



Helping artists and their community build assets and equity

Freelance Worker Tips

Tip 1: Think Ahead

Lenders make decisions based largely on information from your tax returns. You will likely need to show a prospective lender at least your last 2 years of Federal IRS tax returns.

Ideally your returns can prove to the lender that:

- You have over 2 years of experience managing variable income and self employment
- You have an income level that qualifies you to purchase a home in your desired price range

Tip 2: If you don't declare it, it can't be counted as income.

As independent workers, we're used to trying to keep the income we report to the IRS low.

The less we pay in taxes, the more we have left to cover necessities. But to a lender, the income you report IS your income. If it's not on your tax return, it doesn't count. And that can make a huge difference in what loan (if any) you can qualify for.

So start early...

Maximizing your declared income in the years leading up to your home purchase will show your lender that you have historically made (and are therefore likely to keep making) enough money to cover your housing expenses and other financial obligations.

Explain to your accountant that you want to purchase a home as far in advance as you can (remembering that you need 2 years of proof of income) then

Work with your accountant to balance your goal of minimizing tax payments against your need to show maximum income for loan qualification. Remember, declaring more income doesn't necessarily mean paying more taxes - a good accountant can help you claim all applicable deductions, and still show enough income to look good to a lender.

In the year or two leading up to your purchase begin to:

- Separate all your income deposits from other deposits.
- Make each income deposit individually to clearly document multiple sources
 - Do this even if you are depositing on the same day/same time
 - Five minutes at the bank can save five hours trying to decipher your deposits at tax time
- Make copies of deposited checks
 - Many bank ATMs will print deposit receipts with check images
 - Or you can photocopy your checks before depositing them for added "proof of income"