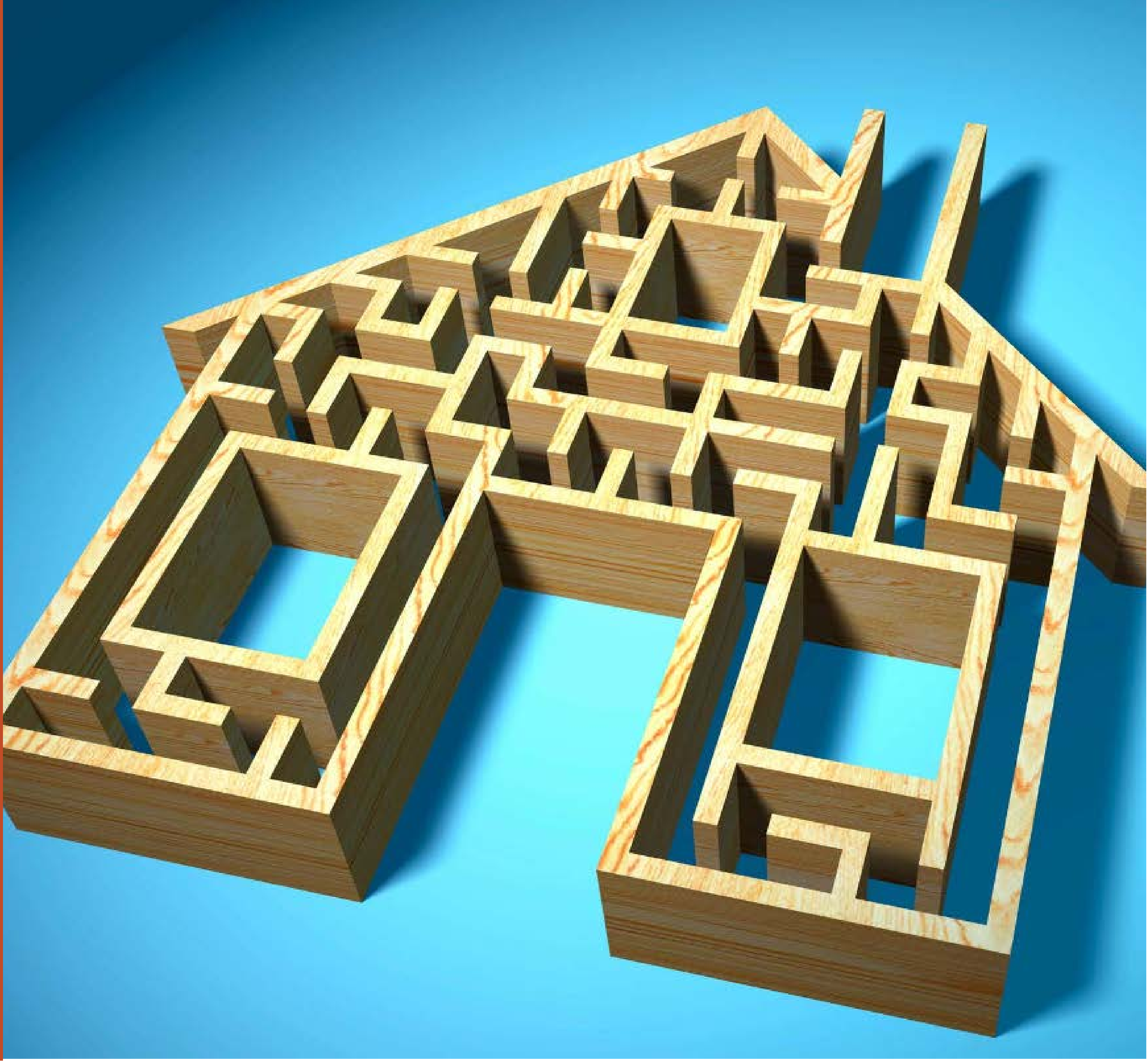


How to get a Mortgage if you are Self-Employed

8 top tips to help you navigate the mortgage maze

PENGUIN

8 Top Tips To Help You Navigate The Mortgage Maze

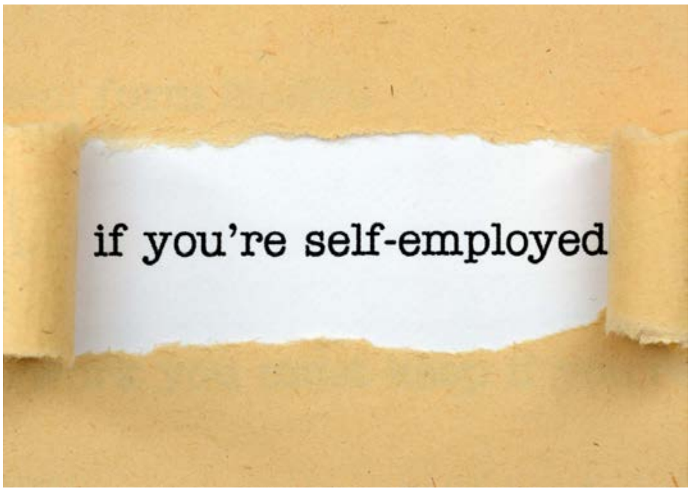
Being Self-Employed can have many benefits and advantages, but when it comes to arranging a Mortgage or sorting out a remortgage, your Self-Employed status can make it tricky.

