

CAN I OBTAIN A MORTGAGE IF I'M SELF-EMPLOYED?

How to give your mortgage application the best chance of success

High street lenders tend not to offer mortgages to the self-employed, contractors and freelancers without considerable paperwork and delay, so finding the right mortgage lender for your circumstances can be daunting.

There are around 4.8 million self-employed people in the UK, many of whom mistakenly think their irregular income or lack of three years' worth of accounts means they automatically don't meet the requirements for a mortgage. But this is not the case. If you've been put off from applying, it might be time to reconsider.

MORTGAGES FOR SELF-EMPLOYED BUYERS

Self-employed buyers (including sole traders, contractors, partners and directors of limited companies) have access to the same range of mortgages that any other buyer has.

If your finances are in good order and you can prove you have a regular income, self-employment is unlikely to cause your application to be rejected. You'll simply need to provide different documentation, and perhaps more evidence of your income, than a buyer who's in regular employment.

PROVING YOUR INCOME AS A SELF-EMPLOYED BUYER

Mortgage providers will ask you for evidence of your income for the last two to three years, as they would ask any other applicant. How you do this depends on how you are currently self-employed.

- Sole traders (self-employed individuals) will be assessed based on their income tax self-assessments.
- Partners (people who are in business with others) will be assessed based on their share of the profits of the business.
- Directors (people who have formed limited companies) will be assessed based on their salary and dividends paid out by the company.

DOCUMENTATION FOR YOUR MORTGAGE APPLICATION

You'll need to supply the same documentation as anyone else as part of your application (e.g. proof of identity and address), as well as some additional documents. Exactly what you'll need to supply depends on your mortgage provider and your self-employment status, but you might be asked for any of the following:

- **SA302 forms:** these are provided by HM Revenue & Customs and show your earnings in previous years based on your income tax self-assessment.
- **Payslips and P60s:** if you pay yourself a salary through your limited company, or are employed through an umbrella company, you'll be asked for these as evidence.
- **Limited company accounts:** directors will usually be asked to show their limited company accounts for the last two years.

- **Contracts:** you might be asked to show documents proving your ongoing working relationship with clients and the agreed rates of pay.
- **Bank statements:** if you have a separate business bank account, be prepared to show historic statements for this, as well as your personal account.

IMPROVING YOUR CHANCES OF MORTGAGE APPROVAL

While there's no reason to be pessimistic about your chances of mortgage approval, you should also know that mortgage refusals can temporarily affect your credit score and therefore make your next application slightly more difficult.

You'll give yourself the best chance possible of first-time approval if you do the following things:

REGISTER TO VOTE

Make sure that you're on the electoral roll, as mortgage providers will use this to check your identity. You're likely to be rejected if you're not registered.

CHECK YOUR CREDIT HISTORY

Being self-employed makes it even more important to show that you're good at managing your money, so you need to be aware of anything in your history that indicates otherwise.

PAY YOUR BILLS

Make sure all your accounts are up to date, with no overdue bills or repayments. Your credit card doesn't need to be fully paid off but check that you're not close to your credit limit.

AVOID PAYDAY LOANS

There are certain types of credit, including payday loans, that look bad to mortgage providers. If a recent payday loan will show up in your credit check, you might choose to wait for a while before making your mortgage application.

PREPARE YOUR DEPOSIT

Generally speaking, mortgage providers prefer borrowers with larger deposits. Waiting until you have substantial savings will help your application. If family members are contributing to your deposit, make sure the money is ready to go before you apply.

EXPERT SELF-EMPLOYED BORROWING ADVICE

Obtaining a mortgage if you are self-employed, a contractor or a freelancer is often less straightforward than for those people in full-time employment. So it pays to seek advice from a mortgage broker with expertise in self-employed borrowing. ■

LOOKING FOR A SELF-EMPLOYED MORTGAGE?

With different lending criteria, rates and charges imposed on the self-employed by the various mortgage lenders, we'll help you negotiate the right deal for situation. To discuss your requirements contact please contact us.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

