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Financing a Home Purchase Has Its Own Special Hurdles for 'Gig Workers'

It's true. "Traditional" 9-to-5, "salaried" jobs are not the only path to financial security, and workers are embracing the idea of temporary, flexible, and on-demand work. Companies like Lyft, Uber, and TaskRabbit allow many to free themselves from the contracts of traditional employment and work in the "gig economy." I was curious about how lenders deal with the income of non-traditional workers. Here's what I learned from **Jaxzann Riggs**, owner of **The Mortgage Network**.

Let's Talk Home Financing

By JIM SMITH Realtor®

The mortgage industry has faced some new challenges in assessing income. While having two years of "W2 employment" with the same employer is the gold standard, that does not mean that consideration isn't given to gig economy jobs. One of the mortgage lending roles most affected by these changes is the ***underwriter***. For those who need a quick recap, the underwriter is tasked with assessing and evaluating risks associated with your loan. After reviewing your financial information, it is the underwriter who has the ultimate responsibility to decide if your application meets government standards, and it is the underwriter who will either approve or decline the application.

For this reason, underwriters play a pivotal role in evaluating the unique circumstances and income streams of gig workers.

Many gig workers may now be asking what an underwriter looks for and how can the applicant can ensure that his/her loan is approved.

To assess income for gig workers, underwriters consider many factors. First, they will evaluate earnings history, analyzing income patterns over an extended period of time. Underwriters want to see consistency and reliability of income, with uninterrupted income, typically for at least two years. If your income was interrupted for a short period of time, the underwriter may request additional documentation to gain a better understanding of your income stability and potential. Their decision will normally be favorable if you've remained in the same or similar lines of work, your annual income has remained the same or increased, and you were able to meet all obligations during any periods of unemployment. Underwriters and lenders may accept a minor decline in income from one year to the next, but, they will normally qualify the borrower based upon the lower annual rate.

Both gig workers and traditional employees, may also receive "additional income", such as overtime, bonuses, commissions, part time second jobs, alimony and child support that can significantly impact a borrower's ability to qualify. To utilize "additional income' for qualifying purposes the underwriter will ask three questions:

- ♦ Has the borrower received the income consistently over the past two years?
- ♦ Is there a likelihood that it will continue?
- ♦ Can the borrower provide documentation to verify receipt of the income?

Ultimately, it's important to note that an underwriter's main objective is to assess your "ability to repay" (ATR) as defined by the Consumer Financial Protection Bureau. If your circumstance is unusual in any way, your mortgage broker will evaluate your situation and help you present the most favorable picture of your income and employment to the underwriter. Because the underwriter has so much discretion, it is critical that prospective borrowers obtain a preliminary approval prior to shopping for a home. One of the benefits of working with a mortgage ***broker*** is that they typically have access to more than just one underwriter. Jaxzann points out that there are loans for borrowers who don't meet "ability to repay" rules. With over 30 years of experience assisting borrowers, she can help you determine your best loan options. You can reach her at **(303) 990-2992** if you have questions about qualifying for a loan.

The Mortgage Network™