



ENNESS



THE ULTIMATE GUIDE TO ALTERNATIVE INCOME MORTGAGE SOLUTIONS

# ALTERNATIVE INCOME GUIDE

“Alternative income consists of income streams including anything other than your salary, which can pose challenges when applying for a mortgage with most high street lenders. We’re here to assure you this doesn’t have to be the case and help you structure a loan in accordance with your priorities.”

— Islay Robinson, CEO



## Introduction to Mortgages with Alternative Income

Alternative income encompasses any form of income outside of base salary, and can apply to both self-employed and employed individuals. Complex income is any income that isn't cash – be it retained profit, pension income, bonus income or that in a foreign currency, when put under the microscope of a lender's criteria, these can be a barrier to securing a mortgage.

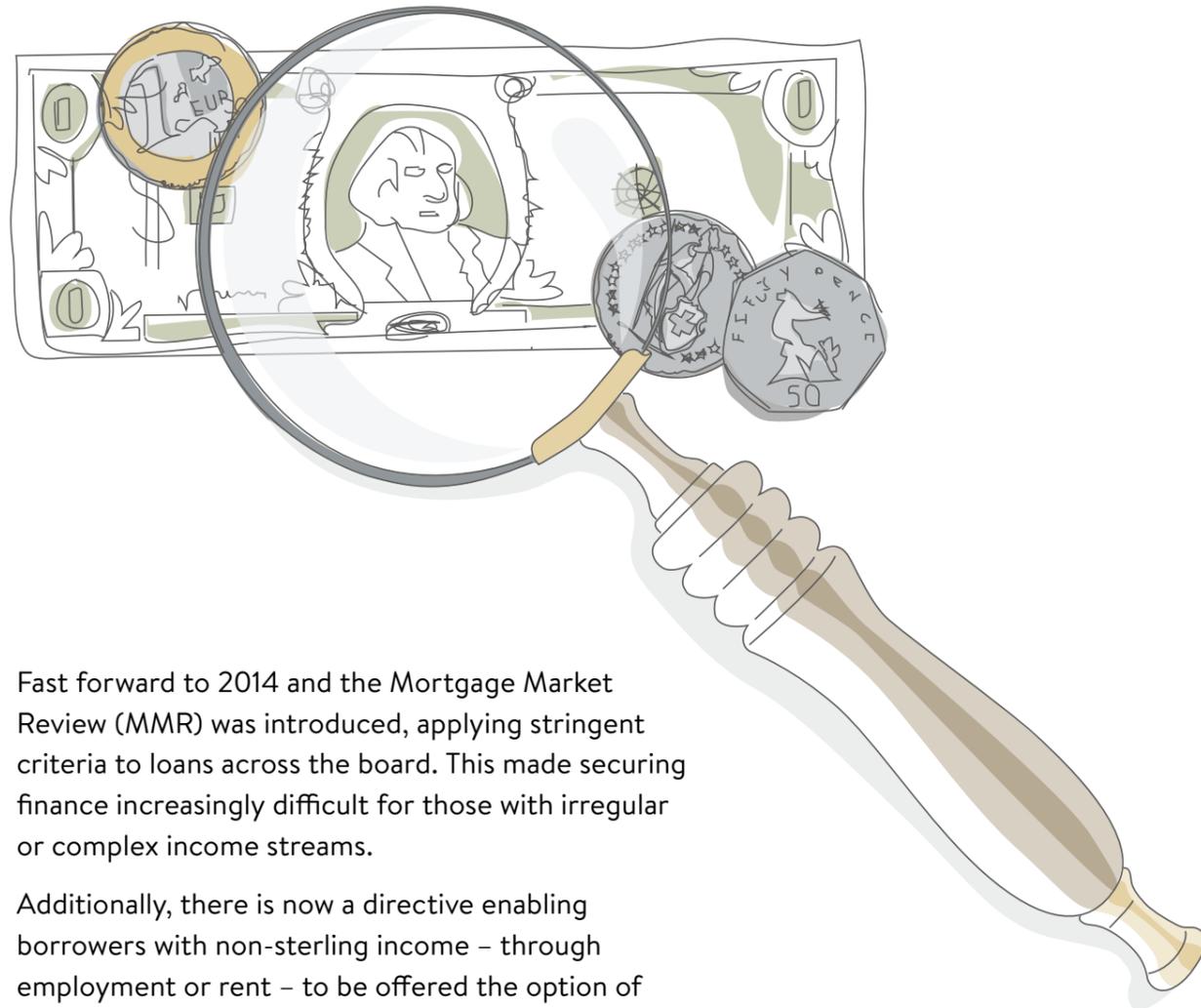
There is certainly a lot to bear in mind when navigating the mortgage market with a complex income structure, and we've produced this guide to help you understand the many opportunities still available to you.

