



NEWS LETTER

LILAC FINANCIAL

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Considerations for first-time buyers

Being a first-time buyer can be daunting. Not only are you about to make one of the biggest financial decisions in your life, but you'll probably also have family members and friends offering their ideas on the right house, mortgage, lender, conveyancer and even removal company for you.

We've put together some ideas to try and take away some of the stress and confusion and give you confidence to move through the home buying process as smoothly as possible.

Get the right advice

Of course, we're going to say that – it's what we do! We'll review your circumstances and look at your income, debt, day-to-day outgoings, employment and the size of your deposit, to assess what you can afford to borrow now and in the future. We'll talk you through the types of mortgages we think are right for you and the lenders who offer them.

Save as much as possible

Buying a house is going to be expensive so it's important to save, save, save to get yourself in the best position possible. Some lenders will accept a minimum deposit of 5% of the cost of the house you're buying but aim higher. The bigger your deposit, the smaller the mortgage (and monthly mortgage payments) making you more attractive to a lender.

Compromise

We can all admit that it is easy to get a little carried away when looking for our 'dream' home, but sometimes buying your first house is all about compromise. Deciding what you're prepared to compromise on is an essential step when considering your first home. Whether it's the luxury of having extra bedrooms or a bigger garden, it's unlikely that you're going to get everything you want at a price you can afford.

Know your budget

Your hard-saved deposit and monthly mortgage repayments aren't the only expenses you need to be mindful of when buying your first home:

- Some lenders will charge for a **valuation fee** to help them establish how much they are prepared to lend you.
- You'll also need to factor in the cost of a **survey** (depending on the type of property you're buying and the lender you choose to go with you might need a basic mortgage valuation, a homebuyers report or a full structural survey).
- In Scotland you also need to budget for **Land and Buildings Transaction Tax** on properties over £175,000.
- In Wales you'll need to budget for **Land Transaction Tax** on properties over £225,000.
- In England or Northern Ireland, you'll need to budget for **Stamp Duty Land Tax** on properties over £425,000.
- You'll also need to pay your **solicitor** or **conveyancer** for any legal work and local searches they do on your behalf.

Talk to us and we can help with practical financial advice on your first and future home purchases.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Self-employed - tips before applying for a mortgage

Self-employed workers have always faced additional challenges when trying to get on the property ladder. But stringent affordability tests mean it's becoming even more difficult to secure a mortgage.

Government statistics show in May to July 2023 there were 4.24 million people were self-employed. So, the barriers for self-employed workers are something thousands of aspiring homeowners need to overcome every year.

According to the *Telegraph*, it's "never been harder" to get a mortgage if you're self-employed.

If you don't have a predictable income, lenders are likely to ask you more questions. However, lenders are reportedly asking self-employed workers questions that weren't common in the past, such as which energy supplier they are with or if they can supply a reference from their accountant about the strength of their business.

As lenders are being more cautious, it's estimated they rated only 65% of self-employed mortgage applications as "affordable" at the end of 2022.

So, if you're self-employed and seeking a mortgage, what can you do?

1. Check your credit report

Anyone seeking a mortgage should check their credit report. It's one of the tools lenders will use to assess how much of a risk you pose. Going through your report before you apply gives you a chance to uncover potential red flags first.

Things like payday loans or large credit card debt could lead to your application being rejected, even if you're confident you could meet the repayments.

There may be things you can do to improve your credit report, such as registering on the electoral roll or paying off an overdraft.

2. Prepare evidence of your income

You will need to prove your income when applying for a mortgage. This is usually done by providing your self-assessment tax returns.

You will typically need a minimum of 12 months of accounts to be eligible for a mortgage. However, some lenders may require evidence of your income for two years or more.

Getting your paperwork in order before you apply for a mortgage could help you identify potential gaps and ensure you have everything to hand.

3. Be mindful of how steps to reduce tax liability could affect your mortgage application

When taking an income from your work, you may take steps to minimise your tax liability. While this can help your money to go further, you should be mindful that it could affect your mortgage application.

For example, not every lender will consider "retained profits" as part of your income as a self-employed borrower.

Your income is used to calculate how much you can borrow – a typical amount is 4.5 times your annual income – but this varies between lenders and will depend on your circumstances. So, managing your tax bill could have a knock-on effect on the amount you could borrow or even mean a lender rejects your application.

4. Keep track of your contracts

If you have a pipeline of work or long-term projects, having your contracts to show lenders could be useful. It can demonstrate that you'll have an income in the future and boost their confidence that you'll meet repayments.

Borrowers that pose a lower risk could benefit from a more competitive interest rate and lower repayments as a result.

5. Save a larger deposit

You could access a mortgage with a 5% deposit. However, if you want to improve your chances of success, a larger deposit could tip the scales in your favour – the larger the deposit, the less risk you pose to a lender.

Taking some time to save more for your deposit might be frustrating, but it could make all the difference.

6. Look beyond high street banks

There are lots of mortgage lenders to choose from. While your first thought may be to approach a familiar high street bank, alternatives may be more likely to approve your application, allow you to borrow more, or offer a lower interest rate. So, searching the market could help you reach your home ownership goals.

