
SELF-EMPLOYED MORTGAGE GUIDE

Prepare Your Own P&L for a Self-Employed Mortgage

The plain-English template lenders accept for a 3.5%-down, no-tax-return mortgage — written by an underwriter-facing broker, not an accountant. No CPA letter required.

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START HERE

Why your tax return is the wrong document

Every self-employed buyer has heard the same script from a bank: “send us two years of tax returns and we’ll see what you qualify for.” And then the number that comes back is a fraction of what you actually earn.

That isn’t a mistake. The tax return is the document you and your CPA designed to lower a tax bill. Aggressive (legitimate) deductions, depreciation, one-time write-offs, accelerated equipment expenses — all of it does its job at tax time, and all of it makes you look poor to a conventional lender.

The 3.5%-down P&L program exists for exactly this gap. The lender qualifies you on your **profit and loss statement** instead — the same document you’d hand an investor or a partner who wants to see what the business actually earns. Twenty-four months of it is what we need.

WHO THIS GUIDE IS FOR

Self-employed business owners, 1099 contractors, gig workers, and freelancers who have at least 24 months of business activity and need a primary-residence mortgage with low money down.

What’s inside

- 1 What lenders actually need on a P&L
- 2 The four numbers that make or break the file
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What lenders actually need on a P&L

Strip out the accounting jargon. An underwriter on this program is asking three questions of your P&L — in this order.

1. Is the business real?

The P&L has to be backed by real activity — invoices, 1099s, contracts, merchant-processing reports, payroll records, anything that shows revenue is actually flowing. We do not collect bank statements on this program; the P&L itself is the document the underwriter reads, and you sign and certify the numbers.

2. Is the net profit sustainable?

An underwriter wants to see income that's steady or growing — not a wild swing. Twenty-four months smooths out a slow July, a strong December, and a full business cycle. A single-month snapshot will not.

3. Does the net profit cover the new house payment?

This is the math part — debt-to-income (DTI). The underwriter takes your **average monthly net profit**, allows up to ~50% of it for housing + other debts combined, and works backward to a maximum loan size. The cleaner your net-profit number, the higher that ceiling rises.

THE ONE-SENTENCE SUMMARY

Your P&L's job is to show **average monthly net profit** in a format the underwriter trusts. Everything else in this guide is in service of that one number.

What you do not need to include

- Depreciation — this isn't a tax return.
- Owner draws or distributions — those are use-of-cash, not expenses.
- Personal expenses — not the business's, not on the P&L.
- A CPA signature, letterhead, or attestation. Borrower-prepared is fine.

The four numbers that make or break the file

Out of every line on a P&L, four numbers do all the heavy lifting. Get these right and the rest of the underwriting falls into place.

1. Gross revenue

Total dollars in. Not invoiced — **collected**. Use cash-basis accounting (money actually received), not accrual. Your number should track to your accounting records, 1099s, and merchant-processing reports for the same period.

2. Cost of goods sold (COGS)

The direct costs of delivering the revenue: materials, sub-contractor payments, merchant-processing fees, shipping. If you're a service-only business, COGS may be zero — that's fine, write it as zero.

3. Operating expenses

Everything else needed to run the business: software, rent on a commercial space, advertising, insurance, fuel for a work vehicle, professional fees. Be specific by category — lumping it all under "miscellaneous" reads as a red flag.

4. Net profit

Gross revenue - COGS - operating expenses. This is the line the underwriter will average across the months on the statement. **This is the qualifying income.**

THE TRAP TO AVOID

Do not pad expenses to lower your apparent profit out of habit. On this program, every dollar of net profit translates to roughly \$115-\$130 of additional loan amount you can qualify for. Inflated expenses cost you house, not taxes.

