



## **Flexibility on gifted deposits will make a big difference to the next generation of homeowners**

**By Sakeeb Zaman from StrideUp**

Getting onto the housing ladder has become ever more reliant on being able to make use of a financial gift from a loved one. As house prices have grown, along with rising living costs, aspiring homeowners have found it increasingly challenging to build up a sufficient deposit on their own. That's left them with little option but to ask for a helping hand from family and friends.

This is borne out by the latest data from [Legal & General Insight](#) around the criteria being searched for by brokers. It found a 35% hike in searches for those using gifted deposits in August, while a separate study from the firm found that three-quarters of those receiving family assistance devoted at least a portion towards the deposit.

Even with a slight softening in house prices, the general economic situation means that gifted deposits are only likely to play a more central role for first-time buyers in the years ahead.

### **Where is the gift coming from?**

One challenge that would-be buyers can face is where that gifted deposit is coming from. After all, while we may refer to it as the 'Bank of Mum and Dad', the reality is that far more people can be involved in providing that gift beyond the parents.

And in some instances, this can cause complications as some lenders have prescriptive criteria around precisely whom the gifted deposit can come from, limiting it solely to the lender's definition of a 'close family member'.

If the financial support is actually coming from someone who falls outside of that arbitrary definition, then a traditional mortgage may not always be accessible.

### **Flexibility over gifts**

It doesn't have to be this way. The fact that a financial gift towards a deposit is coming from someone outside the bounds of close family, or even from a host of different people, does not need to be an insurmountable hurdle.

At StrideUp for example, we are happy to consider cases where the entirety of the deposit has been gifted, and from any number of sources. If a gaggle of aunts, uncles and cousins have all helped with contributions to the deposit, that isn't a problem.

Similarly, there is greater understanding when that deposit comes from outside of family members.



Essentially it comes down to the approach of the finance provider here. If the lender is reliant on automated systems, on a computer determining whether a case falls within their criteria then inevitably there will be perfectly good buyers who end up excluded.

By contrast, providers who embrace the personal approach and take the time to manually assess each case, truly getting to grips with the circumstances of the client, are able to make far more informed and flexible decisions.

On gifted deposits, StrideUp's modern approach recognises changing family dynamics, including cultural nuances in communities where it's perfectly normal to get help from extended family.

That flexibility in approach can make all the difference when it comes to accessing the financing needed to purchase a property.

### **What do buyers really need?**

If providers are serious about helping people onto the housing ladder, then it will take more than just an open-minded approach to gifted deposits. It is also crucial to embrace a more flexible attitude to the rest of the application process too.

For example, many would-be buyers are struggling currently with the challenge of affordability. This has been made even more difficult by lenders who are particularly restrictive on income multiples or the sorts of income that can be considered.

This can only lead to would-be homeowners being excluded from getting onto the ladder, through no real fault of their own.

At StrideUp we are determined to operate in a different way. With our residential Home Purchase Plan product, applicants can access funding of up to six times their income, incomes from up to four applicants can be used in affordability, and up to 100% of certain non-standard income sources can be considered. This flexibility opens up the potential of owning a far greater range of properties that may be more suited to your client's needs.

There is an equally flexible approach when assessing the application itself. We know that brokers and their clients can feel frustrated by the limiting way that some traditional mortgage lenders function, with a preoccupation with credit scoring. By manually assessing each application, our underwriters can get a much broader understanding of the position of the client and what they can truly afford.

Ultimately it all comes down to understanding what the next generation of homeowners needs are, and empowering them to the point that they can get onto the ladder through the development of accessible, flexible finance that truly works for clients.