

Active Quick Reference Guide

Here is the quick reference guide to setting yourself up for mortgage success.

FIND A PROPERTY

- Check your property value on www.rightmove.co.uk or www.zoopla.co.uk
- Assess your own affordability and work out your disposable income and how much you can afford to spend on your mortgage.
- Have a minimum deposit of 5% of the purchase price, ideally 10% or more to open up a larger mortgage market
 - gifted deposits should be from mother, father, brother or sister
- You have to save for fees to cover the cost of buying/moving
 - Stamp Duty www.tax.service.gov.uk/calculate-stamp-duty-land-tax/
 - Solicitors (roughly £1200 per sale and per purchase)
 - Your property will need a valuation and/or survey, which could cost up to £1000

<http://activebrokers.co.uk/a-short-guide-to-valuations-and-surveys/>

- Lender arrangement fee £0 - £1999 depending on interest rate - Mortgage lenders will charge a fee rather at the application stage or on completion.
- Active Brokers: A fee of up to 2% of the mortgage amount may be payable. The precise amount will depend on your circumstances. A typical example would be £995.00 payable on application and the remainder payable on mortgage offer. We will also be paid commission from the lender.
- Cost of property value minus deposit = mortgage amount

WORKED EXAMPLE

Property value	£211,000	£223,000
Deposit	£11,000 = 5%	£23,000 = 10%
Stamp duty	£1,720.00	£1,960.00
Solicitors	£1,300.00 Estimate	£1,300.00 Estimate
Valuation	£500.00 Estimate	£500.00 Estimate
Lender arrangement fee	£999.00 Estimate	£999.00 Estimate
Total funds to purchase	£15,519 Estimate	£27,759 Estimate
Mortgage amount	£200,000	£200,000

You need to have the total funds (deposit and costs) available before Step 7 above ideally.

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QUICK INCOME CHECKS

Sole trader.

Lenders will use your Net profit after tax (April to April) and you'll need a Tax Calculation (tax calculations) and tax year overviews

Limited company director.

Three options can be used:

1. Net profit after tax + salary, it is possible to consider from the latest year only.
 - Accounts required
 - Assets must outweigh liabilities on balance sheet
2. As above, Net profit before tax + salary, averaged over the last 2 years.
3. Salary + dividends, it is possible to consider the latest year only.
 - Tax Calculation (tax calculations) and tax year overviews
 - Accounts required

The benefit of using net profit is that you do not have to withdraw all your dividends, which is more tax efficient. Please speak to your accountant for confirmation based on your business.

Property income can be included, it depends on the lender:

- You usually need to have been receiving it for at least two years
- It may be possible to include it on the basis of three months' bank statements
- We would suggest discussing this with us further

Employing a partner or being employed by a family member.

You will need three months' payslips and bank statements as a minimum, the lender may request 6 months.

INCOME MULTIPLES

Please only use this information on income multiples as a rough guide. Not all lenders use the same income multiples, and even if they do, your expenditure will be taken into consideration. It is the lender's responsibility to assess whether the mortgage is affordable for you.

For a first-time buyer, a formula of 4.5 times the combined family Income (based on a twenty-five-year term) is reasonable, for example: $4.5 \times \text{£}45,000 = \text{£}202,500$.

If you are moving house, you might be able to get 5 times your income (based on a twenty-five year term), for example: $5 \times \text{£}45,000 = \text{£}225,000$. We would suggest discussing this with us further.

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ASSESSING WHETHER YOUR INCOME IS SUSTAINABLE

It is possible to apply for a mortgage with one year's accounts, but you should have had a full twelve months of trading, and the lender will prefer you to have at least one year's experience in the area you are trading in.

We would suggest applying with two or more years' accounts if you made a loss in the first year or if you have one year of sole trader accounts, and one year of limited company accounts.

Most high street lenders will take the average of your last two years' income. If your latest year's accounts show a decreased income, some lenders will use the latest year and not the average. However, some lenders may turn you down and we would suggest discussing this with us.

If your latest year's accounts show an increase on the previous years' accounts, a select number of lenders may consider your latest year's accounts if they are presented correctly. We would suggest discussing this with us further.

We would also suggest discussing the following with us:

- Changes in business structure
- Multiple income streams
- Changes in director
- Previous liquidations

DOCUMENTS TO HAVE FROM THE BEGINNING OF THE PROCESS

- Two years' company accounts and/or Tax Calculation's
- Three months' pay slips for an employed person
- Three months' bank statements (which will be required by the lender):
 - They must show your name, address, sort code, and account number
 - Avoid using your overdraft facility in the three months leading up to your mortgage application
- Balances of your debts: loans, credit cards, HP, car finance etc.:
 - These will affect the income multiples. We would suggest discussing this with us.
 - We need to see the balance owed, monthly repayments, and remaining term.
 - Your credit report can provide this: try Experian, Equifax or www.noddle.co.uk in PDF format, which is free.
- Adverse credit: missed payments, defaults, county court judgments (ideally over two years old)
 - If you have a received a county court judgment within the last two years, we suggest you discuss this with us.
 - We need your credit report from Experian, Equifax or from

www.noddle.co.uk in PDF format.