

Can you get a mortgage as a new small business owner?

Launching your business is an exciting time full of possibilities. You can be your own boss, you can set your own hours, you can be in control of your life. There are so many incredible benefits that come with running your own business and once you're up and running it can feel like all of your dreams are in reach!

But what about owning your own home? Without a 'regular job', you might be filled with anxiety about whether you'll ever be able to buy a property and you may even deter your career dreams for a year or two in order to secure a home first when there really is no need to do so.

The prospect of securing a mortgage as a small business owner can feel completely impossible when it's actually more likely than you might think. In this article, we will be sharing how you can get a mortgage as a new small business owner.

Mortgages are becoming more

accessible to entrepreneurs

The good news is that mortgages are becoming even more accessible to entrepreneurs. Since the COVID-19 pandemic, the UK in particular has seen a significant increase in entrepreneurs. In fact, *according to the data*, “in March 2021 more new businesses were created than in any other month since records began in 1989.” There are many reasons for this, but perhaps one of the most common is that there has been a lack of jobs available, with *1 in 20 people* who want a job unable to find one.

As a result, many people turned to entrepreneurship as a way to make money, chase their professional dreams, and take charge of their lives. However, now that the time has come to start thinking about buying a property, you might be feeling a little nervous. After all, historically it has always been a little bit trickier for the self-employed to secure a mortgage than it has been for PAYE employees. But that doesn't mean it's impossible.

In recent years many lenders have standardised the way they assess affordability. As a result, as long as you keep your finances in order, the chances that you will secure your very own mortgage are high. Let's take a look at what you can do to get a mortgage as a new small business owner.

Seek advice from the experts

The world of mortgage lending is a complex one and is often difficult to navigate – particularly as a *first-timer*. However, all of this can be solved by talking to and seeking advice from an expert. Simply having an expert to talk with and who you can ask the hard questions of is a great starting point and will provide the confidence and support you need.

Get your finances in order

According to *The Times*, “self-employed borrowers are generally viewed as more risky because of the expectation that their income won't be regular and because there is no one employer to vouch for their salary. As a result, providers require more information to provide the borrower with the “right track record.”

The best way you can boost your chances of securing a mortgage is by getting your finances in order. According to Pete Mugleston, Managing Director and Mortgage Advisor at *Online Mortgage Advisor*, “You typically need to have been trading for a minimum of 12 months to get a mortgage [...] Ideally, you'd have

a full tax years' set of accounts, however if your trading year spans across 2 tax years (which often is the case) then there are lenders that consider a rolling 12 months snapshot rather than making you complete the 2nd tax year before applying."

To increase your chances of securing a mortgage, it is key to organise your accounts effectively. Some of the best ways to do this are listed below:

- Hiring an accountant

- Use a reputable accounting software

- Understand the financial state of your business

- Have a solid proof of income, such as bank statements

- Have proof of work contracts for the future

Save a healthy deposit

We know it is a difficult topic – especially if you've just started a business and you feel like you're in that stage of earning very little income. However, if you want to secure a mortgage you need to have a deposit. And unfortunately, whether you are self-employed or not, the bigger your deposit is the more likely you are to secure a mortgage.

If you're not sure how much of a deposit you need to save, using a mortgage calculator can help. Then it's up to you to put in the hard work and save like crazy. Having a healthy-sized deposit, a good financial record, and proof of a steady, regular income can all go a long way towards securing the mortgage you've always wanted.

Improve your credit history

You've likely heard the topic of credit history talked about multiple times over the years, but having a good credit history is a great way to show lenders that you are reliable in paying off your debts. After all, a mortgage is basically one big debt and if you can't pay it off, you're in trouble. So, you need to show you're great at paying off credit cards, loans, and any other debts you have quickly and efficiently.

There are so many ways you can improve the state of your credit score, from registering to vote to covering your bills, rent, and weekly shop with your credit card and paying everything off at the end of the month.

Although your credit score isn't the only thing lenders will take into account when viewing the state of your finances, it can go a long way towards recommending you for a mortgage. So, it's important to make improvements where you can.

Hire a specialist broker

When you're just starting out and you've not ever applied for a mortgage before, it can be difficult knowing where to turn. After all, everyone says they can help but not everyone will and, more often than not, you'll end up worse off financially and emotionally (speaking from experience here).

As a new small business owner, the best thing you can do is hire a specialist broker. The word 'hiring' might have caused you to break out into a cold sweat but don't worry, the fees you pay will be covered by the savings you'll make when you secure a mortgage at a far better price. Mortgage brokers also save you time and stress during the application process by advising you who to submit to and who to avoid.

This invaluable advice will help you feel in control of the process, save time, save emotional stress, and reduce delays as much as possible. What could be better?

Securing a mortgage is a stressful time for everyone, whether you own a small business or not. The process can often be complex and a lot of your time can be spent filling in forms and responding to questions from your lender.

However, with our advice, your mortgage application process should be smooth sailing. The best thing you can do is speak to an expert who has secured mortgages for many self-employed people before you and take the time to get your accounts in order. So much of the mortgage application process is about ticking the boxes.

So, we would encourage you to not give up. Just because you're self-employed does not mean you can't get a mortgage. It's possible things might take a little

longer and there might be more hoops to jump through, but you can and you will secure a mortgage of your own!

Daniel Groves achieved a 1st class honours degree in Business Economics. Since graduating, Daniel has collaborated with a number of online publications to further develop his knowledge and share his experience with like-minded entrepreneurs, business owners and growth strategists.

Article by DANIEL GROVES