

HOW MUCH CAN I BORROW

- You can usually borrow up to 3 times your income, or 2.5 times joint incomes. We recommend you check these with your lenders.
- You will usually need to provide proof of your earnings.
- Be honest with yourself – be sure you can afford the repayments.
- If you enter into the mortgage with a joint borrower, you must be aware that you are both individually responsible for the whole amount of the mortgage.

Before taking out any mortgage you need to be sure that you can afford the payments and associated costs. Lenders will usually base their calculations on guaranteed earnings such as basic pay, but most will also consider any regular overtime or bonuses (usually at a reduced rate).

With your mortgage consultant work out how much you can borrow and what sort of deposit you can afford, then ask a lender to give you a 'decision in principle'. A decision in principle shows that the lender is prepared to lend you an agreed amount of money, depending on satisfactory references and valuation. Some lenders may be more flexible if you are able to put down a bigger deposit.

The deposit:

- You must pay this when you exchange contracts.
- It will normally be between 5% and 10% of the purchase price of the property.
- You may not always have to pay a deposit.

Most lenders are happy to consider lending 90% to 95% of the purchase price. Some lenders will even give a 100% mortgage, which means you can borrow the full value of your home. 100% mortgages can be helpful if you are a first time buyer, and may otherwise have to save for several years to build up the money for a deposit. They can also be helpful for second time buyers who may be able to accept a lower offer for their property because they won't have to find a deposit for their new home. Second time round, you may find the deposit can come from the profit you've made on your first property.

Credit reference agencies: Most mortgage lenders will want to know how you've handled your financial affairs in the past. They get this information from credit reference agencies and from others such as employers, lenders and landlords. (They always ask for your permission before contacting anyone else.)

Need to borrow more money: Lending limits are carefully set to make sure borrowers don't over commit themselves. So unless you're sure your income will rise soon, it's best to stick to the standard income multiples (in other words 3 times your main or 2.5 times your joint income). It may be possible to borrow more by offering extra security – like an insurance policy that's been in force for a good few years – or by persuading a member of the family to act as a guarantor. (A guarantor will sign a promise to repay your loan if you're unable to do so.) But never overestimate your earnings so you can buy a more expensive property.

If you deliberately provide false information it is a criminal offence and could make it very difficult for you to get credit in the future. This is especially important if you're applying for a self certified mortgage, where you do not need to provide evidence of income.

Proof of earnings: Your lender will check these details with your employer, and probably ask to see some recent pay slips. If you're self employed, you may need to show your last three years' accounts. They will also ask you about any other regular outgoings (for example, credit cards and personal loans) so the lender can check that you really can afford the loan.

No proof of earnings: Some people find it difficult to prove how much they actually earn, perhaps because they're self employed and have only been in business for a year or two.

Self certified or special status mortgage can overcome this problem. A self certified mortgage is where you declare your earnings but the lender does not need to see evidence. You will need to put down a bigger deposit to qualify for a self certified mortgage and keep to all the lenders other conditions. The interest rate may be higher too.