Searching the market and understanding which lenders could be right for you can be difficult. Working with a mortgage broker could be valuable here and improve your chances of success.

We can make your mortgage application process smoother

As mortgage brokers, we can lend support throughout the mortgage application process. From identifying the lenders that are most likely to approve your application to going through your paperwork, we'll be there every step of the way. Contact us to talk about your mortgage needs.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOANS SECURED ON IT.

How to improve your chances of passing a mortgage affordability assessment

Getting on the housing ladder can feel like one of the hardest and longest processes in the world and the cost of living crisis is probably not helping. You need to come across as attractive buyers for lenders to consider you, but there are many factors that can reduce how much lenders are willing to let you borrow for your home.

How do lenders decide whether to offer you a mortgage?

If you're applying for a new mortgage, remortgaging or increasing your current mortgage, lenders are required to carry out an affordability assessment. This involves a variety of checks designed to make sure you can afford to repay what you borrow. According to the Independent, some two thirds of first-time buyers are rejected for a mortgage at their initial attempt. So, what can you do to boost your chances of passing an affordability assessment?

Evidence stable employment

Many lenders ask for three years' proof on income, although some will accept less. Even simply switching from one employed position to another can affect your chances of success. Some lenders like to see that you've been with an employer for at least three to six months before they'll consider you.

Reduce your debts

Lenders will look at your total income and then work out how much you need to maintain a basic standard of living. This will give them an idea of how much you can afford to spend on a mortgage. Reducing the amount you owe on things like credit cards and loans will increase the amount you have available and boost your chances of passing an affordability assessment.

Check your credit report

Before offering you a mortgage, lenders check your credit report. A poor credit history could affect the amount they're prepared to offer or cause them to turn you away altogether. However, there are simple ways to improve your credit rating. Before applying for a mortgage, check your credit report for errors, avoid applying for new credit in the six months leading up to the application and make sure you're well within any existing credit limits.

Get professional advice

Finding the right mortgage is important so we can assess your circumstances and get the right deal for you. We can save you the headaches and ensure you're less likely to be turned down for a mortgage.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Should I consider private medical insurance?

Life can be full of surprises. You can't be prepared for everything. You may have some insurance to support you financially if the unexpected happens, but have you considered how private medical insurance might offer you and your family the peace of mind you need if your health takes a turn for the worst?

A growing trend

According to data published by The Telegraph, close to half a million people have taken out private medical insurance over the past year, as NHS waiting lists hit record levels this autumn. According to government statistics almost 7.8 million people were waiting to start routine hospital treatment in September 2023.

Against this backdrop, it's hardly a surprise that more people than ever are considering the benefits of private medical insurance including faster access to medical treatment for themselves and their families.

It's not just speed of access, it's also about the quality of care you receive, the flexibility of choosing where and when you would like to receive treatment, and the range of treatments, medicines, facilities and consultants available to you. Cost-restrictions in an already stretched NHS mean that not all breakthrough treatments are accessible.

With private medical insurance you can sleep easy, safe in the knowledge that the very best care is available.

