

From The Sunday Times

August 9, 2009

Top tips to get a mortgage

With incredibly tight lending criteria and stringent credit checks, just what do you have to do to get a home loan these days?



Elizabeth Colman

Lenders are clamping down on homeowners who become “accidental landlords” in a clear sign that banks and building societies remain reluctant to advance any money.

Last week, the Bank of England’s quarterly credit conditions survey gave borrowers some hope that the mortgage freeze was beginning to thaw.

The Bank reported that the availability of mortgage credit rose in the three months to June, the first positive balance since the survey began in mid-2007.

However, brokers told *The Sunday Times* that they are not seeing much evidence that the credit crunch is ending, frustrating buyers who want to get back into the market on signs that prices are stabilising.

Halifax said house prices rose by 1.1% last month, their second monthly increase in three months.

However, Accord, the intermediary-only arm of Yorkshire building society, said this month it has stopped accepting applications from home-movers who want to keep and let their previous homes.

Ian Gray of largemortgageloans.co.uk, a broker, said: “This is a blow for the growing numbers of such accidental landlords who may be keeping their old properties while they wait for prices to recover their peak.”

Accord is also clamping down on borrowers who have been out of the market for a year, which could potentially hit those who “sell to rent” until the market picks up, according to Richard Morea of L&C Mortgages.

Meanwhile, Cheltenham & Gloucester (C&G), part of Lloyds Banking Group, earlier this month increased the minimum deposit you need to buy a British holiday home from 25% to 35%.

However, there are ways to improve your deal — and ensure you get a loan in the first place. Here, we offer our 10 top tips.

1. TRY A PRIVATE BANK

While Royal Bank of Scotland (RBS) continues to pull back from the mortgage market through high street brands such as NatWest, its private banking arm, Coutts, is increasingly keen to lend, brokers report.

Mark Harris of Savills Private Finance, another broker, said: "A quarter of our high net worth clients would borrow from Coutts now."

Not all brokers have access to Coutts' deals, and clients have to open a bank account to be eligible. Coutts said: "We are very much open for business for £1m-plus loans."

Meanwhile, Paul Welch of largemortgageloans.com said that it is possible to get as much as 10 times income from a private bank by moving any pension savings, investments or other assets to the bank.

"Bringing family money, whether in trusts or pension funds, can help secure great rates and gets deals done — even where the client might not conform to standard lending criteria," he said.

"For instance, our clients may need to borrow 90% of a multi-million pound property."

Borrowers are advised to check who will manage the pension and ensure they are comfortable with the arrangements.

2. BOOST YOUR EQUITY

Borrowers with a 15% deposit or equity in their homes are now paying an average £300 a month more for a two-year fix on £200,000 than those with a deposit of 40%, according to figures from Defaqto, the financial data firm.

While falling property prices — down 14.6% from their November 2007 peak — have no doubt dented homeowners' equity, consider paying off some of your debt before you remortgage to boost your equity and give yourself access to better deals.

Welch said: "Use other items as security to bring down the size of your loan — for example, many people have endowment policies that they have kept but don't use. You may be able to get this assigned to your mortgage, in which case a percentage of the endowment's value would be offset against your debt."

3. GET A FAIR VALUATION

Your valuer could be crucial to determining how much equity you have in your property and therefore what kind of deal you can expect to get.

Property experts advise checking websites such as zoopla.com, which hold Land Registry data, to get an idea of how much can be hoped for.

4. APPLY TO A FOREIGN BANK

Foreign banks are undercutting UK ones for certain types of borrower.

Bank of China offers market-leading buy-to-let rates at 4% and, significantly, it requires only 100% of rental income to cover repayments, while most UK lenders require 125%.

Borrowers have to attend an interview in one of Bank of China's branches in big UK cities, though.

Those who are looking for large loans are also turning to Handelsbanken of Sweden, which is willing to lend as much as 75% of the value of a property for loans even above the £1m mark.

Aaron Strutt of Trinity Financial Group, a broker, said: "With UK lenders capping their best rates at as little as £250,000, this is a real alternative for borrowers looking for large loans."

