

VANILLA BORROWING TIPS FOR THE SELF EMPLOYED

Borrowing as a self-employed person can be more challenging than for salaried employees, but it's definitely do-able with the right preparation and right advice. Here are some vanilla tips to improve your chances of securing a loan—whether it's for a home, business, or personal use:

✓ 1. Get Your Financials in Order

Lenders want to see consistent income and sound business management.

- **Tax Returns:** Aim for at least **2 years of completed tax returns** (personal and business).
- **Business Activity Statements (BAS):** Some lenders accept 12 months of BAS instead of tax returns for *low-doc loans*.
- **Profit & Loss Statements:** Prepared by a registered accountant.
- **Bank Statements:** Usually 6–12 months of business and personal bank statements

✓ 2. Understand Loan Types Available

Depending on how long you've been in business and your documentation, you may be eligible for different types of loans:

- **Full-Doc Loans** – Require full financial documentation.
- **Low-Doc Loans** – For those with limited documentation; may have higher interest rates or stricter conditions.
- **Alt-Doc Loans** – Middle ground between full-doc and low-doc.

✓ 3. Build a Good Credit Profile

- **Check your credit score** via Equifax, Illion or Experian.
- Pay all bills, loans, and credit cards on time.
- Minimise personal debt before applying.

✓ 4. Save a Solid Deposit

- A **20% deposit** improves approval chances and avoids Lenders Mortgage Insurance (LMI).
- Some lenders may accept a 10% deposit with good financials or via *guarantor loans*.

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✓ 5. Reduce Business Complexity

- Lenders prefer simple business structures.
- If you operate under a company or trust, make sure you can clearly demonstrate income distribution and ownership.

✓ 6. Use Chocolate Money as your Finance Broker

Especially valuable for self-employed borrowers:

- Chocolate Money has more than 20 years experience helping the self-employed and those with complex lending needs. (non-vanilla situations)
- Chocolate can match you with lenders who specialise in self-employed applicants and actually appreciate your business.

✓ 7. Keep Business and Personal Finances Separate

- Don't mix personal expenses with business accounts.
- This helps paint a clearer picture for lenders.

✓ 8. Be Transparent

- Be ready to explain any income fluctuations.
- Lenders will scrutinise irregular cash flow—clarity builds trust.

✓ 9. Consider Seasonality

- If your business is seasonal (e.g., tourism, farming), apply during your strongest period of cash flow.
- Provide additional supporting documents to explain seasonality.

✓ 10. Don't Shop Around

- If you get multiple credit checks on your credit report, it can become near impossible to borrow so don't risk dealing with an amateur broker or directly with a bank.

Obviously not everyone can tick all / many or even any of the above boxes but don't despair; Chocolate Money will give you sound lending advice and help you obtain the loan which best suits your situation.