

LENDINGPROS BROKER WEBINAR

Self-Employed Borrower 101

September 2026 | Broker Webinar



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Webinar Host

What We'll Cover

- THE SELF-EMPLOYED BORROWER
- BUSINESS NARRATIVE
- PROFIT & LOSS ONLY
- PROFIT & LOSS + BANK STATEMENTS
- CPA LETTERS



Jenny Beck

Director of Learning and Development



Shaun Dennison

EVP, Non-QM Lending



UP TO 25 BPS PRICE IMPROVEMENT

FALL INTO MORE FUNDINGS! SEPTEMBER SPECIALS ARE HERE!

For Loans Locked September 1st – 30th, 2026

SEPTEMBER PRICE IMPROVEMENTS HAVE ARRIVED!

Here for a limited time for loans locked September 1st – 30th, 2026.

Non-QM Select & Core Pricing Improvement

- 25 BPS Price Improvement including
 - Closed-End Seconds and DSCR 5-8

Prime Pricing Improvements

- 12.5 BPS on all Prime products including:
 - Alt Agency
 - ARMS
 - DPAs
 - Excludes Jumbos and CalHFA

Closed-End Seconds Specials: eligible only in conjunction with LendingPros first liens. See our Closed-Ends Seconds matrix for details. Loans originated in US Territories and the following states are ineligible: MI NJ, NY, TN, TX, WV. Restrictions apply. Contact your account Executive for details. Important to note that a Closed-End Second Mortgage may typically have a higher interest rate than the first lien mortgage. September Special Offers valid for loans locked between 9/1/2026 and 9/30/2026. All offers are subject to change without prior notice. Rate and price improvements are applicable only to qualifying loan programs and borrowers, and not all applicants will qualify. Specials cannot be combined with any other offer or price exception unless explicitly stated. Terms, restrictions, and conditions apply. This is not a commitment to lend. Loans may qualify for additional price improvement with Select Specials as indicated on our Prime and Non-QM Rate sheets. LendingPros is not affiliated with or acting on behalf of or at the direction of the Federal Housing Administration, Veterans Administration, or the Federal Government.

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DEEP DIVE

THE SELF-EMPLOYED BORROWER

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THE SELF-EMPLOYED BORROWER

WHAT DOES THE SELF-EMPLOYED BORROWER LOOK LIKE?

- Business Owner showing low taxable income
- 1099 Contractor
- Business has strong revenue but weak tax returns
- High net worth/liquidity
- Real Estate Investors
- Multiple Businesses
- Recently Self-Employed (12-months)

WHY NON-QM IS BUILT FOR THIS BORROWER!

EXAMPLE:

- 45-year-old business owner- Restaurant (product business)
- 5 years self employed- confirmed business is 'active' (Sec of State good tool!)
- Tax returns show **\$85k** in taxable income
- Actual business deposits are \$600k/year
- Conventional/Jumbo may calc low qualifying income (**\$85k**) due to write offs/expenses on tax returns
- NQM bank statement program will analyze cashflow through the business/personal accounts
 - \$600k in annual business deposits X 50% expense factor = **\$300k** in qualifying income (assuming 100% ownership of business)
 - Dramatic improvement in borrowing capacity
- **NQM gives the advantage of qualifying income over taxable income**

THE SELF-EMPLOYED BORROWER

Why NQM is the 'GO TO'!

The entrepreneurial spirit remains strong!

- 2025 saw 5.6 million new business applications in the US as reported by the US Census Bureau. Monthly pace = 450k to 475k!!
- We're becoming a nation of gig workers and business owners →
 - ❑ 16.6M @ SE as primary job
 - ❑ 70+M @ Gig and irregular SE
- This surge highlights the growing pool of potential clients seeking mortgage solutions that accommodate non-traditional income documentation – namely Bank Statements and P&L's!
- Check out the top 20 cities for Self-Employed/Entrepreneurs

WHAT DOES THE GROWTH LOOK LIKE OF SELF-EMPLOYED BORROWERS?

