

## Case Study

Sally Chambers has recently divorced from her husband Guy and is looking to relocate. The couple currently own a property recently valued at £190,000. They bought the house for £150k. Sally is hoping to use half the profit as a deposit on a new home. She currently earns £22k pa and is looking to buy a new flat in the region of £120k. The couple have one child and Sally will be receiving regular maintenance payments from Guy. Can these payments be taken into account when looking for a mortgage and what deals are currently available?

“There are a number of options available to Sally. There are some lenders that would be able to take her basic income of £22k into account without looking at what she receives in maintenance payments. However, as it is unclear what level of deposit she actually has, I will work on the basis that she has £20k to put down and that Sally therefore is looking to borrow £100k. If this was the case then Sally would need an income multiple of 4.5 times her salary. If she went for this option then we would recommend sourcing a lender that would assess her income on affordability.

Assuming that Sally has no adverse credit or existing financial commitments, lenders such as Intelligent Finance, First National and The Mortgage Business (TMB) would be able to look at the case on an affordability basis. Currently First National has a three-year fixed rate of 5.84 per cent with no overhang-ing early repayment charges. At the moment this rate reverts to 6.39



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per cent and has a £499 completion fee.

If Sally is in possession of a court order which proves she receives a certain amount in maintenance payments from her ex-husband, she will be able to add this amount to her basic salary of £22k. As we do not know what level of maintenance payments she is entitled to it is difficult to say what impact the extra income would have on her basic salary. If maintenance payments can be proved then Future will take up to 100 per cent of this in addition to her basic income. It has a 12-month discounted product at 4.93 per cent which reverts to LIBOR plus 2.34 per cent (6.93 per cent) with no overhanging early repayment charges; there is also a £300 completion fee which can be added to the loan.

It is not clear whether Sally has a separate fund set aside for the fees associated with a new house purchase. If she has not accounted for these then she may be reliant on utilising the £20,000 deposit she has to put down on the flat and this will have an impact on her LTV.”