

Case Study

Daniel Son is looking to buy his first house and is currently considering properties valued between £100k and £120k. He earns £28k a year and has no other debts. Daniel

has a £20k deposit available and his parents are also willing to act as guarantors although he would prefer not to do this. Daniel has never applied for any credit before (credit card, etc)

and is worried this might mean some difficulties in getting a mortgage. He is also hoping to keep mortgage fees down to a minimum and would prefer a fixed rate deal. What are his options?

“If we assume that Daniel is looking to buy a home valued in the region of £120k then his income of £28k is more than enough to cover what he is looking to borrow (£100k) based on a 3.5 times salary multiple. However what may prove to be problematical in this instance is the fact that Daniel does not have an active credit history because he has never applied for any type of credit before, i.e. loan, store card or hire purchase.

Because of this we would recommend placing the case with Future Mortgages because it underwrites cases by credit searching as opposed to carrying out a credit score. This means that instead of checking to see how well Daniel has conducted his other accounts by looking at loan/credit card payment history, Future will ask to see two months' worth of bank statements in place of two active



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credit agreements.

Currently Future has a two-year 5.25 per cent fixed product available until the 1 February 2008. The rate is available on cases up to 85 per cent LTV and reverts to Future's LIBOR plus 2.34 per cent (currently 4.59 per cent). MIG is not charged on this product but there is a completion fee of £600 which can be added to the loan.

It is not clear whether Daniel has accounted for all of the other fees associated with the house-buying process. If he has not accounted for stamp duty (£1,200) and removal costs, etc, then this is something that he may wish to ask his parents for help with in order to secure the house that he has already seen. If they are prepared to then this must be accounted for in the application process, i.e. a possible deed of gift needs to be noted.”