The 50% DTI rule, in numbers

The program allows housing + monthly debt up to 50% of monthly net profit. Working backward from an example 7% rate plus taxes/insurance — about \$8.15 of monthly payment per \$1,000 of loan — that translates to:

Net profit → rough loan capacity (example 7% rate)

\$8,000 / mo net profit, \$500 other debt **~\$429,000 loan**

\$12,000 / mo net profit, \$800 other debt **~\$638,000 loan***

\$18,000 / mo net profit, \$1,200 other debt

cap: county limit

*loan amount may be capped by FHA county loan limit; see disclaimer. Rate shown is illustrative only; your real rate depends on credit, LTV, and current market.

Add-backs, owner draws & one-time items

Three places where business owners commonly understate their P&L — and how to handle them cleanly.

Owner draws are not expenses

If you write yourself a check from the business, that's a draw — a use of cash, not a business expense. Owner draws should **not** appear on the P&L. Net profit is calculated *before* you pay yourself; the draw comes out of net profit, not on top of it.

If you have S-corp owner wages running through payroll, that's an expense (it's real W-2 wages paid). Distributions on top are draws and stay off the P&L.

One-time items get separated

A new \$14,000 truck purchase or a one-time legal fee shouldn't drag your monthly average down. Put it on a separate line clearly labeled "Non-recurring — vehicle purchase Sep" or similar. The underwriter can choose to exclude it from the run-rate average.

Depreciation: leave it off

Depreciation is a tax-return concept — non-cash. It doesn't belong on the cash-basis P&L you're sending the lender. If it shows up out of habit, write a zero next to it and label it "tax-return add-back — not deducted on this P&L."

Home-office and vehicle deductions: include only if real cash out

Tax deductions for home-office square footage or vehicle mileage are estimated, not cash. Don't deduct them on the P&L unless you're paying actual rent for a dedicated office or actual lease/insurance on a vehicle.

THE PRINCIPLE

The lender's P&L is a *cash-in / cash-out* picture. If real dollars left the bank account for the expense, include it. If it's an accounting concept that exists only to reduce taxes, leave it off — we're not the IRS.

Why the program is built around a 24-month P&L

The program requires a **24-month** P&L — not 12, not 6. Here is why, and how to use the window to your advantage.

Why 24 months

A single year can be misleading in either direction. A strong year may be a fluke; a slow year may be a one-off. Twenty-four months smooths both — it gives the underwriter the full business cycle and the borrower the most defensible run-rate.

It also matches the documentation the investors who buy these loans expect to see — at our pricing and at 3.5% down, the requirement is a full 24 months, no exceptions.

How to use 24 months to your advantage

- **Smooth out seasonality** — a landscaper with a 4-month rest period, a tax preparer who earns 60% of revenue in Q1, an e-commerce shop with a strong Q4: a 24-month window levels the average so the slow months don't kill the qualifying income.
- **Carry a strong year into a softer one** — if last year was your best, including it lifts the 24-month average above where the current year alone would land.
- **Demonstrate growth, not noise** — 24 months of rising revenue tells a sustainability story a single strong year cannot.

THE END DATE MATTERS

Your 24-month window must end no more than 90 days before the application date. We use the trailing 24 months from your current month-end — keep your P&L current by refreshing it as each month closes.

Mistakes that get a file declined

Five common preventable errors. Avoid them and the file moves.

1. Owner draws shown as an expense

The most common error in DIY P&Ls. It tanks the net profit number for no real reason. See Chapter 3.

2. A single-line “miscellaneous” bucket over 15% of expenses

Underwriters interpret a giant unlabeled bucket as either sloppy bookkeeping or hidden draws. Break expenses into named categories — even rough ones are fine.

3. The business name doesn't match anywhere

The name at the top of the P&L should match the name on your 1099s and invoices and — if you have one — on the LLC or EIN filing. Mismatches trigger fraud-review escalations.

4. P&L ends too long ago

Anything older than 90 days is stale. See Chapter 4.

5. Round numbers that look made-up

\$10,000.00 revenue every single month with \$2,500.00 expenses every single month does not pass the smell test. Real business numbers are uneven. Use the actual numbers from your accounting records; don't round to the nearest thousand.

IF YOU ONLY REMEMBER ONE THING

The P&L is the only document the underwriter reads on income. Make it accurate, defensible, and signed — sloppy beats fraudulent and both beat the file.

