

WHY HOPE IS NOT LOST FOR FIRST-TIME BUYERS

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It's not exactly a secret that saving a decent-sized deposit has been incredibly challenging in recent years.

Since the pandemic renters have faced the inflationary pressures of rising prices and interest rates, making saving even harder. Even if these would-be owners reorganised their finances to deal with these hurdles, they will likely have seen any spare money eaten up by increased rental payments.

For example, figures from Hamptons recently found that rents rose by 7.7% in the 12 months to December 2022, equating to an extra £1,000 plus a year for the typical tenant.

All of this has come at a time when house prices have rocketed at a frankly incredible rate. What would have been a sufficient deposit six months prior may no longer be enough for that first-time buyer to get onto the housing ladder after all.

A FRESH APPROACH

However, I would argue that far from losing hope, the prospects may not be as bleak as you would think.

After years of rapidly rising house prices, 2023 appears to be a year in which prices may move downwards at last. We have seen a succession of house price indices, from lenders and the Office for National Statistics alike, report that house prices are falling. The turmoil of the end of 2022, the subsequent knock-on effect on mortgage pricing, and the general economic uncertainty has led to buyers across the board taking a 'wait and see' approach.

Those house price falls may make that first purchase a little more attainable.

What's more, with some innovation, lenders are still able to support first-time buyers who aspire to own their own property. That desire to do things differently led to the development of the Family Assist mortgages, which allows the borrower to obtain a mortgage for 100% of the value of the property they wish to purchase.

To access the mortgage at 100% LTV, a family member needs to open a savings account or allow a legal charge over their property equal to 20% of the purchased property price. It offers clients the best of both worlds. All being well, the family member can still retain their finance or equity in the long term, rather than having to hand over a gifted deposit, while the borrower can pick up their first home without needing a deposit in place at all.

Of course, such a product won't be right for everyone, and there's still very much a need for mortgages with low deposits. We wanted to maintain greater choice for those borrowers who have managed to build some level of deposit.

Our recently launched fixed rate up to 95% LTV also includes our flexible approach, such as allowing gifted deposits and Joint Borrower Sole Proprietor, which allows loved ones to contribute to the mortgage payments without ownership rights over the property.

It's easy to talk about wanting to help first-time buyers, but the proof is in whether lenders really offer a 'can do' attitude.

UNDERSTANDING UNDERWRITING

We regularly hear from mortgage brokers who have been frustrated by how lenders go about assessing applications from any client who has anything slightly out of the ordinary in the circumstances.

This could be something as simple as being on a zero hours contract, having a couple of different income sources, or even the odd historic credit blip. There's nothing inherently 'risky' about clients in these situations and yet we frequently hear about lenders seeing that perceived complication as a reason to say no, to decline a case outright.

Lenders can make a real difference by taking the time to actually get to grips with the important elements of a case, rather than those slight deviations from the norm which - in practice - make little to no difference.

First-time buyers are the lifeblood of the property market - the sector simply cannot work if those new to home ownership are unable to purchase a first home.

Yet in order to do that, these clients require lenders to embrace innovation in product design, and then find reasons to say yes to an application rather than excuses to walk away.

Working with lenders who adopt that more positive, versatile attitude will help brokers assist more clients in taking that first step onto the housing ladder.

A COMMON SENSE APPROACH

If you've got a case on your desk that requires a common sense approach to lending then please pick up the phone to our Broker Support team on 01623 676360 or visit <https://www.mansfieldbs.co.uk/intermediaries/>.