

Get Approved for a Mortgage

Even If You Work In Entertainment
or Are Self-Employed

*How Freelancers and The
Self-Employed Can Qualify
for Home Loans.*



ENTERTAINMENT
MORTGAGE

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Introduction

Buying a home, or even refinancing, should be exciting — not stressful. But if you work in the entertainment industry or are self-employed, you've probably heard:

- “Why all the job gaps?”
- “Your income is too irregular.”
- “Your tax returns don't show enough income.”
- “What's with this mix of 1099s and pay stubs?”
- “You deduct too many expenses”.
- “Thanks, but no thanks.”

The truth is, traditional banks aren't set up for borrowers like you. This guide will show you how to qualify for a mortgage with programs designed for entertainment freelancers and self-employed professionals.



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Why Traditional Banks Have Rigid Guidelines

Loan programs throughout the United States have traditionally been designed for the 9-to-5 worker who gets a paycheck, has a company retirement account and medical insurance.

Let's face it. If you're a freelancer in the Entertainment Industry, you are in the tiny minority of borrowers.

W-2 employees earn in the same way, but freelancers and the self-employed each have their own story to tell.

The loan programs available to a W-2 employee generally won't work for freelancers or the self-employed borrower in any industry.

The good news is, loans for non w-2 workers have become in such demand that lenders finally had to open their eyes and offer loans that fit today's homeowners and home buyers.

You just have to understand how to make these loans work for **your individual** financial profile.



Why Traditional Banks Say NO

• Banks Like Certainty

This is a bit ridiculous since having a traditional job doesn't give anyone security these days. But the banks have yet to let go of this old idea of "the corporation will always take care of you". Your job is no more secure if you work for a "boss" than if you work on a movie set or own a shoe store.

Still, the banks love paychecks. 😞

• Mixed Income

"You may have a loan-out corp. Banks don't know what that is.

Or, you may get both payroll checks and 1099 checks. Some of you will have residuals, airbnb income or side gigs.

This makes banks crazy.

• Expense Write-offs

If you have either a loan-out or get paid w-2 or 1099, you write off everything you possibly can. You may be a good earner, but after your write-offs, your income isn't enough to qualify for a traditional loan.

• The Good News

There are now many lenders who specialize in borrowers just like you. The banks may be slow to change, but other lenders are much more flexible. And not necessarily more expensive !

Loan Programs That Work

These are some of the basic programs but there are variations of each. Some can even be combined.



Bank Statement Loans

12 or 24 months of business or personal bank statements

The bank will take an average of deposits over the period-minus an expense factor for business statements.

Deposits do not have to be consistent, month-to-month.

Only one account can be used. Exception: if you have short-term rental income that is clearly defined in a separate account, you may be able to use that account as well.



P&L Loans

LA P&L Statement signed by your tax preparer on their company letterhead.

You can create a P&L using your true income but only list related business expenses.

Your Tax Preparer can copy it onto their letterhead and sign.

Whatever your adjusted gross shows on the P&L is what a lender will use in qualifying you.



Asset Depletion Loan

For borrowers with substantial net worth.

Often a borrower has accumulated assets, such as stocks, bonds, retirement accounts, savings, etc.

These assets can be converted to a monthly income.

Example: \$1,000,000 in assets can translate anywhere from \$2,777/month to \$16,666/month, depending on the lender. This income can be added to other types of income, if needed to qualify.



For Investors DSCR Loans

For properties that have, or will have 100% rental income.

If purchasing or refinancing a rental property as small as a single unit, if the rental income covers the monthly payment, taxes and insurance, the lender won't look at your personal income. The property's income only is used to qualify.



Loans For Retirees

For borrowers with ongoing retirement income.

If you receive social security and/or any type of pension or annuity income, that can be used to qualify.

Any non-taxable retirement income will be increased from face value.

***1099, w-2, assets, retirement and bank statement income, can often be combined.**

How Income Is Evaluated

These are some of the basic programs but there are variations of each. Some can even be combined.

1099 Income

1099 Income is always averaged.

Generally it's averaged over a 2-year period. Income doesn't have to be consistent month-to-month.

If income declines substantially in the most current year, only the current year will be used.

Bank Statements

12 or 24 month average deposits in Personal or Business statements

24 months is usually about .125% lower in rate.

Any deposits that don't clearly state where they come from, must be backed up with contracts, invoices, deposit images, etc.

If business statements are used, an expense factor between 10% -50% will be applied, depending on the type of business.

Royalties Residuals

As with any fluctuating income, these will be averaged over a 24-month period.

100% of the average will be used.

P&L Loan

Must always be on the tax-preparer's letterhead and signed.

Whatever the income shows after expenses, it's used 100%. Only 1 year is required. May be 12-months year-to-date and not calendar year.

Asset Utilization

Proven assets are converted to income, (on paper only , sale of assets is not necessary.

100% of cash assets are considered. 70-80% of securities or retirement assets are used.

The Formula: the assets are divided by a specific number of months. The result is considered income.

DSCR Loans

Only the cash flow, or *potential* cash flow of the property is used to qualify.

This loan type may be used for any investment property, including condos, single family up to 4 units.

The proven property rents or 75% of estimated future rents is used.


This rental income must cover monthly mortgage payment, including property taxes and insurance and Homeowner's dues, if any.

Personal income of borrower is not considered.

Retirement Income

Retirement income is counted at face value.

If some of your monthly retirement comes from a pension of which you have control, you can increase your monthly payment to qualify for the loan.



Tips to Improve Approval Odds

1

Check Your Credit @ annualcreditreport.com.

You'll be surprised how often there are errors.

If you have frozen your report(s) be certain to release the freeze prior to applying for your loan.

Talk to me about how to improve your score, if needed.

2

Keep your money organized.

For a purchase, try to have your entire down payment in one account, if possible.

For a bank statement loan, stay organized. Deposit all work related income into one account.

3

Don't run up debt before a purchase

It's tempting to buy that new refrigerator or start collecting furniture, but unless you pay cash, this can adversely affect the amount you qualify for.

4

Don't run up debt before a purchase

If you need to improve your credit score, talk to me early to create a plan of what steps to take to improve your credit score the fastest. A few tricks of the trade.

Why Entertainment Mortgage is Different

We realized very early on that banks just weren't "getting it".

As far back as the early 90s, we set out to educate the banks about entertainment professionals and how they earned their income.

Over the years, guidelines changed, and banks came and went. It's been a never-ending education process. Often frustrating, but always rewarding.

We know who will do what. We are constantly keeping up with guideline changes and loan products and analyzing how they will benefit our entertainment and self-employed borrowers.

Sometimes homeowners are experiencing financial hardship and need help to pay off debt. Often, a refinance can help them keep their homes.

Others are just starting out in homeownership and need someone who understands not only their finances but also their life situations and future goals.



And let's not forget those who are living on retirement income. There are multiple opportunities for loan approval for retirees.

Whatever your needs, our 35 years of originating mortgages have given us not only experience but a multitude of contacts.

I look forward to serving you.



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