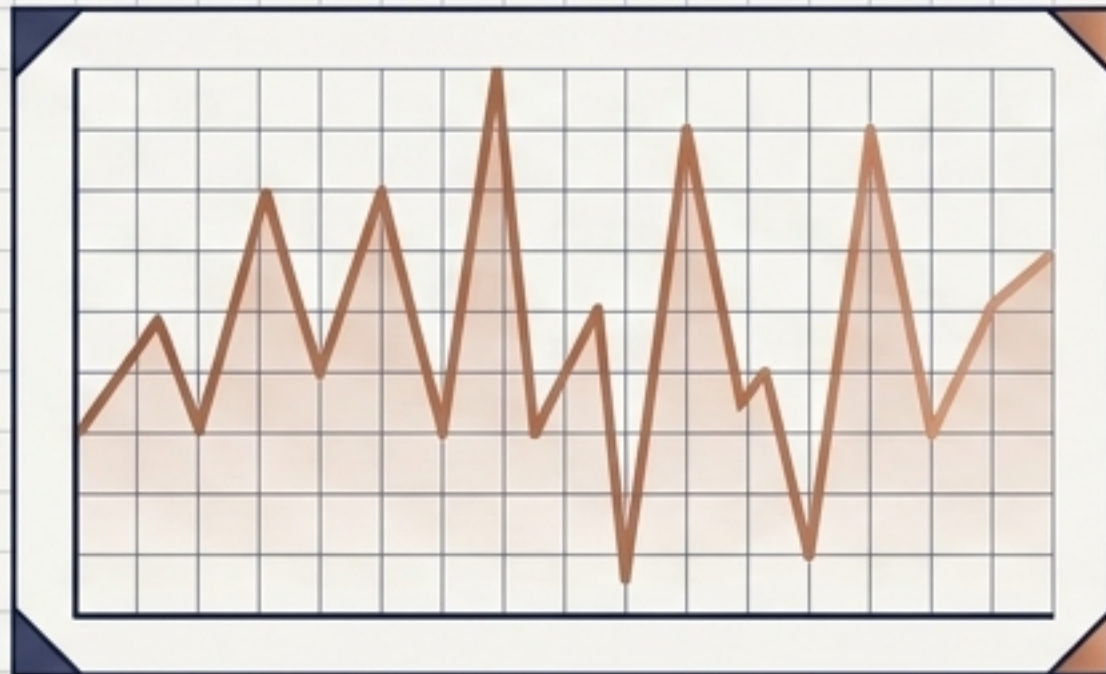
**Takeaway Panel:** Lenders don't just look at gross deposits. They analyze net income, depreciation, and expenses. Preparation is critical.

# The Consistency Pulse



**The Green Light: Stable Income History & Consistent Deposits.**

Underwriters want predictable ongoing business operations.



**The Red Flag: Massive Cash Fluctuations.**


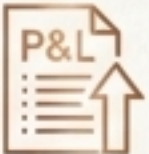


Large, unexplained deposits or declining income trends trigger immediate underwriting scrutiny.

## Why Structure Matters.

How this cash flows depends entirely on whether the borrower is a Sole Proprietor, LLC, S-Corp, Partnership, or Corporation.

