The Mortgage Masters

www.themortgagemasters.co.uk

THE SELF-EMPLOYED MORTGAGE GUIDE

We'll help to make your dreams of home ownership come true

LEARN MORE

The Mortgage Masters

THE SELF-EMPLOYED MORTGAGE

Guide

.

Getting a mortgage when you're self-employed can be tough.

Lenders want to ensure that your income is reliable and sustainable. They may apply stricter affordability criteria since you don't have an employer to verify your income.

You may need to jump through a few extra hoops to show that you'll be able to maintain monthly payments for the whole mortgage term.

Knowledge and preparation are the key to success. This step by step guide will help give you all the information you need to ensure you give yourself the best possible chances of mortgage success.

HOW ARE SELF-EMPLOYED MORTGAGES DIFFERENT *From a standard Mortgage?*

The short answer is, they aren't! Self-employed (SE) applicants have access to the same mortgages as employed applicants. The difference lies in how you prove your income.

Self-employed income can fluctuate and vary from month to month and year to year. Different lenders use different criteria to assess your income, but the bottom line is, they want to see that it's sustainable and that you can afford to meet the monthly repayments long term.

If you are newly self-employed, many lenders prefer it if you were previously employed within the same industry. However, others take a more flexible approach and will happily lend regardless.

HOW MUCH

Can I Borrow?

The amount you can borrow depends on a combination of factors such as your income, outgoings, credit history, size of deposit and age. As a very rough guide, lenders typically offer up to 4.5x your annual income, although some lenders don't limit the income multiple, providing they deem your mortgage affordable.

Every lender has their own affordability calculator to determine how much you can borrow. This can differ hugely from lender to lender, especially if you are self-employed. A mortgage adviser understands the different lender criteria. They can do a full assessment of your affordability so that you know how much you can borrow and what the monthly payments will be.

HOW MUCH DEPOSIT

Do I need?

The amount of deposit required can vary depending on several factors such as the type of mortgage you are seeking, your work history, any debts you may have and your credit profile.

If you're self-employed, it's a good idea to save as much as possible for a deposit. A larger deposit can give you access to a broader range of mortgage options and potentially better deals.

If you are worried about saving for a deposit and having enough money available for fees, there may be options availble such as selecting a product with cashback which may help cover such as legal costs.

Here at The Mortgage Masters, we understand specific lender requirements and can therefore advise you on the best options available to you.

The Mortgage Masters

WHO DO LENDERS VIEW AS *self-employed?*

Lenders will view you as self-employed if you are any of the following:

- Sole Trader
- Limited Company Director
- You own at least 20% of a business that is your main source of income
- Partner in a partnership or a limited company
- Contractor
- Freelancer

Choosing the right lender is key to mortgage success as different lenders assess your income in different ways. There can be a huge difference in how much you can borrow from one lender to another so don't lose hope if your own bank has turned you down. You may have other options available.

HOW DO LENDERS ASSESS

Self-Employed Income?

Sole Traders and Partnerships

Lenders base their calculations on the profits declared on your tax calculations (SA302s) which demonstrate your income. Many will require 2-3 years' worth of accounts and many will use an average of the last 2 years' income. For Partnerships, they will also want to know your share of net profits.

Some lenders will happily accept the latest year of accounts for affordability, regardless of whether or not you've only been trading one year.

The Mortgage Masters

The Mortgage Masters

Limited Company Directors

Most lenders will look at your salary plus dividends when working out your affordability. Again, most will require 2–3 years worth of accounts and many will either take an average, or the lower of the last 2 years.

However, some are happy to take your most recent year's earnings for affordability and will lend with only one year of accounts.

If you're a business owner who chooses to keep money in the business accounts, you'll be pleased to know that some lenders will also include your share of net profit in their affordability assessment. For established businesses, this can dramatically increase your affordability.

Contractors

The majority of lenders will usually require at least 12 months history of contracting, with your contract having been renewed at least once, or imminently to be renewed.

However, there are lenders that can consider your application if you have previously been employed in the same industry. For example, if you are on the Construction Industry Scheme (CIS), so long as you have had 3 months' worth of continuous payments and a good credit record, we can help you get a mortgage based on your average day rate.

