

Dear DELIA



Finding you the perfect recipe for all your clients' needs

Dear Delia First-time buyers John and Mel are looking to buy a new-build property in their home town. Each incurred a County Court judgement of £1,000 last year, which they have recently satisfied. Their combined income is £60,000 and while they have savings for the costs of moving, they have no deposit. What are their options? **DELIA SAYS:** Parents can often help first-time buyers raise equity. Dale Jannells of AToM and Georgina Maun of Mortgages PLC assess the range of options. Have you got a problem for Delia? Email mortgage.strategy@centaur.co.uk

PACKAGER RESPONSE

“Most lenders expect borrowers to make a contribution”



Dale Jannells is sales and marketing director at All Types Of Mortgages

This is an interesting scenario because the proposed purchase is a new-build and the applicants are first-time buyers who have recently suffered marginal adverse credit problems.

The issue relating to a new-build is that a number of developers are offering incentivised purchase prices which often result in downvaluations reflecting valuers' concerns that the market is subject to oversupply or enhanced initial (pre-incentive) pricing. Most lenders supporting this market expect their borrowers, particularly first-time buyers, to make a contribution toward the purchase so not many who will advance 100%, especially given an adverse credit history.

We have come across cases like this recently in which we have been able to help in a number of ways. Most popular is the parental or developer gifted deposit route whereby, subject to satisfactory valuation, the lender allows a 10% (in some cases 15%) deposit with the mortgage being 90% (85%) of the lower of purchase price or valuation. Lenders that spring to mind here include Mortgages PLC, Unity Home-

loans and Victoria Mortgage with a variety of fixed and discounted rates. As an example, Unity offers a two-year fixed rate at 5.95% on a full status basis with no overhanging ERC. It offers a 3.5 x joint income multiple so the mortgage amount at 85% LTV could be £210,000. Obviously, we would want to ensure that this level of borrowing could be considered responsible and that all affordability calculations confirm this as satisfactory.

Another option would be to look at parental support in terms of equity whereby a lender would consider a 100% advance on the new-build based on income multiple affordability (2.74 x joint at £164,400) with a collateral charge taken on the equity of the parents' property. Assuming the small adverse history was a blip and all other aspects of the application are satisfactory, Holmesdale may consider the case. It has a product that offers a discount of 1% below SVR for two years – current charging rate 4.74% variable – with ERC during the period.

The most important thing is to counsel and advise the potential buyers and ensure the repayment structure is within their budget. Just because a deal falls within a lender's criteria does not mean applicants should borrow to the maximum level available.