Tier 1: Strongest overall ecosystems

1. Orlando, FL
2. Tampa, FL
3. Austin, TX
4. Nashville, TN
5. Raleigh, NC

👉 These consistently rank highest due to **business growth + access to capital + low taxes**

Tier 2: High-growth + favorable tax climates

6. San Antonio, TX
7. Jacksonville, FL
8. Atlanta, GA
9. Salt Lake City, UT
10. Kansas City, MO-KS

👉 Known for **low cost of living + strong freelance demand sectors** (tech, fintech, logistics)

Tier 3: Innovation hubs + opportunity density

11. Denver, CO
12. Seattle, WA
13. San Francisco, CA
14. Los Angeles, CA
15. Miami, FL

Tier 4: Emerging / underrated self-employment cities

16. Oklahoma City, OK
17. Tulsa, OK
18. Boise, ID
19. Wilmington, DE
20. Ontario, CA

DEEP DIVE

DOCUMENTS NEEDED TO SUPPORT SELF-EMPLOYED INCOME

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BUSINESS NARRATIVE FORM

WHY IS THE BUSINESS NARRATIVE FORM SO IMPORTANT?

WHAT IS MOST IMPORTANT ON THE BUSINESS NARRATIVE FORM?

TELLS THE STORY!

HELPS DETERMINE EXPENSE FACTOR!

HELPS EXPLAIN NATURE OF THE BUSINESS

VARIANCES IN INCOME



SAVE FORM

CLEAR FORM

BUSINESS NARRATIVE
QUESTIONNAIRE AND CERTIFICATION

Borrower Name

Loan #

Business Name

Website

Broker Email

Processor/LO Email

Account Executive

1. What industry category best describes the borrower's business? (Select One)

If "Other" selected, please list here:

2. Does the business have a physical location?

☐ Yes ☐ No

3. Does the business have more than one physical site?

☐ Yes ☐ No

4. What is the address of the business physical location?

5. How many full-time employees/contractors does the business have? (Select One)

6. Does the business provide a product (i.e., clothing, food service/restaurant, jewelry, manufacturing, retail sales, etc.)?

☐ Yes ☐ No

7. Does the business provide a service (i.e., accounting, consulting, financial planning, real estate sales, insurance sales, law, therapy, etc.)?

☐ Yes ☐ No

8. Is it a "real estate" related business (i.e., builder, developer, property flipper, etc.)?

☐ Yes ☐ No

9. What percentage of the business do you own?

%

10. How does your business get paid?

☐ Branch Deposits ☐ Check ☐ Square ☐ Other

☐ Cash ☐ Online Deposits ☐ Venmo

☐ Cash App ☐ PayPal ☐ Zelle

11. Please describe the business operations, how it is managed, and any key details you can provide.

Fixed Expense Factor Table

Number of Full-time Employees/Contractors	0 – 1	2 – 10	11+
Service Business ¹	30%	50%	60%
Product Business ²	40%	60%	70%
Real Estate Business ³	70%	75%	80%

¹ Service Business examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.

² Product Business examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.

³ Real Estate Investors (without a schedule of current real estate), Property Developers, and Property Flippers. CPA Letters will not be accepted for a lower expense ratio.

Borrower Signature:

Date:

LP-F-WS_SEBUSNARR | REV 05/08/2025

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P&L ONLY EXAMPLE

S.Holmes Detective Agency
Profit and Loss
December 2022 - November 2023

	TOTAL
INCOME	
Consulting Services	78,020.00
Product Sales	25,000.00
Total Income	\$103,020.00
COST OF GOODS SOLD	
Purchases	16,000.00
Total Cost of Goods Sold	\$16,000.00
GROSS PROFIT	\$87,020.00
EXPENSES	
Advertising	5,000.00
Bad debts	1,375.00
Bank charges	57.00
Car Expenses	
Gas	132.74
Insurance	425.00
License/Registration	236.00
Repairs	336.28
Total Car Expenses	1,130.02
Direct Labour/Subcontracts	8,765.00
Dues and Subscriptions	615.93
Home Office Expenses	
Insurance	1,580.00
Rent Expense	6,150.00
Total Home Office Expenses	7,730.00
internet	100.00
Repairs and Maintenance	865.00
Salaries	50,000.00
Telephone	2,589.00
Travel	3,269.00
Total Expenses	\$81,495.95
PROFIT	\$5,524.05

Need to ensure expenses line up with industry

CAN YOU SHOW US AN EXAMPLE OF A GOOD PROFIT & LOSS?

