

Getting a contractor mortgage – process and timings

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Contractors need to engage with a relevant and qualified financial professional and secure a robust agreement with a lender in place well before they actually start looking for a property.

This is according to [Taj Kang](#), mortgages expert at [Contractor Mortgages Made Easy](#) (CMME), who warns that contractors who find their dream property first and then seek a mortgage may be disappointed with the outcome.

"When a contractor is thinking of buying or refinancing, early engagement with professional advisers and lenders and proving income from the outset is essential," explains Kang.

"Otherwise, a contractor could have their hopes dashed and lose their dream home because they cannot secure a mortgage in time, or do not qualify for a large enough mortgage to buy the property they want."

Choose a contractor specialist financial adviser

According to Kang, the first step is to engage with a contractor specialist financial adviser: "High street lenders largely don't get contractors. By engaging with a specialist, a contractor will be working with a financial adviser that deals with head office underwriters who do understand contractors.

"Expert assistance is required because contractors generally cannot prove their income in what many lenders consider to be the 'conventional' manner with documents such as payslips. A specialist adviser understands how the limited company contractor remuneration model of [low salary high dividend](#) works and how to present this to the lender."

How to secure an initial mortgage agreement

Securing a robust agreement also means more than just going through a credit check. Kang explains: "Proving your income and how you work at an early stage clears up a lot of variables for the lender and prevents problems later on.

"The usual process with a lender or non-specialist broker is that they ask the contractor a load of questions, plug the answers into software that then spits out a provisional offer, provided that the information provided by the contractor is verified as correct later on.

"This is a massive assumption and weeks down the line when the contractor needs the formal offer, they may not be able to prove some of those answers, so lose their offer of finance."

Kang highlights that a specialist financial adviser will take information from the contractor in a similar way but will ask for and check the evidence before approaching a lender: "We would ask for a copy of the contractor's CV, contract, and other client specific evidence, build the contractor's case for a mortgage offer and show those documents to the head office underwriters."

What information must contractors provide for lenders?

In 100% of cases, Kang says that in addition to the CV and a copy of the contractor's contract, for a full application at least three months of limited company business and personal bank account statements will be required, alongside proof of ID and proof of address.

The lender will also need evidence of how the deposit will be paid, if not through the sale of an existing property or savings. Historic contracts may also be requested. Ideally, contractors should assemble all of this evidence, ready for their financial adviser and for the lender.

If there is anything unusual in the contractor historic records, they should also have an explanation prepared. Kang explains: "One contractor client was paying out substantial cash sums on a regular basis and the lender asked why.

"The contractor was actually building a houseboat with two other contractor friends to be used as a family holiday home. This was a straightforward request and answer, so the lender was happy, and processed the application.

"This approach means that if the lender has any issues with the contractor's case, they can speak out at this point, and the applicant can pull together any evidence that supports the explanation. Proving income, and even expenditure, at an early stage is key. Once the contractor has a robust agreement in place, they can actually start looking for a property."

Securing a 'mortgage offer' or 'offer of funding'

Several weeks after the data capture has been completed, the lender will issue a formal 'mortgage offer' or 'offer of funding'. This document typically has a three month / 90 day shelf life.

The process from first engagement with a financial adviser to having an offer of funding legally confirming that the money is in place can take four to six weeks in the current climate. The lenders with the best rates tend to take longer.

With an agreement in place, contractors can start looking for a property

Having now established that they will almost certainly be lent the money they need when they find a suitable property within their price range, the contractor can actually start looking for their new property.

"The next significant stage is when the contractor has found their new home," continues Kang. "Once the purchase price has been confirmed, the lender will complete a survey on the property and request the detailed income, address and identity proofs that the contractor has already prepared based upon the advice from their financial adviser. Assuming that raises no issues, the mortgage offer will go to the borrower and the borrower's solicitor."

The contractor's solicitor's copy will also include all the legal conditions that must be actioned in order that the money can be drawn down on the completion date. Again, assuming these are all satisfied, then the legal conveyancing process works in parallel with financing right up until the completion date and the funds are released and transferred by the lender.

"A good financial adviser will work closely with the contractor, solicitor and lender throughout the process, from initial contact to when the contractor finally has the keys to their new home," notes Kang.



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Taj Kang was formerly a Mortgage Consultant with 12 years of advice experience, and is now Business Development Director for Contractor Mortgages Made Easy.

Contractor Mortgages Made Easy are a specialist, mortgage and protection advisory service who have been servicing the needs of contractors and freelancers since 2004. [Read Full Profile...](#)

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"Then, when the contractor has been in their new home for a few months and their finances have settled down, their adviser should also do a follow-up to check there are no issues with the mortgage and any insurances the adviser has arranged.

Kang concludes: "Contractors should never trust an initial conversation with a lender as an agreement in principle. There is far more to securing a mortgage offer than that."

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