A GUIDE FOR INDEPENDENT CONTRACTORS

1099

PAID ON 1099S? QUALIFY ON YOUR 1099S.

Your 1099s tell the story. Let's use them.

How 1099 loans work, which 1099s count, how your income is calculated, and how to put together a file an underwriter can approve.



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START HERE

YOU EARN IT ON A 1099. YOU CAN QUALIFY ON ONE.

Commission salespeople, consultants, tradespeople, travel nurses, rideshare and delivery drivers. More people than ever are paid as **independent contractors**, and many of them get stuck when they try to buy a home.

The problem usually isn't the income. It's the **tax return**. Write-offs that make sense at tax time make your income look small to a lender. A 1099 loan skips the tax return and qualifies you using **the 1099s your clients send you**.

I've been helping families into homes since 1993, first as a Realtor and now as a mortgage lender. Read this, then call me before tax season or before you start house hunting. A little planning goes a long way.

Brian

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WHAT A 1099 LOAN IS

Your 1099 income, turned into a monthly qualifying number.

A 1099 loan uses the income reported on your **1099 forms** for the last one or two years, instead of the net income on your tax return. A set expense factor is applied, and what's left is averaged into **monthly qualifying income**.

+	**1099 INCOME**	The total from every 1099 you received for the year
−	**EXPENSE FACTOR**	A set percentage for business costs, instead of your actual write-offs
=	**ADJUSTED INCOME**	What the underwriter counts
÷	**MONTHS**	12 for one year of 1099s, 24 for two
=	**MONTHLY QUALIFYING INCOME**	Used in your debt-to-income ratio, like any other income

GOOD TO KNOW: 1099 loans are part of a category called **Non-QM**: loans that follow their own guidelines instead of standard Fannie Mae, Freddie Mac or FHA rules. They're a real mortgage, with the same protections as any other.

WHO 1099 LOANS FIT

Built for contractors whose write-offs hide their real income.

1099 loans work best when your **gross 1099 income is strong**, but your tax return shows a lot less after deductions. Here's who they usually fit, and what to expect.

USUALLY A GOOD FIT

- You're paid on 1099s, not W-2s
- You have one to two years of 1099 history
- Write-offs make your tax returns look thin
- You work for one or several steady clients
- You're buying a primary home, second home or investment
- You'd rather not hand over full tax returns

KNOW GOING IN

- Rates are usually **higher** than conventional loans
- Down payment requirements may be **larger**
- An **expense factor** is applied to your 1099 income
- You'll need to show you're **still working** for your payers
- Expect to show **reserves**
- Guidelines vary a lot from lender to lender

REAL TALK: If your tax returns already qualify you, a conventional or FHA loan will likely have a better rate. I'll run it both ways before we pick a direction.

1099 VS. OTHER SELF-EMPLOYED LOANS

Three ways to prove the same income.

If you work for yourself, there's usually more than one way to qualify. The right one depends on **how you're paid** and **what your paperwork looks like**.

	1099 LOAN	TAX RETURN LOAN	BANK STATEMENT LOAN
WHAT'S USED	Your 1099 forms	Your tax returns	12–24 months of deposits
WRITE-OFFS	Replaced by a set expense factor	Lower your qualifying income	Replaced by an expense factor on business accounts
BEST WHEN	Most of your income comes on 1099s	Your returns show strong net income	You're paid many ways, including cash and cards
RATE	Usually higher than agency	Usually the best pricing	Usually higher than agency

NOT SURE WHICH FITS?

Send me your last two years of 1099s and tax returns. I'll run all three and show you which gives you the most buying power at the best rate.

WHICH 1099S COUNT

Not every 1099 is work income.

The IRS has many kinds of 1099 forms. For a 1099 loan, lenders look at the forms that report **money you earned for work**. Other 1099s may still count, but under different rules.

1099-NEC

The main form for **contractor and freelance pay**. This is usually the core of a 1099 loan.

1099-MISC

Some commissions and other payments. Whether it counts depends on what the payment was for.

