

Some Points When Applying For A Mortgage

The new mortgage rules which came into force on the 26th April 2014 have not apparently affected the active housing market over recent months, although in some cases they have had the effect of slowing down mortgage applications.

Borrowers now need to give more detailed information about their finances as lenders are keen to make sure that they will be able to repay their monthly payments during the course of the mortgage, even if interest rates go up again. This mainly affects first mortgages.

Interest only mortgages are now less common and will only be accepted by lenders if they are satisfied that there is a reliable vehicle for repaying the capital at the end of the term.

Lenders are now responsible for checking borrower's income, assessing affordability, normal income and outgoings, and likelihood of changes in income, which would previously have been dealt with by financial advisors or other intermediaries.

Members of the family may wish to help out first time buyers by contributing towards their purchase price. Lenders will also scrutinise this. They need to know whether there is to be any gift or borrowing and will frequently decline to lend if there is likely to be a second loan, even if it is to family members, because where a sum of money will, eventually, need to be repaid this could impact on the affordability of the mortgage payments to them. They will often only agree to the Bank of Mum and Dad helping out if this is by way of a gift rather than a loan.

Solicitors acting for buyers and their lenders (the usual case) also have a duty to check that the information they receive tallies with what the lender has.

Solicitors need to check other points on behalf of mortgage lender clients, including who resides in the property, identity, and details about the property itself.

Lenders' current rules sometimes seem to be demanding, however lenders are trying to act more responsibly than previously, when less careful lending contributed to the troubles of the banking system, and the many repossession cases when borrowers could not afford escalating payments when interest rates changed.

Good sources of information about mortgages are local branch offices of lender organisations, independent financial advisors, and solicitors.

For more information feel free to contact Alison Fielden at Alison Fielden & Co The Gatehouse Dollar Street Cirencester GL7 2AN, 01285 653261, alison@alisonfielden.co.uk
www.alisonfielden.co.uk