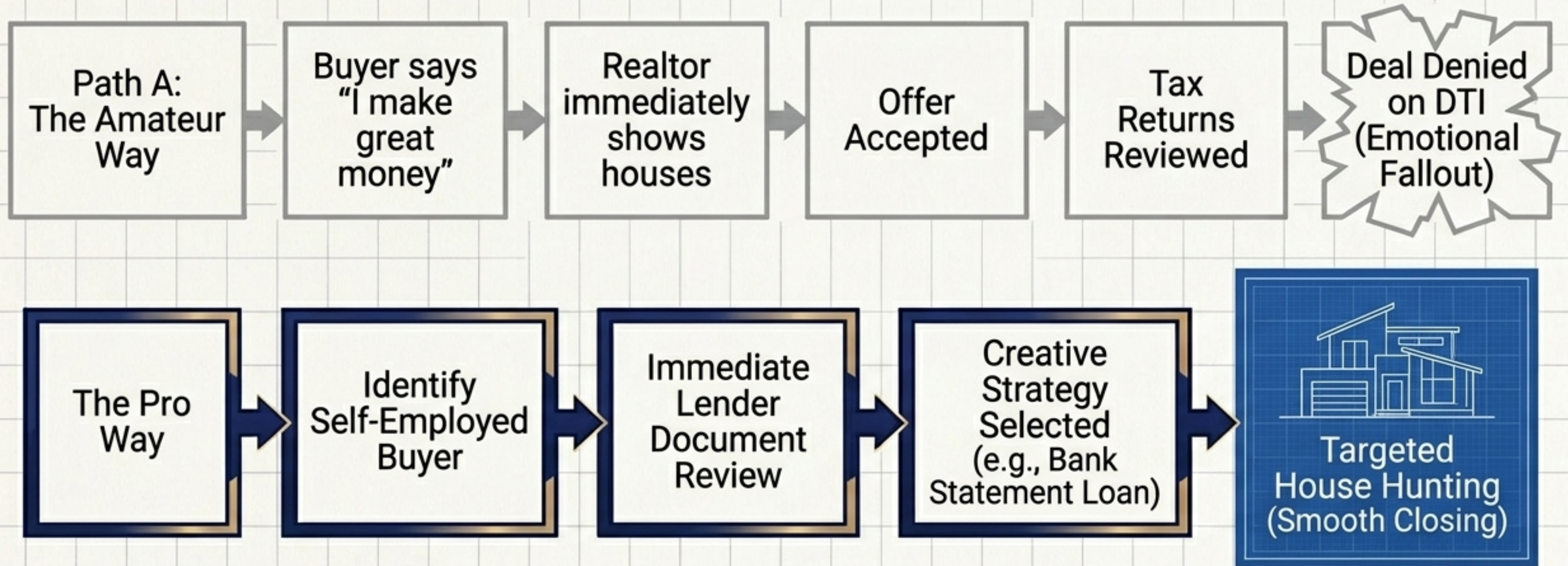
Each structure dictates entirely different paperwork requirements.

# The Non-QM Arsenal: Strategic Financing Options

Borrower Scenario	Loan Strategy
High net income, standard tax returns	Traditional/Conventional Loan
Heavy write-offs, strong consistent deposits	 <b>Bank Statement Loan</b> (Uses deposits instead of tax returns to calculate income)
Complex tax structure, strong current net revenue	 <b>P&amp;L Loan</b>
Real Estate Investor scaling a portfolio	 <b>DSCR Loan</b> (Debt Service Coverage Ratio)
Massive cash reserves, low documented income	 <b>Asset Depletion Loan</b>

**Insight:** Not every borrower fits traditional lending guidelines. Non-QM options are game-changers that qualify business owners realistically.

# The Workflow Shift: Early Planning



**Early planning** dictates success. Self-employed buyers must speak with a lender **BEFORE** looking at homes to review tax returns, reduce debt, and improve reserves.

# Managing the Conversation



## What NOT to Say:

“You make good money,  
~~so you should be fine.~~”

**Why it fails:** Accidentally sets the buyer up for massive disappointment and assumes gross income equals qualifying income.



## The Pro Script:

“Self-employed buyers can absolutely qualify, but the paperwork matters. Let’s get your file reviewed early so we know which loan path fits best.”

**Why it works:** Sounds professional, protective, and non-scary while framing the challenge as a structural issue, not a personal one.

# The Discovery Sequence

**1**

**1. Have you already had your tax returns reviewed by a mortgage lender?** (Not just prequalified. Actually reviewed.)

**2**

**2. Are you paid through W-2, 1099, K-1, business income, or a mix?**

**3**

**3. Do your tax returns show enough income to qualify?** (The million-dollar question).

**4**

**4. Do you have strong bank deposits?**  
(Opens the door for bank statement loans).

**5**

**5. Would a P&L loan or non-QM loan be a better fit?**

Realtors who understand self-employed financing build enormous trust. Educating buyers who previously assumed they couldn't qualify yields stronger relationships and more referrals.

# The Master Script

“ Because you’re self-employed, your approval may depend less on what you make and more on how your income is documented. Before we start looking seriously, I want to make sure a lender reviews your tax returns, deposits, and business income structure. That way we know whether conventional financing works or whether we need a creative option like a bank statement loan, P&L loan, or another non-QM strategy. ”

Use this script to protect emotions, prevent contract fallout, and position yourself as a true professional. Some deals aren’t dead. They are just in the wrong loan box.

## The Bottom Line



**Self-Employed Buyer**  
**= Lender Review First +**  
**Home Search Second.**

The single habit that saves time, secures deals, and turns complex financing into closed transactions.

# Architect Your Next Deal

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