



MORTGAGE CHALLENGES FOR THE SELF-EMPLOYED

What you need to get a mortgage as a self-employed person.

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You may be a freelance worker, trade person or contractor or perhaps you're the owner or director of a company. All of these positions fall under the "self-employed" label and if you find yourself in this category, then certain caveats will present themselves when it comes to applying for a mortgage.

Lenders calculate the amount that you are eligible to borrow in a few different ways. Some may start by looking at what percentage of your income each month will be paid towards the mortgage, while others may start with your annual salary instead.

The Central Bank regulations prevent a lender from allowing you to take out a loan that is greater than 3.5 times your gross yearly income relative to the mortgage on the house you will be living in. This constraint does not apply, however, in a buy-to-let mortgage.

WHAT DOCUMENTS ARE REQUIRED FROM A SELF-EMPLOYED PERSON APPLYING FOR A MORTGAGE?

As a self-employed individual, you will need much of the same documentation as an employed mortgage applicant, such as proof of identification, proof of address and bank statements from the previous six months. Aside from this, you will also need the following:

- Six months (or 12 months, depending on the lender) of statements from your business bank account
- Tax Clearance Certificates and Revenue Notices of Assessment from the previous two or three years, again depending on the lender
- The past two to three years (lender dependent) of your business's financial accounts, which have been certified by an accountant



WHAT CHALLENGES MIGHT A SELF-EMPLOYED MORTGAGE APPLICANT FACE?

Once you can provide the above documentation and all accounts are in order and looking healthy, there should be no issue with a lender considering you as an eligible applicant. However, it is important to be aware of a few key issues that may arise:

- In order to be considered for a mortgage, you must be self-employed for one year at an absolute minimum – although some lenders require a three-year period of self-employment so they can get a clearer picture of your finances and your ability to repay a loan. If you are applying for a joint mortgage with an employed individual who will be in a financial position to make the repayments on their own, your recent self-employed status may not be a deal-breaker.
- If you cannot prove that you have a regular, stable income, your mortgage dreams may be further away than you think. Lenders prefer to see evidence of steady income, as opposed to months of high financial activity followed by a lull in earnings. If you are borrowing money, the most important thing you need to prove is that you can pay it back, and an irregular pattern of income is not the best way to do this.
- Being unable to provide any of the key documentation will put an automatic X on your application, so know what's needed and get it in order.

HOW CAN A SELF-EMPLOYED PERSON INCREASE THEIR CHANCES OF A SUCCESSFUL MORTGAGE APPLICATION?

Now that you've overcome the potential challenges involved in the process, it's time to get your winner's hat on! So, what measures can you put in place now to ensure you'll achieve mortgage success?

- Firstly, as is the case with any mortgage applicant, having all of your paperwork ready, in order and up to date will stand in your favour.
- As a self-employed individual, having a larger deposit at your disposal can make you a more attractive prospect in borrowing terms, as it highlights your ability to save.
- On that note, start a regular direct debit into a personal or savings account (if you haven't already) that shows you are in a position to save a certain sum of money every week or month.
- Seeking the help of a reputable accountant and an experienced mortgage broker can be a make-or-break move, as their expert work and advice will likely save you oodles of time and a lot of stress.
- Reduce any outstanding debts, especially any hire purchase loans you may have, as these can paint a picture that your spending does not correlate to your earnings.
- "Spring clean" your bank accounts well in advance of the application process, ensuring that your personal and business transactions are kept separate at all times. Your business accounts are crucial when it comes to proving you can generate enough revenue to pay back a substantial loan, so make sure they are spick and span.
- Keep documents on file that prove your ability to make future repayments, such as noteworthy upcoming business contracts or projects, in case you can include these as proof of eligibility.



If you are self-employed and are hoping to secure a mortgage in the near or not-so-distant future, it helps to put your best foot forward by seeking expert advice. To learn more about what's required and how you can get prepared well in advance of your mortgage application,

Contact Symmetry Financial For A No-obligation Consultation Today.

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