

SELF EMPLOYED MORTGAGES: GUIDE

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SELF EMPLOYED MORTGAGES

Applying for a mortgage when self employed in the UK is unfortunately more complex compared to employed applicants. Historically self-employed borrowers were considered higher risk, but being self-employed or having flexible work has never been more popular. Many people work today for themselves or as contractors/freelancers, on flexible hours. The good news is that there are a range of mortgage lenders that will help, but many are not your usual high street banks and some of these lenders only work with Mortgage Brokers like us. Because of this many self-employed borrowers will use a mortgage broker to find the most suitable mortgage for their situation. Interest rates on these mortgages are not significantly higher but be prepared to provide more detailed information on both your business and you.

We work with our self-employed clients to get them 'mortgage ready' which means getting all your bank statements, tax returns, SA302's and company accounts in order. This makes the mortgage process much simpler and we support our clients through the whole journey.

USING AN INDEPENDENT MORTGAGE BROKER

As an independent broker we have access to the widest selection of lenders who all have different lending criteria. Salary, Dividends, Profits, Directors loans, Projection of income. Sole Trader, Limited Company or Partnership, all of these can be factors in which lender will agree a mortgage, even what qualifications your accountant has! Thankfully we know the lenders and their criteria which means we can place you with the best lender for your situation, first time.





INCOME FOR SELF-EMPLOYED

Self-employed people are often business owners, entrepreneurs and ambitious people passionate about the goods or services they provide. It can often mean their finances are less straight forward than employed workers and their tax arrangements can be more complex. Below are some explanations of how self-employed income can be structured.

1/Sole Trader: This is the most simple form of self employment with no difference between the owner and the business. The businesses income is the owners income. Most small businesses are sole trader businesses. If the business makes £50k net profit, the owners income is £50k.

2/Limited Company: The business and the owner are two separate things. The business has its own income and tax, and the owner has their own income and tax. The owner can take a salary from the business (like an employee) and also Dividends from profits. The owner can loan money to the business and the business can loan money to the owner. The business can create shares and they may have value and can be sold. The company can make a loss, but the owner still be paid a salary. Dividends can only be paid from profits. Businesses need working capital (cash) to keep afloat so business owners do not want to take too much cash out of their businesses.

The above is not tax advice and should not be relied upon. We highly recommended business owners seek independent tax advice from a suitably qualified accountant.

PROTECTION & INSURANCE

Buying a house and getting on the housing ladder is an amazing experience. However life can throw unexpected storms at you, and it is important to have protection in place. We can provide a range of insurances to ensure if ill health strikes or you cannot work, you keep your family in your home.

Visit our website to discover more about life insurance and protection for your family.



SELF EMPLOYED FAQ'S

Q/Do I need an accountant?

It's highly recommended you use a qualified accountant to submit your tax returns when self-employed.

Q/Do I need 3 years accounts to get a mortgage?

Not anymore, but that was the case previously. A number of lenders only require you to have just 1 year's accounts.

Q/My accountant advised me to keep my income low to reduce my tax bill.

This is common as your accountant's job is to make you tax efficient, but that won't help you when applying for a mortgage. There are some lenders that will consider your company profits in addition to salary.

Q/I have recently switched from Sole Trader to Ltd Co.

That is fine, so long as you are doing the same work and it is the same underlying business, it should not hinder you.

Q/Will I need to provide all my accounts and tax returns?

In short yes, so it is good to get organised. Mortgage lenders need to be certain your business is in good health (and can keep paying your income) and also your personal finances are in good health so you can afford the monthly payments. It's twice the work for the underwriter.

Q/Will I pay higher interest on a self-employed mortgage?

Not necessarily; high street banks will offer same rates to self-employed, but specialist lenders have higher rates.



FIRST SELECT MORTGAGE BROKERS

We take pride in being friendly and professional mortgage advisers. We take the time to explain everything and hold your hand every step of the way. Your adviser is contactable from day one, until you get the keys to your new home!

Visit our website to arrange a mortgage appointment over the phone to find out how much you could borrow.



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