JONES & YOUNG

Contractor Day Rate Guide

Securing a mortgage as a contractor can be challenging due to the fluctuating nature of income. However, understanding how to present your day rate and overall financial situation effectively can improve your chances of approval. This guide will help you navigate the process of getting a mortgage as a contractor.

What is a Contractor Mortgage	A contractor mortgage is when you have a contract with a day rate as a self employed consultant with no fixed terms of employment with the company.
Do I qualify	If you have a contract with a day rate of pay on a self employed basis you will qualify
How is my income calculated	Some lenders will allow you to use your contract day rate to calculate your income. They will take your day rate multiplied by 5 and then multiplied by 46 or 48 depending on the lender to calculate your annual income. This way your income is calculated using your gross pay before any deductions from your accountant.
How does this benefit me	As you can use your gross income (day rate) this means you will be able to borrow more. Normally your accountant will reduce your income to limit your tax liability by deducting expenses like petrol. As lenders use income multiples to establish how much you can borrow this can have a big impact on how much you can borrow. By using your gross income on your contract you can stay tax efficient and borrow more on your mortgage. efficient and borrow more on your mortgage.
What do I need	You need to be a contract worker and currently working on a contract on a self employed basis. Your current contract will be used to calculate your income.
Do I need a good credit score	No you can do this with a good or bad credit score.
What type of lenders allow this	High street lenders and the small lenders all allow this type of mortgage and the rate are still competitive.
Use your Gross Income	As lenders use your day rate, they allow your gross income to be used to calculate your income. This means you can borrow more money.

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YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY DEBT SECURED ON IT.

Equity release reduces your estate's value and may affect any means-tested benefits you're eligible for. A lifetime mortgage, which is a loan secured against your home, is the most popular form of equity release and you will still own your home. Think carefully before releasing equity and make sure it's right for you.

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