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Filing Tax Returns

How this may affect qualifying for a home loan.

As it comes time to file a new federal income tax return, there are a few important items to keep in mind; specifically when it comes to obtaining a home loan.

Until April, when the tax filing deadline approaches (generally April 15), lenders will use the proceeding 2 years filled tax returns to calculate income for a home loan.

Below are a few items that can affect your home loan pre-qualification:

- Declining Income from year-to-year - if your income has declined from the previous year to the current tax filing period, this may be a problem. Be sure to discuss with your lender.
- Un-reimbursed Business Expenses (Form 2106) - such as uniforms, union dues, licenses or exams, travel expenses, car mileage, meals and entertainment. These will be subtracted out of your qualifying income.
- Schedule C Filing (for those self-employed or who have a side business) - Income/Loss - this can affect you even if it's not your primary form of income. (See the Flyer "How Lenders Calculate Self-Employment Income".)
- Schedule E Real Estate - the purchase of additional properties or the conversion of a primary/secondary residence to an investment property will affect the income/loss numbers from the previous year.

Keep in mind, timing is important! Once you file the current years tax return, it can take the IRS 4-8 weeks to process the filing. If your home loan pre-qualification depends on the income reported for the current year, lenders will require the return to be processed and verified by the IRS before the income can be used for qualifying. This is most important for self-employed borrowers or those filing a Schedule C or Schedule E.

Also, if you file an extension, lenders will require a copy of the extension along with proof of any payment required at the time of the extension. If you are self-employed, lenders generally require a P&L (Profit & Loss) for the previous year and a year-to-date P&L.

Please note: this information is general in nature and is not intended as investment, tax or real estate advice. Please refer to your independent tax advisor for further information.

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