### CONTENTS

Introduction to Mortgages with Alternative Income	3	Lenders in this space	8
Overview	4	Case study: £1.2m loan for personal investment purposes on £3m property	9
Spotlight On: The challenges of securing a mortgage with alternative income	5	Case study: Complex £2m interest only loan using bonus income for a banker	10
As a general rule	6	Conclusion	11

## Overview

There was a time when borrowers didn't need to provide proof of income to get a loan. This was called self-certification, which was particularly useful for anyone with an unusual income structure. However, these were abused when placed in the wrong hands, with people exaggerating their income to secure a bigger loan.

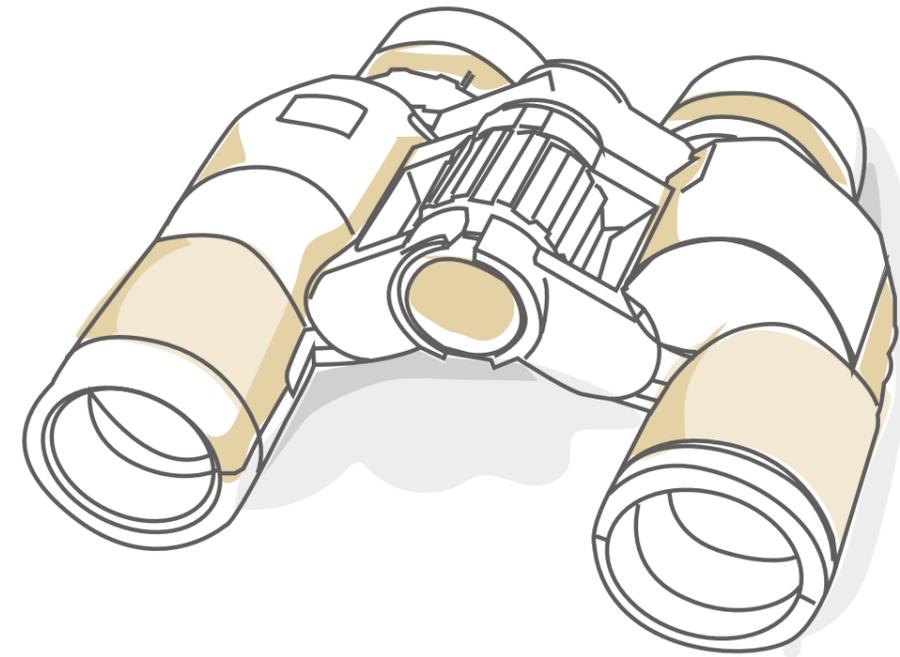


Fast forward to 2014 and the Mortgage Market Review (MMR) was introduced, applying stringent criteria to loans across the board. This made securing finance increasingly difficult for those with irregular or complex income streams.

Additionally, there is now a directive enabling borrowers with non-sterling income – through employment or rent – to be offered the option of switching their mortgage into the same currency if the two currencies fluctuate by 20% or more.

[Send your question to one of our brokers](#)

## Spotlight On: securing a mortgage with alternative income



High street lenders will nearly always take a conservative approach to applicants with complex income – no matter how wealthy the client.

Essentially, lenders are looking for a steady income with no large losses to ensure you can afford to pay your monthly repayments. High street lenders generally see complex income streams as unstable, and are unlikely to accept these non-vanilla cases.

The key challenge that draws so many clients to Enness each year is, therefore, the structure of a client's income, as so many high street lenders will not accept specialist applications that fall outside of tick-box criteria. For example, many self-employed individuals will leave most of their income within the company

and not pay themselves a large salary, and bonus income can often result in customers not having their total income taken into account. Equally, if you receive income in a foreign currency or as assets rather than cash, a high street lender will struggle. As such, a private or challenger bank is likely to be a much more viable route to your mortgage, avoiding any unnecessary restrictions and complications along the way.

This is where Enness can help. We have contacts with every type of lender across the market and will be able to put you in touch with

# As a General Rule...

## BONUS INCOME AND STOCK OPTIONS

More people than ever receive income in the form of a bonus from their employer, be it as cash or stock shares. If this sounds like you, it's important to understand your options and how lenders will perceive your finances. Even though you may think you're secure with a permanent employment contract and the benefits of a bonus, lenders will nearly always struggle with any form of income that isn't in cash, regardless of your employment status and personal wealth.

