



Blackhawk Bank says, “Yes – please apply! Outside the box thinking is the norm here!”

Getting Paid For Not Working

It seems counterintuitive: qualifying for a mortgage with money someone receives for not working. Things that make you go “hmmmm...”

But it's not as crazy as it first sounds. Some job types have a history of hire/layoff cycles. Construction workers are really busy for months, but are laid off when a project is complete, then, a month later, they are rehired, and the cycle starts again. Same with auto-makers when a re-tooling of the production line or the entire plant takes place.

Similar to all income types, history is the key. Mortgage applicants who wish to use unemployment income to qualify must show that they have both worked for at least two years and collected unemployment in a fairly consistent manner.

Two Jobs? No Problem!

Having a second or third job can help an applicant qualify for a mortgage. The lender will consider the income from a part time job in addition to the borrower's primary employment total income.

The catch is that the borrower has to show a two-year history of working all jobs simultaneously. The lender will request W2s and verifications from all employers for the previous two years, and most likely come up with a two-year average for any income from multiple jobs.

What the lender is looking for is the borrower's capacity to sustain multiple jobs at the same time. So you can't go out and get a second job a month before applying for a mortgage, and expect that to help you. In fact, it may hurt you. A second job with no prior history will be viewed as a risk to the applicant's primary job.

Here's a Tip on Tip Income

The kicker when it comes to tip income is that many people don't report it for tax purposes. When they go to apply for a mortgage, the lender can't see from W2s or tax returns that they actually made the tip income. They forfeit the bulk of their income as far as loan qualification.

Most bartenders, hotel staff, and restaurant workers get hourly pay right around minimum wage. It's hard to qualify for a mortgage with that.

When properly documented, tip income can be a real boost to a mortgage application. It can double the home price for which an applicant can get approved. For more reasons than one, anyone with tip income should think twice before hiding it from Uncle Sam.

Dad, Can I Borrow Your Income?

Some borrowers don't have enough income of their own to qualify for a home. In some cases, they can use a relative's income. This is a popular feature of the FHA loan program. So far, FHA has not restricted the use of what is called “non-occupant co-borrower” income.

A non-occupant co-borrower is anyone who does not plan to live in the home being purchased, but chooses to co-sign the loan with someone who does plan to live there.

For instance, if a college student buys a home near a college of choice rather than paying rent or dorm fees, a relative could co-sign the loan.

The FHA underwriter will “blend” both applicants' incomes, credit, and assets as equal borrowers on the loan.

Dad may be a little hesitant to enter into this situation though, since he will be legally liable to repay the debt if his son decides he no longer wishes to pay. The loan will also show up on Dad's credit report and lenders will count that debt against him if he applies for new credit.

With the right combination of borrower and co-signer, and a good dose of trust, this lender allowance can make a homeowner out of applicants who can't go it alone.

Prepare to Prove Income

Anyone with alternative types of income should be prepared to supply more documentation than the standard salaried borrower. Ask your loan professional up front what documentation you should start gathering.

You can expect to supply items such as letters and verifications from past and current employers, W2s and tax returns for at least two years, and financial paperwork from relatives if using their income to qualify. All applicants must meet underwriting standards, but we have the willingness to help where other banks may not.

Source: mymortgageinsider.com & Blackhawk Bank