

# a1 property

NEWSLETTER FROM A1 FINANCIAL SOLUTIONS

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## MORTGAGES FOR THE SELF-EMPLOYED

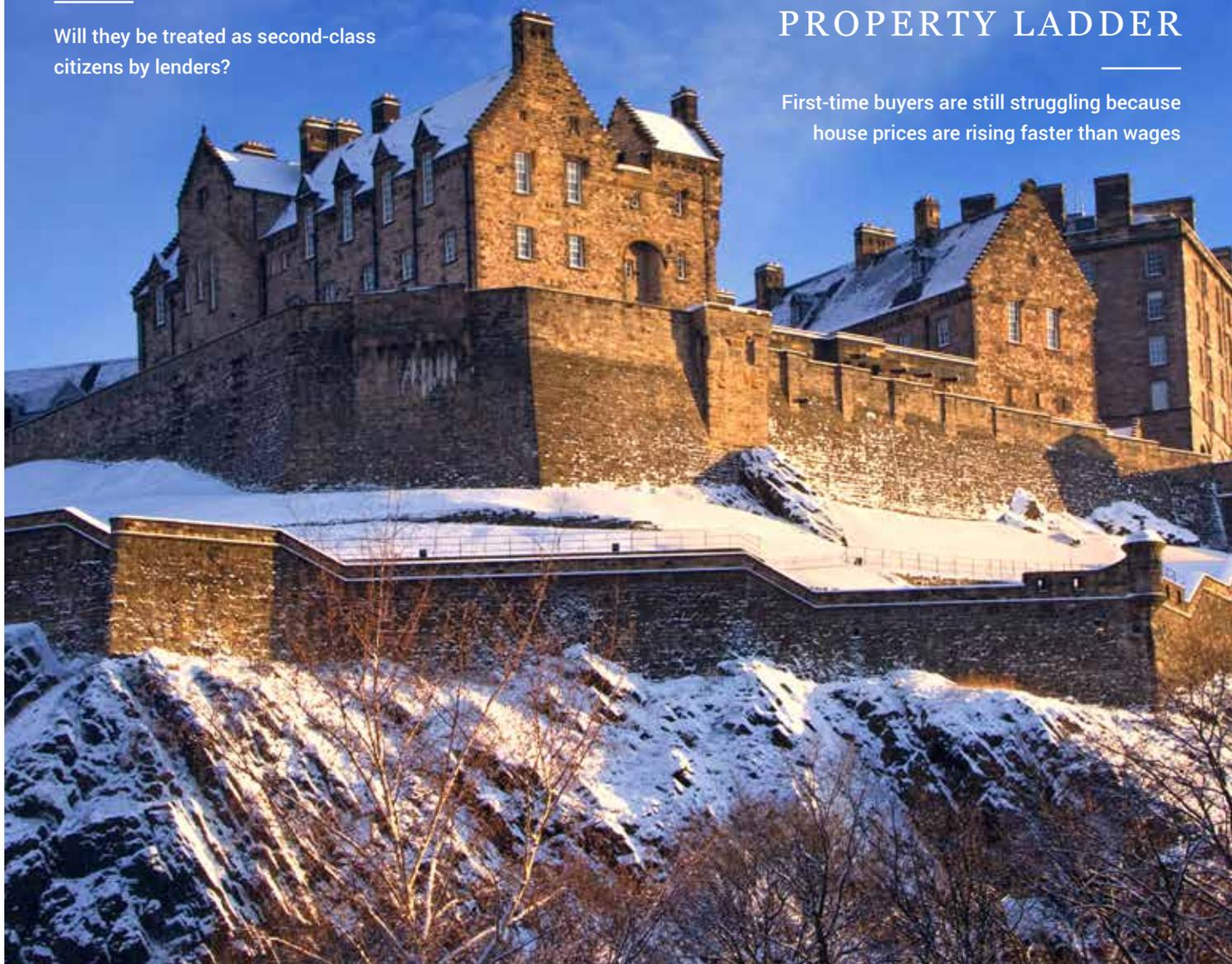
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# GETTING YOUR FOOT ON THE PROPERTY LADDER

First-time buyers are still struggling because house prices are rising faster than wages



**T**he number of first-time buyers has risen to its highest level since June 2017. There were 35,500 new first-time buyer mortgages completed in August 2018 – 2% more than in August 2017 – according to figures from UK Finance. But first-time buyers are still struggling because house prices are rising faster than wages.