No matter which self-employed category you fall into, lenders are likely to ask more detailed questions to clarify your income. It is highly recommended that you speak with a self-employed mortgage specialist to support you in your mortgage journey. The will know how to show your income in the best possible light and approach the right lender for you. This will give you the best possible chances of mortgage success.

www.themortgagemasters.co.uk

The Mortgage Masters

WHAT DOCUMENTS WILL I NEED FOR A

Self-Employed Mortgage?

- Photo ID
- Proof of address (e.g. Utility Bill)
- A copy of your credit report
- 3 months personal bank statements
- 3 months business bank statements
- Proof of deposit (e.g. ISA Statement)
- Details of monthly expenditure
- Details of any other income such as benefits, maintenance payments, rental income.

www.themortgagemasters.co.uk

The Mortgage Masters

DO I HAVE TO USE *an accountant?*

Some lenders require you to have submitted your tax returns via a certified accountant when SE. Other lenders are more flexible and are happy for you to have submitted your own.

Certain mortgage providers may require an accountant's certificate as part of the application process. If you prepare your own tax return, it's important to check whether this will be needed to avoid the risk of your application being declined.

Other additional benefits to using an accountant

• Some lenders will accept an accountant's projection to help strengthen your case.

• With certain lenders, if you have committed expenditure for your business that shows on your personal credit report (e.g. car loan or business credit card), the lender may discount it for affordability purposes if your accountant can vouch for the fact that it's a business expense.

WILL I PAY HIGHER MORTGAGE RATES WITH BEING *Self-Employed?*

The Mortgage Masters

REAL ESTATE

Mortgages for SE individuals aren't necessarily more expensive. If you can provide sufficient evidence of your income, you should be eligible for the same deals as someone with a similar salary in an employed role.

The mortgage rate you receive is more likely influenced by factors such as the size of your deposit and your credit score. Generally, the larger your deposit and the better your credit rating, the more favourable your mortgage rate will be.

However, if mainstream banks reject your application, you may need to consider a specialist lender that caters to self-employed borrowers. In such cases, the interest rates might be higher.

TOP TIPS TO BOOST YOUR *Mortgage Chances*

- Take as many steps as possible to boost your credit score e.g. ensure all payments are made on time and don't max out your credit cards.

- Minimise the expenses you claim before applying for a mortgage. Claiming numerous business expenses could make your income appear lower, potentially reducing the mortgage amount you're eligible for.

- Save as much as you can for a deposit (ideally, a minimum of 10% although you may have options available with a 5% deposit).

- Keep your personal and business banking separate

- Get on the electoral role

- Use a certified accountant

- Use a mortgage broker to support you in showing your income in the best possible light and approaching the right lender for your circumstances.

FAQS FOR

Self-Employed

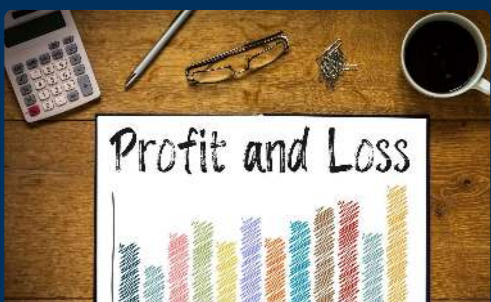
Q Can I get a mortgage when I'm self-employed with decreasing profits?

A It becomes more challenging if your business is experiencing a temporary downturn and your profits have decreased. However, don't lose hope as the good news is that getting a mortgage with decreasing profits can still be possible!

Q Do Self-Certification mortgages still exist?

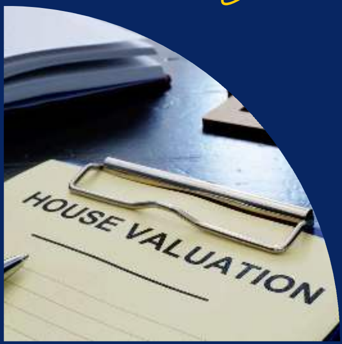
A These mortgages were banned in 2014 due to concerns that borrowers were being approved for loans they could not afford.

As a result, self-employed individuals now have to apply for mortgages under the same process as everyone else.



WHICH FEES ARE INVOLVED IN

Buying a home?