1099-K

Card and app payments, like rideshare or online sales. Some programs accept it, others use bank statements instead.

OTHER 1099S

Interest, dividends and retirement income are reported on other 1099s. They can count, but as **separate income**, not 1099 work income.

PAID BY A W-2 AND 1099S?

That's common, especially in sales. W-2 income is usually counted the standard way, and 1099 income is added on top. Bring me both.

HOW YOUR INCOME IS CALCULATED

From your 1099s to a monthly qualifying number.

Here's how one year of 1099s can turn into qualifying income. Your income, expense factor and program rules will be different. This just shows how the steps work.

1099-NEC from main client	**$120,000**
1099-NEC from second client	**$30,000**
Total 1099 income	**$150,000**
Less: expense factor (example: 10%)	**($15,000)**
Adjusted annual income	**$135,000**
MONTHLY QUALIFYING INCOME (÷ 12)	**$11,250**

EXAMPLE ONLY. NOT AN OFFER OR A GUARANTEE OF QUALIFYING INCOME.

1 VS. 2 YEARS

One year can help if income has grown. Two years can smooth out a slower year.

SEVERAL PAYERS

Income from multiple clients is added together, as long as it's steady.

THE TREND

Rising income helps. A big drop from one year to the next needs an explanation.

HOW YOUR INCOME IS VERIFIED

Your 1099s, confirmed with the IRS and your recent work.

The underwriter needs to confirm that your 1099s are real, that the income was reported, and that **you're still earning it today**.

IRS TRANSCRIPTS

You'll sign a form that lets the lender pull your **1099 transcripts** directly from the IRS to confirm the amounts.

YEAR-TO-DATE PROOF

Recent bank statements or payment records showing **this year's income** is on track.

STILL WORKING

A letter or contract from your main payer, or recent invoices, showing the work is **ongoing**.

TIME IN YOUR FIELD

Most programs look for a history in the same line of work. Changing clients is usually fine.

REAL TALK: If you just switched from W-2 to 1099 with the same company or in the same field, that can still work. Tell me the full story up front, and I'll know which program to use.

COMMON MISTAKES THAT DELAY APPROVAL

Most of these are easy to fix ahead of time.

1 MISSING 1099S
Every payer should have sent one. Gather them all before you apply.

2 TRANSCRIPTS DON'T MATCH
If the IRS shows different amounts than your forms, expect questions.

3 LOSING A MAIN CLIENT
If a major payer is ending, tell me before we apply.

4 UNPAID TAXES
Money owed to the IRS may need a payment plan or to be paid off.

5 INCOME DROPPING THIS YEAR
A slow start to the year can lower the income figure used.

6 MIXING PERSONAL & BUSINESS
A separate account for work deposits makes verification much easier.

7 NEW CREDIT DURING THE LOAN
No new cards, car loans or financed equipment until after closing.

8 STARTING TOO LATE
Waiting until you're under contract leaves no time to fix anything.

REAL TALK: Almost every one of these is avoidable with a 15-minute conversation before you apply. That's the cheapest time to fix a problem.

YOUR SCORE AND DOWN PAYMENT WORK TOGETHER

Strong 1099 income still has to fit the program's credit rules.

Every 1099 program sets limits based on your **credit score** and your **loan-to-value (LTV)**, meaning how much you borrow compared to the home's value. In general, a lower score means a larger down payment, more reserves or fewer programs to choose from.

STRONG CREDIT, SOLID DOWN PAYMENT	The most program choices and the best pricing. Usually the smoothest path.
MIDDLE OF THE RANGE	Still plenty of options. Rate, down payment and reserves vary more from program to program.
SCORES ON THE EDGE	Fewer programs fit, and the down payment carries more weight. This is where shopping the file matters most.

WHEN YOUR FILE IS CLOSE, I DON'T GUESS

If your scores or income are on the edge, I send your file to our **scenario desk** with your 1099s and supporting documents. They look across programs to find the one that fits.

