A GUIDE FOR SELF-EMPLOYED BORROWERS

P&L

PROFIT & LOSS STATEMENTS, AND HOW LENDERS READ THEM

Your write-offs shouldn't cost you the house.

What a P&L is, which line items help or hurt, how your income gets calculated, and how to put together a file an underwriter can approve.



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START HERE

IF YOU WORK FOR YOURSELF, READ THIS FIRST.

Tax returns are built to **lower what you owe**. Mortgage underwriting is built to **prove what you earn**. When you're self-employed, those two goals pull against each other, and a lot of good business owners get told they don't make enough when they clearly do.

A profit and loss statement is one of the tools that can close that gap. This guide walks through how lenders read a P&L, which line items work for you and which don't, and how to build a file an underwriter can say yes to.

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 you pull together a single document. The order you do things in matters.

Brian

INSIDE THIS GUIDE

03 What a P&L is & when lenders use it

04 P&L-only loan programs

05 CPA-prepared vs. self-prepared

06 What gets added back or deducted

07 How your income is calculated

08 Pairing your P&L with bank statements

09 Common mistakes that delay approval

10 Credit score & down payment

11 Your business narrative

12 Document checklist

WHAT A P&L IS

One page that shows what your business brought in, and what it kept.

A profit and loss statement, or P&L, summarizes your business's revenue and expenses over a set period, usually 12 or 24 months. To a lender, the bottom line matters most: **net profit is where your qualifying income starts.**

+	**GROSS REVENUE**	Everything the business took in from sales and services
−	**COST OF GOODS SOLD**	Materials, inventory and direct costs of what you sell
=	**GROSS PROFIT**	What's left before running the business
−	**OPERATING EXPENSES**	Rent, payroll, insurance, vehicles, software, marketing
=	**NET PROFIT**	The starting point for your qualifying income

WHEN A LENDER ASKS FOR ONE

P&L-ONLY LOANS

Some programs qualify you on a **preparer-signed P&L**, without tax returns.

WITH BANK STATEMENTS

Your P&L shows the income. Your deposits **back it up**.

YEAR-TO-DATE

On a full-doc loan, a YTD P&L shows the business is **still steady** since your last return.

P&L-ONLY LOAN PROGRAMS

Qualifying on what you earn, not what you reported.

Conventional, FHA and VA loans generally qualify self-employed borrowers on their **tax returns**. If you write off a lot (and most good business owners do), your taxable income can look much lower than what the business actually makes.

P&L-only programs are part of a category called **Non-QM**: loans that follow their own guidelines instead of the standard agency rules. Instead of tax returns, they can use a P&L covering 12 or 24 months, prepared and signed by a qualified tax professional.

USUALLY A GOOD FIT

- Your write-offs make your tax returns look thin
- You've been in business at least two years
- You work with a CPA or tax preparer who knows your books
- Your business is steady or growing
- You have a down payment and some reserves saved

KNOW GOING IN

- Rates are usually **higher** than conventional loans
- Down payment requirements are often **larger**
- Expect to show **reserves**, meaning months of payments in the bank
- Your preparer will be **contacted and verified**
- Guidelines vary a lot from one lender to the next

REAL TALK: A P&L loan isn't automatically the right answer. Sometimes your tax returns qualify you for a better rate than you'd expect. I'll run it both ways before we pick a direction.

CPA-PREPARED VS. SELF-PREPARED

Who signs your P&L changes what it can do for you.

Lenders treat a P&L very differently depending on who put it together. A P&L from a licensed professional who knows your business carries real weight. One you prepared yourself usually needs more support.

	PROFESSIONALLY PREPARED	SELF-PREPARED
WHO SIGNS IT	A CPA, enrolled agent or licensed tax preparer, depending on the program	You, the business owner
HOW IT'S VERIFIED	The lender confirms the preparer's license and that they actually work on your books or tax returns	Checked against your bank statements, deposit by deposit
WHERE IT'S USED	P&L-only programs, and as support for bank statement loans	Mostly as a supporting document, like a year-to-date P&L or alongside bank statements
WHAT ELSE YOU'LL NEED	Preparer contact info and license number, and sometimes a letter from the preparer	Usually 12–24 months of bank statements to back up the numbers

TALK TO YOUR PREPARER EARLY

Some CPAs need weeks to sign off, and some won't sign a P&L until they've reviewed your books. Ask before you're under contract, not after. Confirm they're comfortable taking a verification call from a lender.

WHAT GETS ADDED BACK, AND WHAT COMES OUT

Usually only a few line items change. But they're the ones that matter.

An underwriter goes through your P&L line by line. Most expenses stay as they are. A few are **paper expenses** that didn't actually cost you cash that year, and a few kinds of income **won't happen again**. Those are the lines that get adjusted.

OFTEN ADDED BACK

- **Depreciation** on equipment, vehicles or property
- **Depletion** and **amortization**
- **One-time expenses** that are documented and won't repeat

OFTEN REMOVED FROM INCOME

- Sale of equipment, a vehicle or property
- Insurance payouts and settlements
- Grants and forgiven loans
- Money you moved in from personal accounts
- Loan proceeds

LOOKED AT CLOSELY

- Owner draws listed as an expense
- Meals, travel and vehicle costs
- Personal expenses run through the business
- Big month-to-month swings

REAL TALK: Every program has its own add-back rules, and some P&L-only programs use net profit as-is, with no add-backs at all. Don't adjust your P&L yourself to "help." Let your preparer report it accurately, and I'll tell you how a given program will read it.

HOW YOUR INCOME IS CALCULATED

From your bottom line to a monthly qualifying number.