The average house price has jumped from £14,236 in 1978 to £211,000 today, according to Trussle figures, while the average UK salary has risen from £3,269 to £26,500.

This shows just how unaffordable it currently is for first-time buyers and that there needs to be serious commitment to innovation to make home ownership more affordable and accessible to young people.

As the August figures show, though, it is not impossible to get a foot on the ladder, although anyone hoping to do so will have to start with saving a deposit first. It is almost impossible to arrange a mortgage unless you

have a deposit – and the bigger the deposit, the wider the range of mortgages available.

## DETAILED CALCULATION

Lenders look at your monthly incomings and outgoings when they decide how much you can borrow. It is a detailed calculation, but you can get a rough idea by using an online mortgage calculator. Most banks and building societies include mortgage calculators on their websites, as do price comparison sites. You will need to work out the monthly payment to make sure the deal is affordable. Again, there are plenty of websites that feature payment calculators. It is also a good idea to make sure you could afford the monthly payment if interest rates were to rise.

Comparison sites allow you to quickly and easily search for mortgages, or you could enlist the help of a broker. And do not just look at the headline mortgage rate. It's worth considering the overall mortgage package,

as lenders entice borrowers with cost-saving incentives, such as a free valuation, free legal fees and even cashback.

## GOVERNMENT SCHEMES

Fixed mortgage rates are popular with first-time buyers, as they are extremely competitive, and also give first-time buyers the comfort that their mortgage payments will not be affected by a change to interest rates.

There are various costs when you buy a property, including legal and mortgage fees. The average mortgage fee, for example, is now £1,005, according to Moneyfacts – the highest in more than five years. First-time buyers can get Land and Buildings Transaction Tax (LBTT) relief on properties up to £175,000. But if you are spending more, you need to budget for the LBTT bill.

There are also various government schemes that can help you get a foot on the housing ladder, such as Help to Buy (Scotland) Affordable New Build Scheme. The Scottish Government also runs two shared equity schemes, and shared ownership is another option.

## BOOSTING YOUR CREDIT SCORE

Lenders usually carry out a credit check when you apply for a mortgage. There are various ways to boost your credit score, but one of the most important is to register for the electoral roll. We would also recommend checking your credit file for inaccuracies, keeping up with payments on credit cards and loans, and not making too many applications for credit.

You might boost your chances of buying a property if you join forces with a friend or relative. But you should seek legal advice so you know what would happen if, for example, one of you wanted to sell.



# MORTGAGES FOR THE SELF-EMPLOYED

Will they be treated as second-class citizens by lenders?

**T**he number of people who are self-employed has increased dramatically since 2001, jumping from 3.3 million to 4.8 million. Do their precarious earnings mean they can't get mortgages? Will they be treated as second-class citizens by the lenders? Sadly, that will be the case for many, especially those in the low-paid 'gig economy'. However, those who have more dependable earnings (and, crucially, good records of their income) can still land a decent deal.

Firstly, let's put to bed the myth that there is a category of loans called the 'self-employed' mortgage. People who work for themselves are able to get the same rates as everyone else. The problem is, they have more complex incomes and must be able to prove their earnings.

Ultimately, when assessing a self-employed mortgage applicant, a lender needs to make a judgement on two areas: how much is this applicant earning? And how confident are we they will sustain that level of earnings?

## PROVING YOUR INCOME

In general, the longer you've been self-employed, the better. If you have two years of accounts, you'll have more choice of lenders;

three years is even better. Most lenders insist accounts are prepared by a chartered or certified accountant.

Lenders will also want to see the income you've reported to HMRC and the tax paid. SA302 forms show this information, as does a 'tax year overview' – HMRC can provide both. However, self-employed borrowers can often find themselves in a quandary regarding tax. Accountants will try to minimise the amount of tax the self-employed pay. This is good for keeping down the individual's tax bill, but not good for mortgage purposes.

## YOUR SELF-EMPLOYED STATUS

Your business structure is an important factor. Are you a sole trader, contractor, partner or company director?

Sole traders will be assessed differently depending on whether their income has increased or decreased in recent years. If your income is increasing, lenders will usually take the average income from the past two or three years. But if it has gone down, lenders are likely to use the latest and lowest figure.