The exact template — line by line

Use this format. It's the format we accept on file and the format an underwriter reads in seconds. Copy it into Google Sheets or Excel.

Profit & Loss — [Business Legal Name]	
PERIOD	FROM [START MO/YR] — TO [END MO/YR]
REVENUE	
Service / sales revenue (cash collected)	\$
Other income (refunds-out reversed, etc.)	\$
Gross revenue	\$
COST OF GOODS SOLD	
Materials / inventory	\$
Sub-contractor / 1099 labor paid out	\$
Merchant-processing fees	\$
Total COGS	\$
OPERATING EXPENSES	
Advertising / marketing	\$
Software / subscriptions	\$
Rent — commercial space	\$
Insurance (business / liability / vehicle)	\$
Vehicle expense (cash — fuel, lease, repairs)	\$
Phone / internet	\$
Professional fees (CPA / legal)	\$
Office supplies	\$
Bank / merchant fees	\$

PERIOD	FROM [START MO/YR] — TO [END MO/YR]
Payroll — employees (W-2 wages only)	\$
Other — itemize, do not bundle	\$
Total operating expenses	\$
NET PROFIT (= Revenue – COGS – OpEx)	\$
Months in period	24
AVERAGE MONTHLY NET PROFIT	\$

Sign and date at the bottom: "I, [Name], certify that the figures above accurately reflect the income and expenses of [Business Name] for the period stated."

Worked example: a 1099 contractor file

Meet Maria. App-based delivery driver + side photography work, three years in business. Here's the file she put together — and the loan it qualified her for.

Maria's 24-month P&L (Jan 2024–Dec 2025)

Gross revenue (per 1099s + invoices, 24 mo)	\$326,800
Less: vehicle expense (fuel, lease, repairs)	– \$38,400
Less: photo gear & software (cash spend)	– \$7,800
Less: phone / internet / merchant fees	– \$6,500
Less: marketing & CPA fees	– \$4,500
Net profit (24 months)	\$269,600
Average monthly net profit	\$11,233

What that translated to

Maria had a \$480 car loan as her only monthly debt. Her qualifying math:

- 50% of \$11,233 = \$5,617 maximum housing-plus-debt budget
- Less \$480 car payment = \$5,137 available for housing payment
- At an example 7% rate (~\$8.15/month per \$1,000 of loan), that supports roughly **\$630,000** of loan amount — capped at her county's FHA limit.

Three years earlier the bank had told her she qualified for “maybe \$190,000” on her tax return. Same business, same income — very different number once the P&L was the underwriter's document instead of the IRS's.

THE LESSON

The number on a P&L is almost always materially higher than the number on a tax return for the same business. That gap is the entire point of this program.

NEXT STEP

Build your P&L. Then let's run the real number.

You have the template now. Pull your last 24 months of business records, fill in the format from Chapter 6, sign it, and email it to us. We'll come back inside 24 hours with the actual qualifying amount — not a calculator estimate, the real number an underwriter signs off on.

It's a soft conversation, no hard credit pull, and no commitment. You decide whether to move forward after you see what you qualify for.

Get your real number in 24 hours

Email your filled-in P&L to chris@gobestfinance.com or call us directly. We'll review and come back with a quote on rate, loan amount, and approximate cash-to-close.

 **(813) 582-7432 | gobestfinance.com**

DISCLOSURES

Best Finance Group LLC dba Best Finance, NMLS #2011725. Equal Housing Lender. The 3.5%-down P&L program described in this guide is offered through investor partners and is subject to credit approval, underwriting, documentation, and program guidelines. Loan amounts are capped at the applicable FHA county loan limit and may be further limited by appraisal, credit, reserves, and property characteristics. Calculator and qualifying illustrations in this guide are directional only and are not a commitment to lend. Rates, terms, and program availability are subject to change without notice. This guide is for general educational purposes and is not legal, tax, or accounting advice; consult your CPA on tax matters. Currently licensed in AZ, CA, FL, LA, and TX.