



Raising the Cash

Question

I am a first-time buyer having difficulty obtaining a large enough mortgage to buy a home - is there anything I can do?

Answer

You should never overstretch your finances when looking to buy property whether you are a first-time buyer or not. Lenders will allow you to borrow between three and four times your annual income, less any existing debt. They consider this amount to be within your affordability levels and allows them to lend responsibly.

If you feel that you need a higher limit, some lenders will allow your parents to act as guarantors. This means that your parents will be responsible for some of your mortgage liability if you fail to maintain your monthly payments - obviously, your parents will need to agree to this and they will be required to provide details of their finances as well as signing an undertaking to act as your personal underwriter.

Another popular way to increase your

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purchasing power is to team up with a friend and buy a home together. Your joint incomes will be taken into account and a higher mortgage amount will be available. There are obvious difficulties with this, especially if one of you wishes to sell later on, but it does get you on to the property ladder. I would recommend that you draw up a legally enforceable contract to cover the responsibilities of each party and, as with all property purchase, would stress the benefits and importance of making a will. One lender I deal with provides an income multiplier of eight times an income, albeit at a higher monthly cost.

Question

I have heard that "self-certified" Income mortgages allow you get whatever mortgage amount you need because you can inflate your Income and no proof is required. Is this true?

Answer

Self-certified mortgages were introduced primarily for the self-employed and other people who can sometimes find it difficult to provide documentary evidence of their earnings. Not all lenders provide these mortgages; others insist on a higher deposit being available - the minimum being 10%, but most being set at 25%.

The lender always reserves the right to check your earnings and will insist on a declaration from the borrower stating that the information provided is true. They have to protect themselves from people taking out mortgages that they cannot afford.

I have found that more checks are being carried out to ensure that the correct income figures have been provided. As always, you would be well advised to complete loan applications truthfully as obtaining a loan by giving false information is fraud and could lead to prosecution.



Question

Is there a big difference in service provided by a solicitor and should I always try to find the cheapest one available?

Answer

Your solicitor can be one of your best friends when it comes to the purchase/sale of your home. They have invaluable knowledge of the marketplace and, in co-operation with your mortgage adviser, can advise you on, among other things, the correct offer price for your new home.

You need to find a solicitor that will work with you and be able to deal speedily with your inquiries.

A good solicitor can greatly ease the buying/selling process and I find that speaking regularly with your solicitor will get you a much better service. Although I appreciate that cost is a consideration, this should not be the guiding factor in choosing a solicitor.

Speak to your mortgage adviser; ask for a recommendation. You need to find a firm that will work with you and be able to deal speedily with your inquiries. Many clients have regretted taking the cheapest solicitor without looking at the service they receive.

Question

I intend to let my friend lodge with me for a small monthly rent. Do I need to tell my lender?

Answer

Yes. It is a condition of your mortgage that you let your lender know in advance if you intend to receive rent from your property. It is also vital that you check with your insurer that your home insurance policy will cover you for taking in a lodger.

I know that a number of people receive rental income but do not let their lender know. This should be avoided at all costs. Most lenders will be happy for you to receive the income, but may change the basis of your mortgage. You should also mention the income you receive to

your local tax office as this could be liable to income tax.

The other issue to consider is what would happen if your friend suffered an injury while in your home and sued you - would your buildings insurance policy protect you?

Question

Do I need to take out the insurances that my bank has told me I require and do I need to take it with them?

Answer

All lenders insist that you take out buildings insurance in order to protect their financial interest in your home, but they cannot insist that you take out the insurance with them.

Unfortunately, a small number of lenders will charge you an "administration fee" if you take insurance from another company. I feel that this is a little cheeky as it is a financial penalty for not taking out their cover. However, their rates can usually be beaten - usually by more than the fee you have to pay them.

Only a few lenders insist that you take out life protection and, again, they cannot insist that you take it out with them. The scope of cover you need depends on your personal circumstances and the protection you already hold.

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For example, if you are single with no financial dependants, then why take out life assurance - you will never get to see it. On the other hand, what would happen if your income stopped through ill health? The vast majority of home repossessions occur as the direct consequence of a breakdown in health followed by a reduction or termination in earnings.

I recommend that all my clients protect their earnings in the event of long-term ill health.

What would happen to your own mortgage if you couldn't work again?

Redundancy protection should be viewed with an element of suspicion (when the exclusions in a policy take up most of the policy booklet, I become worried). Make sure you are aware of all the exclusions before you accept the plan. When will you receive the first benefit payment? How much will be paid, for how long? What events will end payments and how likely would it be that you would be out of work for a significant length of time anyway? My view is that your health is the most important thing to protect.

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Andrew has over 20 years experience in the Financial Services sector and with this has the knowledge and the relationships with suppliers to ensure his clients receive sound independent advice.

Included in his portfolio Andrew regularly writes articles answering frequently asked questions on mortgages, investments, and insurance.



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