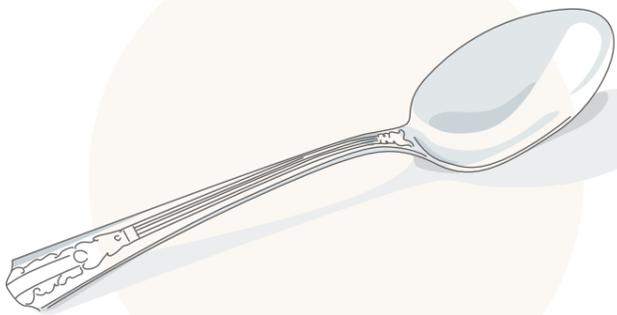
Some lenders will have more of an open mind to bonus income if it's in cash. However, bonuses are generally considered inconsistent and unpredictable compared to a set salary. Because of this, high street lenders tend to shy away from anything more than one income stream.



## TRUST INCOME

Trusts can be a very beneficial source of income, an effective part of broader finance and tax planning, or simply a way of providing the certainty that your next generation is provided for.

However, some lenders perceive trusts as either too complex or too volatile, and tend to shy away from them as a result, but we work with a uniquely wide network of lenders who will take this kind of income into consideration.



## NON-STERLING INCOME

Whether you're an expat living overseas or a foreign national receiving income from outside of the UK, foreign currency and income can make it more complicated to prove affordability. This equally applies to those receiving income in a foreign currency, even if it is originally earned in the UK.



## PENSION AND RENTAL INCOME

It is no secret in the mortgage world that many pensioners struggle to secure a mortgage, which seems even more unfair for 'asset rich' retired individuals who simply don't earn a set salary. Whether a large share portfolio, property or a valuable pension, the message is the same: if it isn't cash, a lender will struggle to take a view. However, if you have a net worth over £3 million, lenders are likely to become more flexible. We can help you contact these lenders, as well as many others who will take a view of pension income even if it is of lower value.

Many of our clients, especially pensioners, use buy to let properties as a secondary source of income. Buying to let is undoubtedly a great way to increase your income but it can complicate your financial profile. As with the sources previously mentioned, most lenders will shy away from rental income when calculating your affordability, as they will not feel comfortable relying on the unpredictability of tenants paying rent, for example, and other outside effects on buy to let properties.



**Whatever the case is for you, Enness can provide a solution that will make use of every aspect of your income stream and ensure the total value is taken into account.**

# Lenders in this space

At a time where an increasing amount of people earn income through multiple sources, the need for lenders to assess each case individually has never been greater, allowing underwriters to understand the whole financial picture of a client and offer the solution they deserve.



High street lenders will not generally take a view on income that has not already been paid or is not in cash, whereas private or specialist lenders will usually avoid stringent lending criteria altogether, and are consequently willing to consider a wider array of clients than their high street counterparts. Taking the entire wealth of a client's circumstances into account when calculating affordability, a private or

specialist bank will offer in-depth assessments that concentrate on your financial goals and prospects – as opposed to criteria.

We work with a number of banks and lenders who will take a holistic view of your financial circumstances, and ensure you secure the best solution for your lending requirements.

## CASE STUDY

### £1.2m loan for personal investment purposes on £3m property

–Phillip Clarke, Senior Associate



#### THE SCENARIO:

A high net worth client recently contacted Enness looking to secure a £1.2 million loan on a property in Earls Court worth £3 million. The property had no existing mortgage at the point of application, and the client required the funds for personal investment in different types of assets, such as private equities.

My client was a partner in a private equity firm himself and although he had a set salary, his profit share made his income irregular. This immediately presented a challenge when it came to securing the necessary lending, as his salary alone was not enough to support the loan, so finding a lender who would be willing to treat his annual profit distribution as income was essential.

Furthermore the purpose of the loan proved a problem with every high street lender and the majority of building societies and entry level private banks on the market. Raising finance for speculative investment or 'business purposes' is not something the vast majority of banks, including the client's main high street bank, could support. My client had already been advised they couldn't be helped and after having unsuccessfully looked elsewhere, so he was convinced that what he wanted to do would not be possible upon coming to Enness.

Despite this, I was able to place my client with a private bank who had significant experience within this area of finance and a niche offering

for private equity individuals in particular. The credit sanction came within just two weeks and we were also able to secure lending without assets under management (AUM), which is something almost all private banks usually require.