That is because Mortgage lenders tend to dislike uncertainty, for example with income, which could change from year to year, or with job security, which is less secure for the Self-Employed.

As a Self-Employed individual you may well seek to keep your profits as low as you legitimately can to pay less tax, but ironically this then poses a challenge when you wish to prove you can afford certain levels of Mortgage payments.

TOP TIP #1

There is no such thing as a self eplolyed mortgage.



The good news, though, is not all lenders have the same approach or criteria and there are good mortgage deals in the market, which allow for some of the nuances of being self-employed.

This guide is intended to help you, if you are self-employed, by providing some top tips as to how you should go about exploring your options. Plus, what you can do to help yourself along the way.

Perhaps, the first thing to note is that approximately 15% of the working population in the UK is self-employed.
Lenders are therefore used to providing, and keen to provide, Mortgages to the Self- Employed and, since the end of "self-certification", do not particularly differentiate, meaning most mortgage deals are available to anyone regardless of their employment status.

The key thing is affordability, and this is just as relevant to any applicant – can they evidence that they can afford the mortgage?
Different lenders will have different ways of assessing affordability, and therefore it becomes important to look for deals from those lenders where the criteria Is slightly easier for the Self-Employed to provide the evidence required.

TOP TIP #2

There are different categories of Self-Employed. Do you know which category you are?

The term 'Self-Employed' is generally used to cover anyone who works on their own account.

You are Self-Employed if you are a sole trader, in a partnership, a contractor, freelancer or even sometimes when technically you are employed, but you are an owner/director of the company which employs you. For example, you are a director of a private business, in which you have a shareholding.

You can see therefore that the Self-Employed status covers quite a few different types of self-employments, and this can have a bearing on the Mortgage options.

It can also impact the type of supporting documentation you need to provide to support income and an affordability assessment.

TOP TIP #3

Get your paperwork lined up to perfection

Unsurprisingly, a lender's priority is to try and work out how much you can afford to borrow and what level of risk you pose as a borrower.

A lender can make a much easier assessment of an employed person who has an income paid under contract by an employer.

Many Self-Employed 'pay themselves' and, in some cases, could have unreliable or uncertain income levels moving forward.

In all cases, getting as much paperwork together to evidence your overall Financial position is crucial.
This can include your tax return, formal accounts, and management accounts. The more years of figures you can supply, the better.

If you have reliable and consistent long-term customers or contracts, providing details of these can help.

Lenders are also more likely to look favourably on accounts drawn up by an Accountant.

TOP TIP #4

Make sure your tax payments are up to date.

Missing or late payments of tax will be a red flag for lenders, and this will significantly impact their lending assessment.

It is important to make sure that all tax amounts due have been paid.

TOP TIP #5

The higher your deposit - the more likely you will find a Mortgage deal

The more you can put down as a deposit, the greater the number of Mortgage options you are likely to have.

Lenders will be assessing affordability and risk.
The lower the loan to value ratio, which put another way means the smaller the Mortgage is as a percentage of the house value, the lower the risk for the lender (who has the property as security for the mortgage).

If you can put down a 20% deposit then you will, in nearly all cases, have a greater range of options than if you put down a 10% deposit.

Anything you can do to save up and find a higher deposit amount, will inevitably help you with your Mortgage assessment and options.

TOP TIP #6

Ensure your credit file has the best score possible.

Part of the lending assessment will be to check your credit file, and in the case of a couple and a joint Mortgage, both parties credit files.

If the file shows a poor credit history this will severely and negatively affect the Mortgage prospects.

There are cases where Mortgages can be obtained with poor credit, but all other things being equal, it is much better to have a good credit history.

Credit files can be ‘impaired’ for many reasons, some quite unusual, for example not being on the electoral roll register.

It is a good idea to keep a regular eye on your credit file, which you can easily access yourself, and wherever possible act to make sure it is showing a good credit score.

TOP TIP #7

Do not automatically chase down the lowest interest rate.

When you are considering Mortgages available to you be aware that the lowest interest rate deal may not be your best option.

There are numerous costs associated with a Mortgage and if you obtain the lowest rate but pay more overall because of other costs, then you have not got the best deal when measured in totality.

Plus, the way Mortgages are structured can make direct interest rate levels difficult to compare.

A rate offered to you which is fixed for two years, but then reverts to the standard rate, maybe lower than a rate fixed for three years. But that extra year of fixed rate could, again, mean overall and over time the higher rate deal works out better.

TOP TIP #8

Get Professional Advice and Help!

As a result of all the various points made above, and the range of things you will need to consider when looking at your Mortgage options, getting help and advice is probably going to make a big difference.

A suitably qualified Independent Mortgage Adviser and expert will not only be able to help you find relevant deals, but they will also know how to present an application, make sure all your paperwork is spot on and can – crucially – help you assess the differences between the options in front of you.

Finding a Mortgage and then working your way through the Mortgage maze, dealing with all the aspects that goes with this, is a daunting and time-consuming exercise.

A Mortgage Adviser can take this burden for you and help you find just the right outcomes you desire.

For further information please contact:

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