

The End of Self-Cert Mortgages

New proposals by The Financial Services Authority (FSA) include a ban on Self-Certification Mortgages.

Self Certification Mortgages were designed for workers who have trouble proving their income in a conventional manner such as contractors, freelancers, self employed, and company directors.

On face value, Self Cert Mortgages seem the ideal solution for the likes of contractors and freelancers as they usually require little or no proof of income; however the reality is high mortgage rates and in many cases extortionate arrangement fees.

During the housing boom it has been estimated that almost a third of all mortgages offered were on self-certified basis. This has resulted in a number of mortgage fraud enquiries as rogue brokers encouraged borrowers to give inflated income figures to boost their own commissions.

Individuals who are not permanently employed that have tried to secure competitive High Street mortgage funding on a non self certified basis have inevitably failed because lenders will not take all of their income into account.

So where does this leave borrowers who saw Self-Cert Mortgages as their only option?

At Contractor Mortgages Made Easy (CMME) we would never advise a client to take the Self-Cert route; instead we work with senior underwriters to secure you a mortgage based on your contract rate, thereby taking all of your income into consideration.

CMME are able to secure mortgages with high street lenders and at high street rates, giving you access to the same whole of market mortgages that are available to borrowers who are able to prove their income in the traditional way.

Taj Kang of CMME welcomed this news and commented “The death of self-cert mortgages will mean that proper consideration will now be taken by lenders and brokers as to how much a borrower can afford. This can only be a good thing as in most cases a mortgage is the most important financial decision of a borrower's life.”