

NORWEST-FINANCE

“If you are self employed”



THE FACTS:

If you are working for yourself, different rules apply with most lenders to qualify for finance. Prove of income means 2 years of financials rather than pay slips. That is not always easy, especially for those business owners that are just starting to make great profits and don't want to wait 2 years before buying a house or new truck or machinery.

For that reason, many lenders came up with products where the income can be stated rather than shown. This type of loan is called “Low Doc” (Low Documentation) and has become very popular the last few years.

With this paper, we aim to show you what your options are when you are self employed. What paperwork is needed, if (and how) the finance differs when you are self employed and how you can put forward the strongest possible case.

YOUR OPTIONS:

As a self employed person, your choices are:

1. Providing all required financial paperwork (see below)
2. Take a “low doc¹” loan option

Some lenders however offer exactly the same products under low doc as they do under full doc. Also, with some finance products (For instance equipment finance) there is very little difference between a full doc and a low doc application. The lender treats the application the same. Talk to your finance broker to find out which lenders can do that for you.

REQUIRED PAPERWORK:

To be eligable (being self employed) for finance on standard terms and conditions, you usually need 2 years personal and business financials. Paperwork required includes:

- 2 years tax returns (Personal & Business)
- Business account statements
- Business registration/ABN³
- Possibly BAS⁴ statements

HOW FINANCE IS DIFFERENT:

As we mentioned earlier, not all finance products are different. And, if you can show the required paperwork, your loan will not be any different from a loan on normal terms and conditions. However, if you do opt for a low doc option, many loans have features that are different from a full doc loan. Here is how:

- The LVR² is normally no higher than 80%
- Mortgage Insurance is normally payable from 60% LVR
- Interest rate discounts (normally applicable on loan size) may be different

HOW TO PUT FORWARD YOUR STRONGEST CASE

The finance industry has now been well adjusted to self employed borrowers. Most lenders have created products that accommodate for the self employed and are very willing to consider your application. However, this does not mean they will be willing to help. Experience tells us many lenders will be glad to “look at your request”, only to pick the “cream” out of all applications.

Their willingness to look is not necessarily a willingness to approve. This can leave you frustrated, running out of time and with a enquiry on your credit file, none of which are helpful. So how do you make sure you get to the right lender quickly, what do you put forward to get a timely response with the best possibility of an approval. Use a finance broker.

Why? The finance industry is no different from any other highly competitive field, there are many (many) lenders and they do not all specialize on the same type of finance. To know who can do what, how quick and at what interest rates takes a professional. Someone that works with the lenders every day and knows where to get you a solution. So call us and let us show you.



TERMS EXPLAINED

1. Low Doc: Low Documentation. This normally means no proof of income is required, instead a declaration - by you - that states your income.
2. LVR: Loan to Value Ratio. What percentage the loan is in relation to the value.
3. ABN: Australian Business Registration. A number handed out when you register a business in Australia.
4. BAS: Business Activity Statement. A quarterly (sometimes monthly) reporting obligation from Australian businesses to the ATO.

For more information on being Self Employed, please contact us

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