For contractors earning a day rate, lenders usually multiply the rate by the number of working days in the year, as well as looking for at least a year's contract history.

Limited company directors' income can be assessed by two methods. The first is to calculate their income based on salary and any dividends from the business. The second option is to assess the director's salary in addition to retained profit in the company.

## USING A BROKER

As the means of calculating income and eligibility can vary considerably, the trick for self-employed borrowers lies in ensuring they apply with a lender that will view their circumstances most favourably. Seeking independent advice through a broker is therefore critical, as they can point you in the direction of lenders not only willing to lend, but also those likely to provide the most favourable deal.

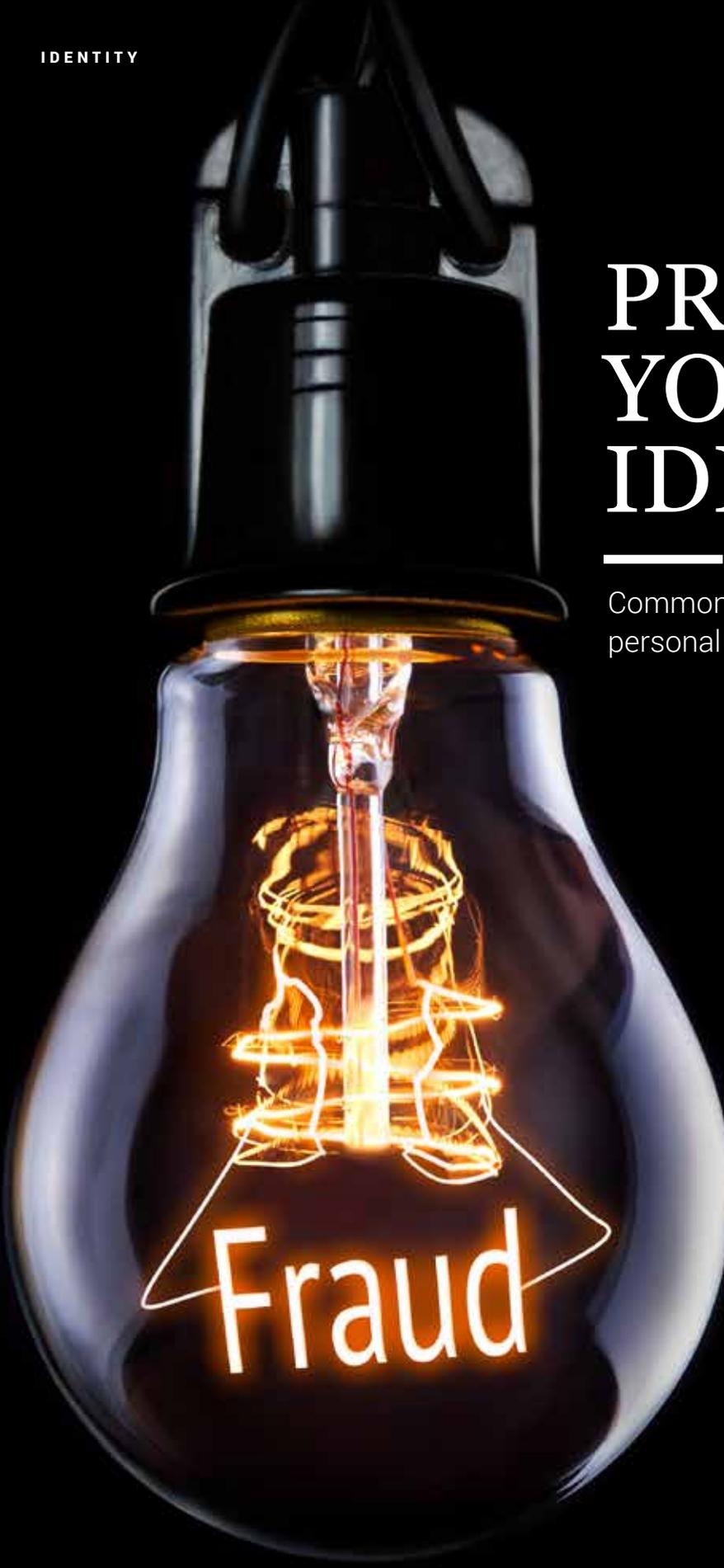
All mortgage applicants can expect potential lenders to go through their outgoings with a fine-tooth comb. For six months prior to making an application, it's wise to rein back spending on 'luxury' items and to completely avoid things lenders might see as 'red flags', such as online gambling or payday loans. The lower your loan-to-value (LTV), the more competitive rates you'll be offered.

