Self-Employed on Long Island? How Bank-Statement Loans Actually Work

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SELF-EMPLOYED

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Coltrain Mortgage Team · September 10, 2026 · 6 min read

If you're self-employed and were told you don't qualify for the mortgage you know you can afford, the problem probably isn't your income - it's how a traditional lender is reading your tax returns. Bank-statement loans exist specifically to fix that.

The self-employed qualifying problem

Traditional mortgage underwriting looks at your *net* income on your tax returns - the number left over after every legitimate business write-off. Business owners are often advised, correctly, to write off as much as they reasonably can to reduce their tax bill. The side effect: the income figure a bank sees on paper can be far lower than what you actually bring home and spend every month.

How bank-statement loans work instead

Instead of using your tax returns, this program looks at 12 to 24 months of your personal or business bank statements and calculates your qualifying income from actual deposits - what really moved through your accounts, not what's left after deductions.

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12–24 Months of Statements	**No Tax Returns Needed**	**Personal or Business Accounts**	**Expense Factor Applied**

A simplified example

Say your business bank account shows average monthly deposits of $15,000. Since deposits include revenue that covers real business expenses, not just take-home income, the lender applies an expense factor (commonly somewhere around 50%, though it varies by program and documentation) to arrive at a qualifying income - in this case, roughly **$7,500 a month**. For many self-employed borrowers, that number is meaningfully higher than what their tax returns alone would show.

Deposits, Not Deductions

The core idea behind bank-statement lending: qualify on what actually came in, not what's left after write-offs.

Who this is for

BUSINESS OWNERS

LLC, S-corp, or sole proprietors with strong cash flow but heavily written-down taxable income.

1099 CONTRACTORS

Consultants and contractors whose income doesn't fit neatly into a W-2 underwriting model.

GIG-ECONOMY WORKERS

Variable income across multiple platforms or clients, documented through deposit history instead.

REAL ESTATE AGENTS

Commission-based income that can swing month to month but averages out over a full year.

> **The honest trade-off:** bank-statement loans typically carry a somewhat higher rate than a fully documented conventional loan, since the lender is taking on a different kind of risk. For many self-employed borrowers, qualifying for the home they actually want, at a slightly higher rate, beats not qualifying at all under a traditional model.

Is this the right path for you?

If your tax returns don't reflect what you actually earn, this is worth a real conversation before you assume you don't qualify.

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