



Alexander Southwell

MORTGAGE SERVICES



# Covid-19 & Mortgage Eligibility

## Frequently Asked Questions

November 2020

The property ladder can be a tough one to climb, as several factors affect your ability to secure a mortgage – and given the current uncertainty, you may be asking yourself whether you will be eligible to get a mortgage and move home...

Let's cover a few common questions to put you at ease:

### 1. Is it more difficult to get a mortgage because of Covid-19?

That's an interesting one and to be honest, as far as our assessment goes it's not exactly 'more difficult'. The market and lending criteria have been changing. The thing to bear in mind is that you'll probably need a bigger deposit – where previously, in most cases, you could easily get a mortgage with a 10% deposit, you may need 15% or more now, to get the same deals. Having said that, you still have the equity loan scheme where you can buy a new build at 5% deposit.



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## 2. Has the second lockdown impacted the housing market?

The November lockdown hasn't impacted the housing market – estate agents are still open, removal firms are operating, you can still view properties, you can still move home – but you must follow strict safety guidelines.

Most importantly, as mortgage advisers, we can still provide you with the level of service you'd expect, **remotely** – so there's nothing to worry about!

## 3. Can I still benefit from the stamp duty holiday?

Yes, probably – but hurry up! Especially if you have a property to sell to buy the new one. Find a good estate agent and get it on the market NOW to stand a chance of securing a new mortgage by the 31<sup>st</sup> of March 2021. The market is quite busy because of the Stamp Duty Holiday and conveyancing times are longer than usual, so act now if you want to make that Stamp Duty saving.

## 4. I took a mortgage payment holiday due to Covid-19; will that impact my chances of getting a mortgage in the future?

There isn't a direct answer to this question, it really depends on the lender and your current situation. If you are back on track after your payment holiday and can show a stable income and affordability, you should be okay. The best thing to do is to have a detailed discussion about your situation with an experienced mortgage adviser.

## 5. How will lenders assess my affordability?

Generally, the same rules still apply. Mortgage lenders will look at your income, financial commitments, and lifestyle to assess whether you will be able to afford your monthly payments. They will need to see the following:

- Up to 6 months' worth of pay slips (3 months may be sufficient in most cases)
- If you are self-employed, you may need to provide additional documents to show your income over the past 2-3 years
- Details of the nature of your employment
- Details of all financial commitments (loans, credit cards, car leasing etc.)
- Bank statements to get an idea of your spending habits and lifestyle costs
- Additional income, like overtime, bonuses and commission
- Other income/expenses like rental income, trust funds and maintenance payments

## 6. Can I get a mortgage if I have debt?

You can. Most of us have debts - credit cards, student loans, personal loans, car finance, etc. The average UK household debt stands at £15,400 as of 2019. Lenders are more interested to see how well you can manage debt and afford your mortgage.

Having a well-managed, reasonable amount of debt can in fact be advantageous, as it shows you're responsible and credit worthy. Generally, using less than half of your credit limit and keeping up with payments can boost your credit rating. The key is affordability, regardless of the amount of debt, if you can show that you have enough stable income to afford your repayments, you should be good.



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### 7. I have had problems with credit in the past, can I get a mortgage?

You probably can, however, it may be tougher than usual. It also depends on the type of problems you've had and how long ago. Your credit history generally has a significant impact on your mortgage application.

There are some lenders specifically offering adverse-credit mortgages. These are tailored towards those who can't secure a regular deal because of poor credit history but generally require a larger deposit and charge more interest.

The best thing to do is to take some time to improve your credit score before applying. Lending criteria are complex and there are no guarantees as such, but your chances will improve as your credit score goes up.

### 8. Can you get a mortgage if you already have one?

Yes. It is quite common to get a second mortgage. However, it will be tougher than your first application because you will have to prove you can afford both mortgage repayments.

If you are buying a second property to rent out, or you want to rent out your current property to buy another one, you can get a buy-to-let (or a let-to-buy mortgage) in which case the prospective income from the rental will cover the cost of the mortgage. If you're getting a second mortgage to buy a second home, then the affordability criteria will be quite strict. Best to have a detailed discussion with an experienced mortgage broker.

Each mortgage lender has their own specific criteria to decide eligibility. You could be declined by one but easily find another who will accept your application. As mortgage brokers, we will be able to guide you through your options and match you with the best lender – we will also ensure your applications meet their requirements – so get in touch!

## Get in touch with us.

At Alexander Southwell Mortgage Services we can with all your Mortgage and Protection needs. Get in touch with us today on 02380 971117 or 07470 701788.

Your home may be repossessed if you do not keep up repayments on your **mortgage**.