

Case Study

Barry Bethel is a 45 year old, self-employed property developer from Kent and earns about £350,000 a

year. He wants to buy a property for £1,500,000. He is looking to borrow 75 per cent of the purchase price and

requires a self-cert mortgage. Steven hasn't held a mortgage for eight years. What are his options?

“Barry would probably be considered as a first-time buyer (FTB) because he has not held a mortgage for eight years. However, it is not made clear whether the reason he has not held a mortgage is because his property is unencumbered, or whether it's a previous property that has been sold.

Barry is looking for a large loan amount. Lenders may have concerns over the fact that Barry is effectively a FTB looking for a self-cert mortgage. Generally lenders limit the loan size they offer FTBs.

The Mortgage Business (TMB) will consider this case on a self-cert basis using affordability calculations (up to a maximum of £1m). This would require Barry to increase his existing deposit by £125,000. However, as Barry is a property developer he may have additional unencumbered properties that can be brought into the equation to help him raise the extra funding he needs. The most competitive rate with TMB is a 5.24 per cent tracker which tracks Bank of England



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Base Rate by 0.74 per cent. This reverts to 5.49 per cent and has a 0.25 per cent completion fee based on the loan size, which can be added to the loan. This mortgage product also carries a 1 per cent redemption penalty until September 2007.

The other option is for Barry to prove income. Lenders are now offering enhanced income multiples and affordability calculators which enable higher borrowing.

AToM could place the case on a full-status basis with a few lenders. One of them would be Unity Homeloans. It would offer up to four times single income and offer a two-year fixed rate of 5.95 per cent reverting to BBR plus 2.50 per cent. This would require proof of an income of £281,250.

Another alternative may be Abbey on a full-status basis. It has a 4.54 per cent fixed rate to 02/07/2008, which reverts to Abbey's SVR.”