

JUST HOW MUCH CAN YOU BORROW?

- A HELPFUL GUIDE -

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RESIDENTIAL

We are often asked, especially by those who are in the very initial stages of looking for a property, how much they can borrow. The answer to the question can vary greatly, depending upon the type of property and the client's status etc. Also, lenders' criteria changes quite regularly and this has been particularly true since the "credit crunch". When you have selected a property we will be happy to go into this more deeply for you but, in the meantime, you may find the following information very helpful:

Most lenders will limit their lending between 80% - 90% with many lenders now limiting advances to between 75% - 80% or charging higher rates for mortgages above that level. We always suggest that clients put in a deposit if they can as this gives them a much wider choice of schemes and, generally speaking, a more attractive interest rate and lower costs. In extreme cases, it is still possible to obtain 95% if close family members, subject to suitability, are prepared to join in or guarantee the mortgage.

Recently some lenders have now reduced maximum lending to between 50% - 75% for those who wish to take their mortgage on an interest only basis.

These days more and more lenders are lending on an affordability basis and will assess your borrowing limit based not only upon your earnings but your outgoings etc, etc. If you have a good amount of net disposable monthly income you may qualify for more. If you have high outgoings you may qualify for less. Also, many lenders will assess you for a credit score and if you get a higher credit score, they are usually prepared to be more generous. Since the "Sub-Prime" mortgage crash in USA, last year, some UK lenders have tightened up their criteria, particularly if you have had credit problems or arrears.

If you cannot easily prove your earnings, we may be able to assist you with a self-certification or non-verification scheme, where the lender may be prepared to forego the usual evidence of earnings etc. However, care needs to be taken because we still need to be satisfied that you can afford the mortgage and, moreover, lenders reserve the right to make some enquiries in certain cases etc. Nevertheless, if used wisely, these schemes can assist many borrowers who otherwise would not be able to apply for a mortgage that they could afford. Please speak to us if you would like further details.

Many lenders limit lending to 4 times single gross income or 3 times joint gross incomes but the maximum income multiples for those with a high credit score and on very high incomes can be up to 5 times single income and 5 times joint income. However, for most average earners, these figures will be around 4.30 to 4.80 times single and 4 to 4.5 times joint. For those with a medium or low credit score the multiples will be reduced. However, even if you have had credit problems in the past, we may still be able to help.

One or two lenders, in exceptional circumstances and where affordability looks good, will even lend beyond the above income multiples but we do urge caution because it is essential that you are satisfied you can afford and sustain the mortgage payments.

BUY TO LET

For buy to let purchases, the criteria is much different as the majority of lenders will base the lending on the letting income to be achieved. A few lenders will currently lend up to 85% of the purchase price / valuation but the majority now restrict this to 75%. Most of them are looking for a likely rental income on the property that is between 100% and 125% of the monthly mortgage outgoings calculated on an interest only basis. New Build properties can be very difficult, as most lenders are rather wary of the valuations, and many lenders will no longer lend on them.

However, if your own income and affordability helps you to support the mortgage from your own personal budget, then a number of lenders take this into consideration as well. Most buy to let lenders need you to have an income of £20000 minimum, although there are one or two exceptions.

Residential and buy to let purchases and remortgages for the following properties can be more difficult to get mortgages on, although we have some lenders who will still consider these:

Flats in high rise blocks above 6 storeys, especially if ex-local Authority

Freehold flats and maisonettes, and studio flats

Flats and maisonettes above commercial premises, particularly restaurants and fish and chip shops etc

IN PRINCIPLE DECISIONS

If you are likely to need your mortgage very shortly and/or are about to make an offer on a property please let us know and we shall be happy to negotiate an “in principle decision” for you with a lender. This is a free service to you and, if we are successful, it may put you in a much more positive buying position. Indeed, many of our clients find that this gives them a much better chance of negotiating for a property. Please note, we can only afford to offer you this service if you agree to give us the chance to help you when you do proceed in full with your mortgage. You will need to accept that a lender may take out a credit search on you.

There are three things you can do at this stage:

1. When you have chosen a property, call us straight away and we shall be delighted to assist you.
2. If you are very close to buying a property and would like us to arrange a “decision in principle” for you, please call us as soon as you can.
3. If you are at the very early stages of buying a property, you can take this guide into consideration to give you an idea of how much you can borrow and call us when you are nearer to selecting a property.

We wish you every success with your property purchase and look forward to being of service to you!

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