Stamp Duty Land Tax

You may have to pay stamp duty land tax when purchasing a property. The amount payable depends on the purchase price.

Valuation Fees

Whilst some lenders offer a free valuation, often you will incur costs to have the property valued. You may also wish to get a more detailed survey such a Homebuyers Survey to give you peace of mind that that the property you are purchasing has no major issues that could end up being costly to repair. The cost varies depending on factors such as the lender and the location, price and type of property being surveyed.

Legal Fees

There are a range of legal fees payable during the mortgage process as you will need to appoint a solicitor to support you.

Product /Arrangement Fees

Mortgage lenders may charge a fee to secure a given mortgage product. These vary from lender to lender.

Broker Fees

At The Mortgage Masters, our initial consultation period is completely free. We are always transparent about our fees and these will be confirmed and agreed, prior to us carrying out a Decision in Principle.

WHAT TYPES OF MORTGAGES *Are there?*

The Mortgage Masters

There are lots of different mortgage products available. Your mortgage adviser can help advise you on which is the best product for you based upon factors such as your monthly budget and attitude to risk.

Fixed Rate

The majority of First Time Buyers opt for a Fixed Rate mortgage. This is where you fix the interest rate for a set amount of time (usually two or five years). During this time, interest rates may go up or down but yours remain fixed. This makes it easy to budget as you have guaranteed, set monthly payments for the time you fix the rate for

Once have entered into a fixed rate, you are usually subject to an Early Repayment Charge should you wish to leave which means that you may feel tied into paying a higher rate if interest rates drop.

WHAT TYPES OF MORTGAGES

Continued...

When your fixed rate is coming to an end, you usually have the option of fixing a new product with the same lender (a Product transfer) or remortgaging to a new lender. If you do neither, you would be automatically transferred onto your lenders Standard Variable Rate and may end up paying more than you need for your monthly payment.

Other Mortgage Types

There are alternative mortgages available and these don't always involve fixing the rate. The interest rates on these products may increase or decrease in line with the Bank of England Base Rate or they may be decided on by the lender. Whilst there are advantages to these products (many don't have Early Repayment Charges for example), the monthly repayments are not set in stone which can make it difficult to budget.

Here at The Mortgage AMsters, we will fully explain all the options available to you and advise on a product best suited to you and you circumstances.

www.themortgagemasters.co.uk

WHAT HELP IS AVAILABLE TO *First-Time Buyers*

There are various schemes available to help First-Time Buyers get on the property ladder. These include:

- First Home Schemes
- Mortgage Guarantee Scheme
- Lifetime ISA
- Shared ownership
- Right to Buy
- Right to Acquire
- Guarantor Mortgages

Our team of experts here at The Mortgage Masters, can advise you on if you are eligible for any of the first-time buyer schemes and explain them to you in more detail.

The Mortgage Masters

www.themortgagemasters.co.uk

THE HOMEBUYING PROCESS

The Mortgage Masters

Step by step...

1

Contact a Mortgage Adviser

Arrange a call with your mortgage adviser to discuss your circumstances and get an affordablity assessment.

2

Get a Decision in Principle

Apply for a Decision in Principle. This will show the vendor and estate agent that you're in a position to buy.

3

Find a Property

You are in a position to put in an offer. Once accepted,, your mortgage adviser can then apply for your full mortgage application

4

The Legal Process-Conveyancing

Your solicitor will take care of the legalities. This process normally takes around 8-12 weeks

5

You are a Homeowner!

Congratulations you are now at the ned of your mortgage process It's time to make many happy memories in your new home!

CONCLUSION

The best way to improve your mortgage chances when self-employed is to speak to a self-employed mortgage specialist who is up to date with lender criteria and can approach the best lender for you. You could do it yourself, but it could be a costly and time-consuming mistake if you choose the wrong lender.

HOW TO REACH US

WWW.THEMORTGAGEMASTERS.CO.UK

01924 865007

ENQUIRIES@THEMORTGAGEMASTERS.CO.UK

UNIT 3, GRANGE HOUSE, GRANGE STREET
WAKEFIELD, WF2 8TF

Your home may be repossessed if you do not keep up with repayments

The Mortgage Masters