WHAT ARE SOME OF THE KEY THINGS YOU LOOK FOR?

ARE THERE CERTAIN BUSINESSES THAT WOULD BENEFIT FROM THIS?

ARE THERE ANY RESTRICTIONS AROUND TAX PREPARER?

P&L + BANK STATEMENTS

ABC Construction LLC Profit & Loss Statement January – December 2025 (12 Months)													
Description	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	12-Month Total
Revenue													
Contract Revenue	\$45,000	\$48,000	\$52,000	\$55,000	\$58,000	\$61,000	\$60,000	\$63,000	\$59,000	\$64,000	\$62,000	\$68,000	\$695,000
Total Revenue	\$45,000	\$48,000	\$52,000	\$55,000	\$58,000	\$61,000	\$60,000	\$63,000	\$59,000	\$64,000	\$62,000	\$68,000	\$695,000
Cost of Goods Sold (COGS)													
Materials & Supplies	\$18,000	\$19,000	\$21,000	\$22,000	\$23,000	\$24,000	\$24,000	\$25,000	\$23,000	\$26,000	\$25,000	\$27,000	\$277,000
Total COGS	\$18,000	\$19,000	\$21,000	\$22,000	\$23,000	\$24,000	\$24,000	\$25,000	\$23,000	\$24,000	\$25,000	\$27,000	\$277,000
Gross Profit	\$27,000	\$29,000	\$31,000	\$33,000	\$35,000	\$37,000	\$36,000	\$38,000	\$36,000	\$38,000	\$37,000	\$41,000	\$418,000
Gross Profit Margin	60.0%	60.4%	59.6%	60.0%	60.3%	60.7%	60.0%	60.3%	61.0%	59.4%	59.7%	60.3%	60.1%
Operating Expenses													
Payroll	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$11,000	\$114,000
Rent / Office	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$24,000
Auto / Travel	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$24,000
Insurance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Utilities / Phone	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Other Expenses	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$24,000
Total Operating Expenses	\$16,000	\$16,000	\$17,000	\$17,000	\$17,000	\$19,000	\$19,000	\$19,000	\$18,000	\$18,000	\$18,000	\$19,000	\$216,000
Net Profit	\$11,000	\$13,000	\$14,000	\$16,000	\$18,000	\$18,000	\$17,000	\$19,000	\$18,000	\$20,000	\$19,000	\$22,000	\$202,000
Net Profit Margin	24.4%	27.1%	26.9%	29.1%	31.0%	29.5%	28.3%	30.2%	30.5%	31.3%	30.6%	32.4%	29.1%

CAN YOU USE PROFIT & LOSS AND BANK STATEMENTS?

DOES THIS PROGRAM HAVE ANY LTV OR LOAN AMOUNT RESTRICTIONS?

WHAT HAPPENS WHEN BANK STATEMENTS DON'T SUPPORT THE P&L?

EXAMPLE OF A GOOD TAX PREPARER LETTER

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June 16, 2021

To whom it concerns,

Taylor Tobias (XXX-XX-9224) has been 100% owner of Phoenix Capital Consulting Group LLC since the business was established on March 15, 2017.

The use of business funds to pay for down payment, closing costs and all other expenses on this property will have no negative effect on his business.

Taylor's expense factor ratio is 34% which includes all expenses and debts related to his business.

Cyndi Jensen, CPA, CrFA
Cyndi Jensen, CPA, CrFA
PTIN P00350626

WHAT DOES AN ACCEPTABLE CPA
LETTER LOOK LIKE?

QUESTIONS

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THANK YOU



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