I achieved this at a very competitive rate of just 2.5% with full amount on interest only. This was an excellent and efficient result for my client and one he was extremely happy with.



## CASE STUDY

## Complex £2m Interest Only Loan using Bonus Income for a Banker

—Chris Lloyd, Associate Director



### THE SCENARIO:

I recently secured a complex loan for a client who was looking to buy a property in Hampstead worth £4 million. Despite its high value the property was unmodernised, so was bought for £3 million due to the complete revamp that was necessary. This already caused problems for valuers as it meant the property was undervalued without a finished product to go by.

As the Managing Director of a large firm, my client had a basic salary of approximately £400,000. He also received bonuses, both in cash and some in vested stock, which was released over a 3 year period. He wanted a large section of the loan to be on an interest only basis with £300,000 on capital and repayment and the rest on interest only.

The nature of this request and my client's income was a stretch for any high street bank, so proving affordability was a struggle with every lender. My client didn't have any repayment method in place for the interest only part of the loan, so we needed someone who would be willing to take a view on the future worth of the property. This was a particularly unusual case for a loan of this size, which would normally require investments

and stock shares or other properties in place to repay the mortgage.

Overall, this case was a big stretch affordability wise and probably my biggest challenge yet. Securing a large interest only amount purely on the sale of a property is almost unheard of. Most lenders would not take a view as my client would still be paying rent whilst the property was renovated. He was also paying around £60,000 in school fees, so these very large outgoings all had the potential to affect affordability.

Luckily, I was able to find a specialist, private bank, who was willing to take a view in this way. This was an excellent example of the more holistic approach private lenders take, especially due to the state of the property.

### OUR SOLUTION:

Taking all my client's bonus income into account – including the vested stock – I managed to secure a £2.1 million loan at 70% loan to value (LTV) on a mixed term, at a competitive 2 year fixed rate of 2.58%. I was also able to extend the repayment part of the mortgage so it was longer than the interest only part – allowing an additional 5 years to help with repayments.

## Conclusion



Now that you've reached the end of this guide, you are probably wondering what the next steps are to securing a mortgage that allows for your complex income. We understand how daunting finding the right solution can be, but we are at your disposal moving forward.

If you have any questions on the information detailed herein, or if you simply wish to discuss your circumstances further, we can provide a thorough and personal consultation to outline the opportunities available to you. We will only charge you should you choose to instruct us to take action.

Our expert advisers are available to talk whenever you are, to help you navigate your way through the mortgage market.

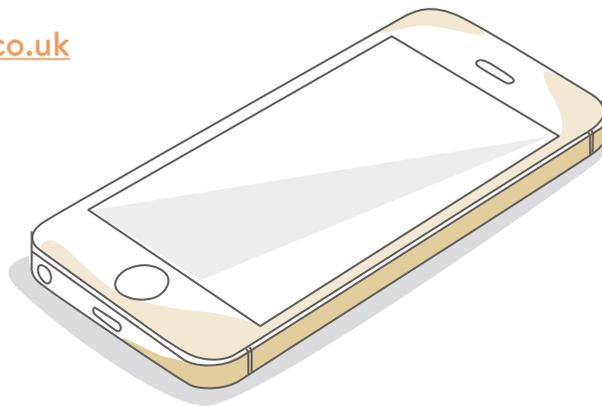
**Are you thinking about getting a mortgage?**

## Are you unsure which lender can provide the best option for you?

Call Enness today and an expert broker will talk you through your financing options. We will guarantee accessibility to the best rates.

[info@ennessprivate.co.uk](mailto:info@ennessprivate.co.uk)

0203 758 9393



### Mayfair office

86 Brook Street  
Mayfair  
London  
W1K 5AY

### Hampstead office

Haskell House  
152 West End Lane  
West Hampstead, London  
NW6 1SD

### Monaco office

Le Cimabue  
16 Quai Jean-Charles Rey  
98000  
Monaco

#### Disclaimer:

Enness Private Clients is an Appointed Representative of Enness Limited which is authorised and regulated by the Financial Conduct Authority for pure protection, residential mortgages and general insurance business. Our FCA number is 565120. You can check this on the FCA's website [www.fca.org.uk](http://www.fca.org.uk) or by contacting the FCA on 0800 111 6768. This brochure should not be construed as giving advice and is intended for information only. All information was correct at the time publication (January 2017). Where we have quoted mortgage rates, the actual rate available will depend on your circumstances. Ask for a personalised illustration.