5. DON'T BUY A THATCHED ROOF

Banks are cracking down on lending to clients who have "character dwellings".

Alliance & Leicester will not lend on Grade I listed buildings, while Coventry will turn down an application for a loan on a studio flat.

6. DON'T DISMISS YOUR OWN BANK

Lenders including Halifax, C&G, Nationwide, RBS and even Northern Rock are offering loans as high as 125% to existing customers at better rates than those on offer to new borrowers as part of a strategy to

keep arrears and repossessions under control. For example, customers at Halifax who owe 120% of the value of the property can secure five-year fixes at 5.64% with a £1,249 fee — but only if they ask.

This compares with 7.09% for new customers with a 10% deposit and 5.91% for a buyer with 15%.

The deals are not confined to those in negative equity, so always check your existing lender first.

7. DON'T EXPECT TO STAY INTEREST-ONLY

Homeowners on interest-only loans could find they have a headache when they come to remortgage, as more lenders are demanding borrowers have a bigger deposit to qualify for new deals.

This month, RBS became the latest lender to restrict interest-only deals to those with large deposits or equity of 25% or more, up from 15% previously.

8. DON'T ASSUME YOUR BONUS WILL COUNT

Amid the financial downturn, lenders have been more reluctant to lend to those who rely on their bonus to make up their income.

Harris at Savills said: "Traditionally most lenders would allow between 50% and 100% of a bonus to be used, particularly when these bonuses were consistent.

"Nowadays this has reduced to between 0% and 50% regardless of the specific sector someone works in."

Bank of China will allow bonuses to make up 50% of income. However, RBS is much more strict — if this year's bonus is less than the last one, it will ignore it altogether.

9. BOOST YOUR CREDIT RATING

Even high-earning individuals are finding they are turned down for loans owing to the arbitrary credit scoring used by Britain's biggest lenders.

Experts advise borrowers to ensure they do not frequently go overdrawn and to check their credit file before applying for a loan.

10. STAY PUT

If your fixed term has expired, you may be better off staying on your current lender's standard variable rate (SVR) — especially if you have little remaining equity in your property.

C&G and Nationwide have the lowest SVRs at 2.5% — beating even the market-leading rates currently available.

In addition, some lenders may have a "reversion" rate at the end of the deal that is better than its SVR.

Woolwich, for example, has reversion rates that are as low as 1.45%.

I beat the high street

Charles Butler, of Clapham, south London, has just taken out a mortgage with a Swiss bank for the first time.

The 37-year-old chief executive of an online gaming company wanted a low-rate loan to purchase a buy-to-let property and was dissatisfied with the high street offerings.

His broker, largemortgageloans.com, arranged a meeting with EFG, a private bank, which offered him a deal at 2% above Libor, which is currently around 0.85%, giving a rate of 2.85% with an arrangement fee of just 1% — far lower than any of the mainstream deals.

However, to secure the deal, Butler had to transfer his pension savings to EFG.

This involved opening a bank account with the company and transferring into it the cash he had as part of his self-invested personal pension.

He said: "I've dealt with private banks from a business perspective but not on a personal level. It was

almost like the old days of having a relationship with the bank.”

[Contact our advertising team](#) for advertising and sponsorship in Times Online, The Times and The Sunday Times, or place your [advertisement](#).

Times Online Services: [Dating](#) | [Jobs](#) | [Property Search](#) | [Used Cars](#) | [Holidays](#) | [Births, Marriages, Deaths](#) | [Subscriptions](#) | [E-paper](#)

News International associated websites: [Globrix Property Search](#) | [Milkround](#)

Copyright 2009 Times Newspapers Ltd.

This service is provided on Times Newspapers' [standard Terms and Conditions](#). Please read our [Privacy Policy](#). To inquire about a licence to reproduce material from Times Online, The Times or The Sunday Times, click [here](#). This website is published by a member of the News International Group. News International Limited, 1 Virginia St, London E98 1XY, is the holding company for the News International group and is registered in England No 81701. VAT number GB 243 8054 69.