GOOD TO KNOW: Minimum scores, expense factors and maximum LTVs change often and vary by program, so they aren't listed here. Ask me for current guidelines on your scenario.

TIPS BY TYPE OF WORK

Every kind of 1099 work has its own quirks.

COMMISSION SALES

Real estate agents, insurance and auto sales. Income can swing month to month, so two years of history often helps. Keep records of pending deals.

TRADES & CONTRACTORS

Electricians, plumbers, builders. Equipment and vehicle costs are high, so the expense factor is often better for you than your actual write-offs.

CONSULTANTS & FREELANCERS

Low overhead usually means strong 1099 income. A contract with your main client shows the work is ongoing.

HEALTHCARE CONTRACTORS

Travel nurses and contract therapists. A steady history of assignments, even with different agencies, can count.

RIDESHARE & DELIVERY

Often paid on 1099-K or 1099-NEC. Some programs use bank statements instead. Bring both.

RECENTLY WENT 1099

Same field, same kind of work? Your W-2 history may help bridge the gap. Ask before you assume you have to wait.

12 · GET ORGANIZED

DOCUMENT CHECKLIST

Have these ready, and the process moves a lot faster.

- [ ] 1099s from every payer, last 1–2 years
- [ ] Year-to-date proof of income
- [ ] W-2s, if you also earn wage income
- [ ] Statements for down payment and reserve funds
- [ ] Government-issued photo ID
- [ ] Signed IRS transcript request form
- [ ] Contract or letter from your main payer
- [ ] Recent bank statements, all pages
- [ ] Proof of any IRS payment plan, if applicable
- [ ] Letter explaining any drop in income

Every program is a little different. I'll give you the exact list for your scenario before you gather anything.



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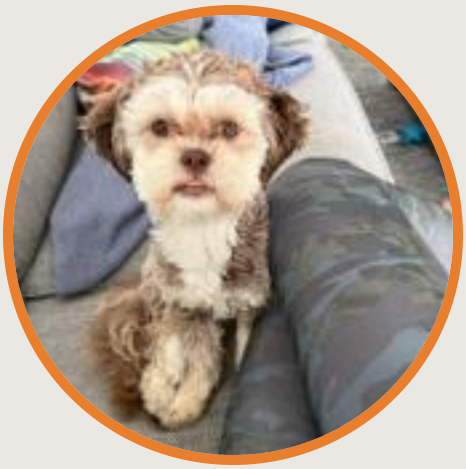
BOOK 15 MINUTES

EQUAL HOUSING OPPORTUNITY

This guide is for educational purposes only and is not a loan commitment or guarantee of approval. All loans are subject to credit, income, asset, property and appraisal approval; not all applicants will qualify. 1099 income calculations, eligible 1099 types, expense factors, history requirements, verification methods, credit score minimums and loan-to-value limits vary by program and are determined at underwriting. Examples are illustrations only; the expense factor shown is not a quoted guideline. 1099 and other Non-QM loans may carry higher interest rates, larger down payment requirements and different terms than agency or QM financing. Program availability and guidelines are subject to change without notice. Brian Marchand and New American Funding do not provide tax or legal advice; consult your CPA or tax professional. © 2026 New American Funding, LLC. NMLS #6606 (nmlsconsumeraccess.org). 1 MacArthur Place, Suite 800, Santa Ana, CA 92707 · newamericanfunding.com · (800) 450-2010. Licensed Mortgage Banker, NYS Department of Financial Services. Equal Housing Lender. October 2026.

PENNY'S CORNER

A few words from our Chief Belly-Rub Officer.



PENNY SAYS

CHIEF BELLY-RUB OFFICER

Dad says 1099 folks get a raw deal because their write-offs make them look broke on paper. I don't write anything off. I just eat the deduction, which is apparently not how it works.

Bring Dad your 1099s from every client. He'll add them up, apply the expense factor, and tell you straight. I'll supervise.

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Tips, updates and plenty of Penny.

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