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Ultimate Self-Employed Loans Guide

What is a self-employed loan?

A self-employed personal loan is a personal loan for people who are sole-traders or run their own business. While there is no specific type of loan called a 'self-employed loan', there are several loan options available that are tailored to the self-employed.

In some instances, these loans require significantly less documentation than a standard loan, while being specifically designed for borrowers who do not have access to the usual documents required for a loan.

How does a self-employed loan work?

A self-employed loan isn't too different from a regular loan, depending on which type of self-employed loan you choose. Each lender may have different interest rates for their self-employed options, as well as different levels of flexibility. By choosing a self-employed loan with fewer documents, it may take less time to be approved compared to the time a regular loan takes.

Who can access a self-employed loan?

Even if you do not qualify for a standard loan, you may still be able to access a self-employed loan. Self-funded investors, companies and trusts may also qualify for this type of loan. The low documentation requirements reduce the amount of paperwork involved, making them a good option. There are many things that self-employed loans can be used for, providing sole traders with plenty of opportunities.

Why banks and most lenders don't like to lend to self-employed individuals

Lenders often see self-employed individuals as more of a risk compared to other applicants due to the risk of small businesses failing. Some self-employed people may find it harder to prove their regular income or any assets that they own. Income fluctuations can come with being self-employed, which doesn't help when most lenders want to see a stable profit record. To lenders, a bad few months of inconsistent income may make repayments hard.

As a general rule, you usually need to have been in business for at least 18 months, or you need to have been in the same industry for at least two years. It can be difficult to get a lender to loan you a house deposit when you are a sole trader. However, these days, more and more Australians are working for themselves across various fields and industries. A lot of lenders don't like to back sole-traders due to perceived financial uncertainty, but Tiger Finance feels differently.

How to get a home loan if you're self-employed

You may be able to apply for a self-employed home loan if you do not qualify for a standard home loan. However, one thing that you must be able to provide is proof of income. In some cases, this could mean having to provide two years' worth of business statements.

Though you may not need to provide the same documents as a standard borrower, you will still need to provide some information to verify your income. When you're self-employed, the documents you will need to supply to your lender to get approved may include:

- **ABN:** Having an existing Australian Business Number to prove your business is legitimate.
- **A borrower's income declaration:** Provide a signed document verifying your income. This will prove that you can afford the loan repayments.
- **Business activity statements:** Provide ATO verified business activity statements from the last 6 to 12 months.
- **Both business and personal transaction statements:** Some lenders will need up to 6 months' worth of statements.
- **Have a deposit:** In most cases, the maximum amount you can borrow on a low doc home loan is 80% of the property value.
- **GST registration:** You may need to confirm with your lender that you have been registered for GST, should you meet the minimum levels.

The different type of self-employed loans

If you are self-employed or a sole trader who has been turned down, don't despair. While the application process may be a little different, there are still plenty of options for you to choose from.

- Specialist loans are loans that are done through a specialist lender who provide loans for those who are self-employed. You may need a specialist due to your credit score, loan purpose, needing a loan after bankruptcy or not meeting the income verification requirements. Generally, if you're a specialist borrower, you're someone with a need for home loan finance who cannot meet the criteria put forward by traditional lenders.
- Secured or unsecured personal loans are a lump sum payment that you repay over an agreed-to period of time. Repayments typically include interest on top of the loan, which is a percentage of the principal sum of the loan. The interest rate on these loans can either be the standard rate, or a comparison rate. A secured loan is a loan guaranteed by an asset, for example, a car. Your lender would use this asset as security, which means that if you cannot make the agreed repayments your lender could take possession of the asset and sell it to cover the cost of the loan. Having this security means that the lender can offer you a lower interest rate for the loan.
- Low document loans are used when the borrower cannot meet the required number of documents needed for another loan. Low doc loans can be taken out using less documentation than what is required for a full documentation loan. Typically, low doc loans are for potential borrowers who are self-employed or small business owners and don't have access to the documents required to be approved for a traditional mortgage.

What to look out for in a lender when applying for a self-employed loan

If you're searching for a self-employed loan, it's important to be aware of what to look out for when choosing a lender. Your lender should offer you flexibility while being understanding about your circumstances. They should also be understanding of any unforeseen financial circumstances that may arise. You may want to find out whether your lender accepts alternative documentation for credit approval, and whether they offer fixed or variable interest rates on their loans.

What is the easiest way to get a self-employed loan?

By choosing Tiger Finance!

We make applications easy. You won't need to scan every identification document that you have or every single bank statement from the past few years. We believe in making the process as simple and pain-free as possible, to get you financed quickly.

If you're self-employed, you shouldn't be continuously turned down for lending. Our loan specialists can help you find the perfect home loan today. We understand that there are so many loan options available, and we can help you to find the one that suits your needs.

If you are one of the many Australians finding getting home loan approval difficult, Tiger Finance can make the process simple and pain-free.

4 SIMPLE STEPS TO GET FUNDED



1

**FREE LOAN
CONSULTATION**



2

**WE TAILOR
MAKE A LOAN
THAT FITS YOU**



3

**WE NEGOTIATE
WITH CREDIBLE
LENDERS**



4

**APPROVED &
SETTLED**