IDENTITY

# PROTECTING YOUR IDENTITY

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Common ways fraudsters can steal your  
personal information

A glowing lightbulb with a filament that is shaped like the word "Fraud". The lightbulb is illuminated from within, casting a warm orange glow. The filament is a complex, tangled shape that forms the letters of the word. The lightbulb is suspended by a black cord and a black base. The background is black.

Fraud

**I** dentity theft is frighteningly widespread. No one can prevent all identity theft, and cybercriminals are getting more sophisticated in their attempts to steal your identity. Identity theft occurs when someone steals your personal information and uses it to commit fraud or other crimes in your name.

As individuals, throughout our lifetime we exchange personal information with a vast number of institutions including banks, credit cards suppliers, mortgage providers, utility companies, supermarkets, government organisations and retailers. This may be to receive important services, but also to allow us to do the fun things like shopping, eating out or going on holiday.

Fraudulent or stolen identities being used to make false applications for credit cards or loans, to obtain goods and services, or even to access money or other assets is naturally something that concerns us all. Worryingly, it is not untypical for a victim to first become aware of this when they receive a letter of demand for payment.

Of course, there are a number of basic things we can all do as individuals to protect ourselves against identity crime and reduce the risk of our personal information falling into the wrong hands. If you discover your identity has been stolen, act immediately. Following these steps will help to minimise the impact and prevent additional issues from arising.

### 1. CHECK YOUR CREDIT REPORTS

At a small cost, you can check your credit file with a credit reference agency such as Call Credit, Equifax or Experian to help identify any activity that you are not aware of.

### 2. MONITOR YOUR MAIL

Make sure you receive all post that you are expecting. If you think post is missing, contact the Royal Mail. Also, arrange for the Royal Mail to re-direct post to your new address if you have moved house, and inform companies that you deal with regularly that you have moved.

### 3. REVIEW BILLS AND BANK STATEMENTS

Check bank, credit card and other financial statements frequently, and look out for transactions that you do not recognise. Check

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for fraudulent charges or suspicious activity. Report issues immediately. Consider receiving statements and bills electronically, setting up direct deposits, and using online bill pay.

### 4. IDENTITY THEFT PROTECTION

Identity theft protection providers monitor your credit reports, as well as online debit and credit card number(s). If suspicious activity is detected, you will be notified and will receive identity recovery assistance.

### 5. SHRED DOCUMENTS

Carefully dispose of documentation that contains personal details rather than just throwing them away. Use a cross-cut shredder to destroy envelopes and documents.

### 6. SECURE YOUR COMPUTER(S) AND MOBILE DEVICES

Whether a desktop, laptop, netbook, tablet or smartphone, your computer contains critical personal information.

**To help protect your electronic devices, you should also:**

- Password-protect your device
- Install and update operating system, antivirus and anti-spyware software. For smartphones, also install a 'wiping' program to erase all data remotely if it is lost or stolen
- Use a personal firewall
- When using a wireless network, activate WPA encryption and any other security features available. Change your router's default password and SSID

- Beware of 'smishing' – text messages containing links capable of downloading malware to your smartphone
- Do not leave your device unattended or your screen visible to others
- Close your browser when you're finished with a secure session
- Log off when you leave or step away

### USE CAUTION ONLINE

- Only access personal and financial information from a computer you 'trust'
- Only do business with financial institutions and online merchants you know and trust. Watch out for copycat sites, and confirm the email address is correct
- When accessing financial information or ordering online, be sure the site is secure. Look for a URL that begins with 'https://' and the 'closed padlock' symbol
- Never reply to an email or pop-up message that requests you provide or update your personal information

**On social media sites, it's always a good idea to:**

- Review the privacy policy
- Choose a challenging password
- Don't reveal your physical address, date of birth, school names or phone numbers
- Use privacy settings

### NEED HELP? HAVE QUESTIONS?

If you're looking for further information or want to discuss any areas of concern, we're here to help.



# GRANGE

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