

The
**Criteria
Corner**

Top tips from the Paradigm Mortgage Helpdesk

Welcome back to The Criteria Corner!



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The Criteria Corner is our mini newsletter designed to give you a brief insight into the topics we see frequently on the Mortgage Helpdesk. We aim to provide you with some great hints and tips which will help you with future cases. If you think we may be able to assist with your next case, please don't hesitate to get in touch!

Affordability is always a popular topic on our helpdesk. Whether it's maximising variable incomes or benefits, involving assisting borrowers or leveraging higher income multiples, we're here to help.

Recently, more mainstream Lenders have started enhancing their income multiples for first time buyers such as Nationwide's 'Helping Hand' now offers a 6x multiplier and Principality BS offering 5.5x, however, these options quite often exclude self-employed individuals. Therefore, this month's Criteria Corner will highlight some top tips that could make all the difference in achieving the needed loan size for somebody in self-employment.

Latest year's net profits

This is of the most frequent criteria enquiries related to self-employment! This applies to situations where a limited company director has experienced an exceptional business year, leading to an increased lending amount when the latest year is assessed in isolation compared to a two-year average.

Lenders specialising in this area include: Coventry BS, Aldermore, Pepper Money, The Mortgage Lender, Kensington, Bluestone Mortgages, Beverley BS, Cambridge BS, Earl Shilton BS, Harpenden BS, Mansfield BS, LendInvest, Saffron BS, Vida Homeloans and West One.

Myth: "Coventry BS only considers the latest year's net profits if the increase from the previous year is 20% or less"

This is not entirely accurate. Coventry BS may utilise an average if the underwriter doubts the sustainability of the latest year; however, providing solid evidence such as new contracts, projections, accountant references and sharing the client's story with your BDM can reassure the underwriter to consider the latest year. There is no strict 20% rule and as the only mainstream Lender to consider this, they shouldn't be dismissed immediately.



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Lenders that use a projection

Whilst certain Lenders may take a projection into account to confirm existing figures, only a few Lenders are willing to utilise the provided figures for assessing affordability.

These specific Lenders include Harpenden BS, Hinckley & Rugby BS, Market Harborough BS, Penrith BS, Perenna, United Trust Bank, and Kent Reliance.

Lenders that use pre-tax profits

Many Lenders that can use the net profits of a limited company for affordability will do this after corporation tax has been deducted, however, the following Lenders will use the pre-tax figure:

Newcastle BS, Metro Bank, The Mortgage Lender, Clydesdale Bank and Furness BS.

TOP TIP: The Mortgage Lender will use the latest year's pre-tax profit, plus salary, which may result in the highest level of borrowing for limited company directors.

CIS contractors


Whilst these applicants are technically considered as self-employed for tax purposes, there are select Lenders in the market that can use the gross income figure shown from the contract vouchers.

These Lenders are Halifax, NatWest, Skipton BS, Generation Home, Kensington, Hinckley & Rugby BS, Newbury BS, Pepper Money, Saffron BS, Buckinghamshire BS, The Mortgage Lender, United Trust Bank and West One.

Expired accounts?

Reminder: Most Lenders typically take into account only the most recent accounts, which should be no older than 18 months. Since it is common for accounts to be submitted in April, many Lenders may begin to decline cases if the latest accounts for that year have not been provided.

However, Lenders like Aldermore, Virgin Money, Metro Bank, and Pepper Money may consider accounts that are between 20 to 21 months old.



As always, we must advise that criteria does regularly change and therefore it is always prudent to double check with a Lender prior to submitting an application. Lenders provided are based on findings at the time of research, and may not include every option available.