Here's how a 12-month P&L can turn into qualifying income. Your numbers and your program's rules will be different. This just shows how the steps work.

Gross revenue	**$240,000**
Less: cost of goods sold	**($40,000)**
Less: operating expenses	**($120,000)**
Net profit	**$80,000**
Add back: depreciation	**+$8,000**
Remove: one-time equipment sale	**($5,000)**
Adjusted annual income	**$83,000**
× Your ownership share	**100%**
MONTHLY QUALIFYING INCOME (÷ 12)	**$6,917**

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

OWNERSHIP SHARE

If you own 50% of the business, you generally qualify on 50% of the income.

12 VS. 24 MONTHS

With 24 months, income is usually averaged. If it's dropping, the lower year may be used.

THE TREND

Steady or rising income helps. A sharp drop needs an explanation.

PAIRING YOUR P&L WITH BANK STATEMENTS

Your deposits should tell the same story as your revenue.

When a P&L comes with bank statements, the underwriter compares the two. Revenue on the P&L should be **reasonably close** to what was actually deposited over the same months. If they don't line up, expect questions.



EXAMPLE ONLY. CLOSE NUMBERS SUPPORT EACH OTHER. A BIG GAP GETS QUESTIONED.

KEEP BUSINESS & PERSONAL SEPARATE

A dedicated business account makes your deposits easy to read. Mixed accounts take longer to sort out and invite questions.

TRANSFERS AREN'T INCOME

Moving money between your own accounts doesn't count as revenue. Underwriters back those transfers out.

LARGE DEPOSITS NEED A SOURCE

A deposit that's unusually large for your business may need a paper trail, like an invoice or a contract.

OVERDRAFTS GET NOTICED

Frequent NSFs or negative balances can be a red flag, even when the income is strong.

COMMON MISTAKES THAT DELAY APPROVAL

Most of these are easy to fix ahead of time.

1 P&L AND DEPOSITS DON'T MATCH
Revenue on paper that never shows up in the bank is the most common problem.

2 UNSIGNED OR UNDATED
A P&L without a signature, date and preparer info usually gets sent back.

3 PREPARER CAN'T BE VERIFIED
A license that doesn't check out, or a preparer who won't take the call, stalls the file.

4 WRONG TIME PERIOD
The P&L has to cover the exact months the program requires, through a recent date.

5 MIXED ACCOUNTS
Running personal and business money through one account makes income hard to prove.

6 UNEXPLAINED SWINGS
A big drop or spike without an explanation leads to questions, or a lower income figure.

7 CHANGING THINGS MID-LOAN
A new business entity, new bank account or big purchase during the process can reset the file.

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

Every P&L 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 start to vary more from one program to the next.
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 are a little low for a standard P&L or bank statement program, I send your file to our **scenario desk** with your P&L, bank statements and business narrative. They look across programs to find the one that fits your score, down payment and income. That's a better answer than a quick no.

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

YOUR BUSINESS NARRATIVE

One page that helps the underwriter understand your numbers.

A business narrative is a short letter explaining what your business does and how it makes money. It gives the underwriter context the numbers can't. A clear narrative can make the difference on a file that's close, especially one that goes to the scenario desk.

WHAT TO INCLUDE

- What the business does, and how long you've run it
- Your ownership share
- How you get paid: invoices, cards, checks, cash
- Number of employees or contractors
- Why income went up or down, if it did
- Any one-time items on your P&L

KEEP IT

- **Short.** One page is plenty.
- **Factual.** It's an explanation, not a sales pitch.
- **Consistent** with your P&L and bank statements
- **Signed and dated**

A SIMPLE OUTLINE

1. "I own 100% of [Business Name], a [type of business] I started in [year]."
2. "We serve [who your customers are] and are paid by [how you get paid]."
3. "We have [number] employees and operate from [location]."
4. "Revenue changed in [period] because [reason], and has since [current trend]."

12 · GET ORGANIZED

DOCUMENT CHECKLIST

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

- [ ] P&L covering 12 or 24 months, signed and dated
- [ ] Preparer's name, contact info and license number
- [ ] Proof the business exists, like a license, registration or preparer letter
- [ ] Business narrative, signed and dated
- [ ] Government-issued photo ID
- [ ] Business bank statements for the same months
- [ ] Personal bank statements (most recent 2 months)
- [ ] Statements for down payment and reserve funds
- [ ] Explanations for any large deposits
- [ ] Recent tax returns, if your program asks for them

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



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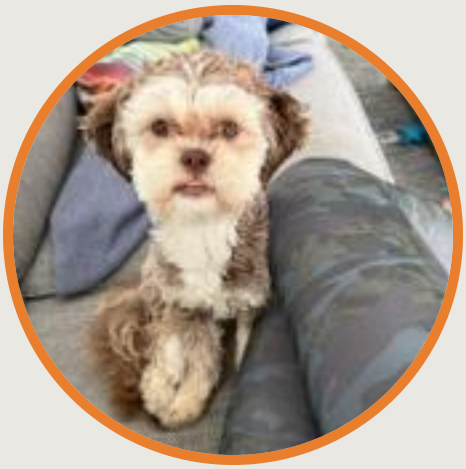
BOOK 15 MINUTES

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 and property approval; not all applicants will qualify. Income calculations, add-backs, documentation requirements, credit score minimums and loan-to-value limits vary by program and are determined at underwriting. Examples are illustrations only. Non-QM, P&L-only and bank statement 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 went through every line of a client's P&L once and only a few things needed to change. He loves that stuff. I love when he finishes so we can go outside.

Have your CPA or tax preparer ready early. Some take a while to sign. I sign everything with a paw print, instantly.

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Tips, updates and plenty of Penny.

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