

Mortgages for contractors

How to prepare yourself for your mortgage application



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Hosts



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Q&A

Send us your questions!

If there isn't enough time to answer, we'll follow up with you directly



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Topics of discussion for today

- Understanding a contractor mortgage
- What do I need to prepare for my contractor mortgage?
- Case studies



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Understanding a contractor mortgage

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Types of contractors we can help

- Day rate contractors offering a professional service such as IT, project management or creative design
- Contractors that have a limited company
- Contractors with a specified day or hourly rate
- Open ended or fixed term
- Experience in industry 12-24 months minimum

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What is different about a contractor mortgage?

- Income based on annualised Gross Contract Value over a 46-48 weeks, rather than personal drawings from a limited company or share of profit
- Contractors with less than 1-2 years account don't need to wait to get a mortgage
- Process is quick and smooth
- Rates are still highly competitive

What types of mortgages can I get?

- Remortgage
- First time buyer or moving home
- Help to Buy
- Right to Buy
- Shared ownership
- Buy to Let

All schemes available to contract at high street rates

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***What do I need to prepare for my
contractor mortgage?***

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Income requirements for contractor mortgage

- Are you contracting in IT?
- Do you have over 12 months history of contracting?
- Is your gross contract value over £75k per annum or £500 per day?

If you can answer **YES** to any of these questions then we can help you get a mortgage

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Gaps in your contracts

- A lender will use 46-48 weeks gross income to allow for holidays and breaks between contracts
- Most lenders will allow a 4-6 week gap between contracts for those on 3+ month contracts
- Most flexible lender will allow 12 weeks accumulated gaps over a 52 week period
- Maternity / paternity? If you can evidence a history of contracting prior to going on leave and are back contracting - we can secure a mortgage

Why is my Gross Contract Value important?

- Banks see contractors working in high demand industries such as IT almost like PAYE
- Contractors in certain industries will move from contract to contract, which is why the turnover from the contract is likened to that of a PAYE salary
- Whilst accounts will offset certain expenses such as travel, typically these expenses are similar to those in PAYE roles
- Certain banks are happy to lend on contract value

Summary - mortgage checklist

- You can borrow off your day rate - not company accounts
- Gaps in your contract - can work with this
- History and experience are key
- Standard mortgage rules still apply - minimum deposit 5%
- Document checklist
 - Signed copies of contracts (12 months if applicable)
 - 3 months business bank statements
 - Proof of ID and residence
 - Proof of deposit

Case Studies

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Case study #1 - freelance copywriter

- Gavin has been contracting for five years
- Current day rate of £350 per day on a six month contract
- Personal drawings from limited company - £35k for tax purposes
- Offered £150k from own bank
- Achieved £400k on contract

Case study #2 - PAYE to 1st contract

- Timothy is a software developer who has been in the same line of work for the past 7 years
- Just left his permanent PAYE role and set up a limited company to start work freelance
- Just started a new contract for six months, earning £450 per day
- Another broker said he'd need one year of accounts
- Mortgage secured on contract value annualised on a 48 week year
- Used help to buy scheme with a 5% deposit on high street rates

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Case study #3 - rolling contract

- Shona has been working in TV production for just over a year, on a rolling day rate contract (no specified end date).
- Previous experience in industry for 18 months.
- Had approached a couple of high street banks and been told that she needs 2 years of accounts / Self Assessments to qualify for a mortgage
- Gross Contract Value calculated at £80,000
- Mortgage secured on basis of last 12 months of invoices and contract

Case study #4 - multiple contracts

- Katie is a freelance designer but likes to work multiple projects
- She's contracting 3 days/week on one contract at £350 per day and 2 days on another contract at £250 per day
- Has two years of accounts history
- Total contract value - averaged over 12 month period
- Income calculated at 46 weeks
- Minimum deposit 5%
- Minimum value of contract is £50,000

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Recommended resources

Crunch Knowledge Section

- Checklist: getting a mortgage when you're self employed
- Five contractor mortgage myths dispelled
- Can I get a mortgage if I'm self-employed?
- Self-employed mortgage guide
- Video: how Crunch helped Gavin Stewart land a mortgage

Contact us

Got a question on mortgages that we didn't cover?

0330 037 1671

www.crunch.co.uk/mortgages



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