It's more affordable than you think

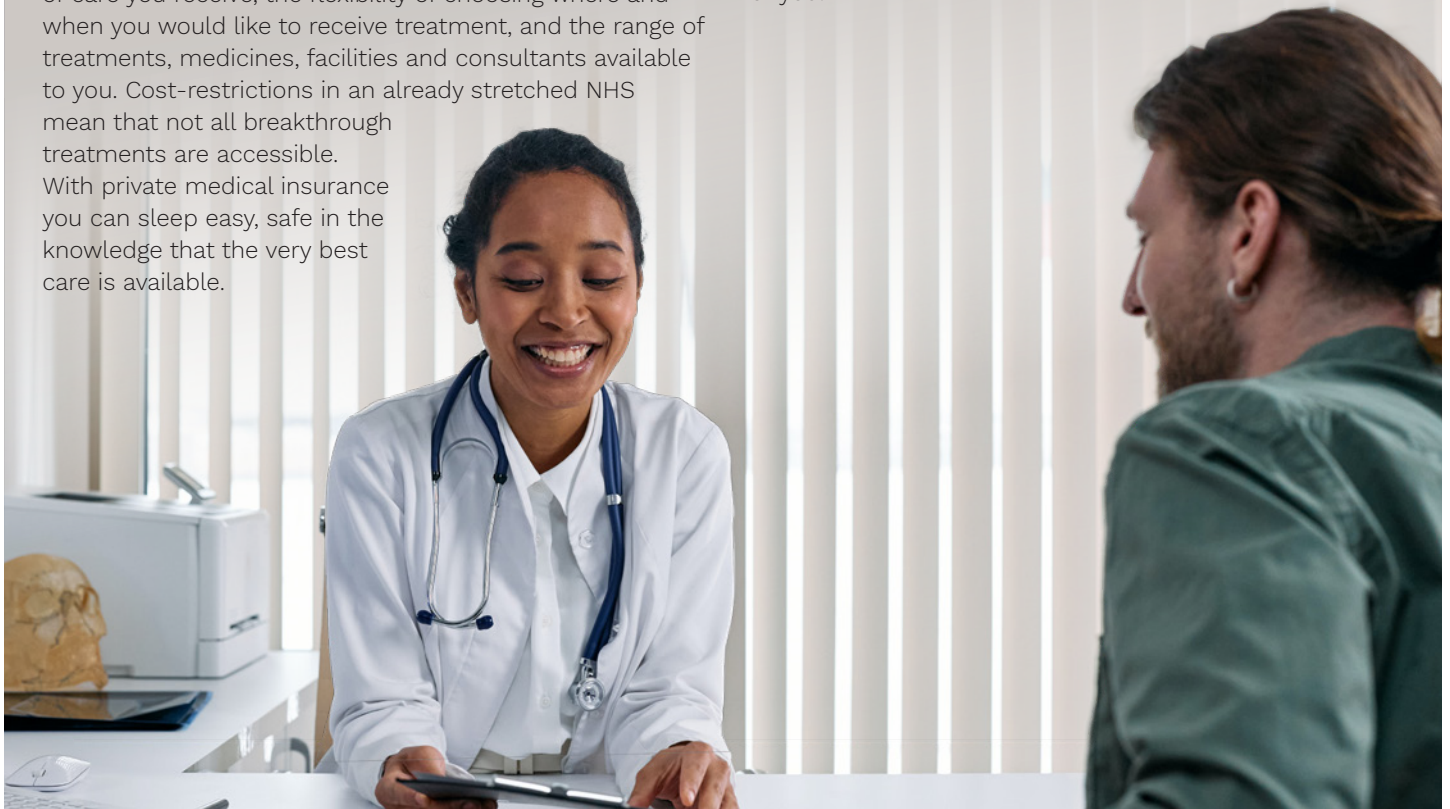
Avoiding lengthy waits for treatment and quality of care are just two of the biggest attractions of taking a route which has traditionally been seen as too expensive for most. But through our specially selected health insurance partner we can help you find the right policy for your budget. If you already have private medical insurance, we may be able to find you cheaper premiums for your circumstances, and all with a free no obligation quote.

The pandemic provided a reminder to us all of just how precious good health is – and acted as a reset for many. Health became a priority, and continues to be so. Spending money on private medical insurance may not have previously been a priority but protecting you and your family over the long-term means a growing number of people are taking the time to consider a more proactive approach to getting the treatment they may need.

We love our NHS but we know the pressure it's under

We have nothing but respect for the hard-working and talented individuals who make the NHS what it is. But we also know that the service that has given so much to so many is under unprecedented pressure. We also know that there is often a faster and better alternative.

We can make sure you get all the information you need to decide whether private health insurance is the right option for you.



The essentials you need to know about credit checks before borrowing money

The information a lender finds during a credit check is important – it could affect whether you're able to borrow money, including through a mortgage, and the interest rate you're offered. Yet, they can also seem perplexing.

Indeed, a **Royal London** survey found that a third of Brits had never looked at their credit report.

The good news is that we can help you cut through the jargon, so you feel more confident next time you apply for a loan.

Lenders usually carry out a credit check to assess how much risk you pose

Lenders carry out a credit check by looking at your credit report to understand how financially stable and reliable you are. Your credit report includes:

- Personal details, such as your name and address
- Borrowing and payment history
- Current borrowing and credit limits
- Details of people you're financially linked to, like your partner.

If their check indicates that you are more likely to default on repayments, a lender may offer you a higher interest rate, which would affect your repayments and the total cost of borrowing, or even reject your application.

Hard v soft credit check

Two different types of credit searches can be carried out – a hard or soft credit check.

A soft credit check happens when you review your credit report or a lender checks to see if you're eligible for certain offers. A soft credit check doesn't show up on your report.

A hard credit check is usually carried out when you've made a finance application, such as a credit card or mortgage, and the lender wants to take an in-depth look at your report.

Hard credit checks may be noted on your credit report for up to two years and will be visible to other lenders.

Several hard credit checks in a short space of time may affect your ability to borrow as it could indicate you're struggling to manage your finances. As a result, taking the time to understand which lenders are suitable for your needs could be useful as it may reduce the number of hard credit checks that are carried out.

A hard credit check can only be performed with your permission.

Don't worry if you're unsure about the two different types of credit searches and what they mean to you, we're on hand to talk you through it all.

6 useful steps you could take to improve the outcome of a credit check

1. By reviewing your credit report and score before applying for credit, you may have a chance to improve how lenders view you. Here are six steps you may be able to take.
2. Search your credit report for any mistakes and contact the provider to fix them
3. Register on the electoral register to demonstrate stability
4. Reduce your outstanding credit
5. Pay more than the minimum payment on a loan or credit card
6. Avoid late payments by automating bills
7. Be careful about applying for new forms of credit.

Speak to your adviser if you have any questions

If you have any questions about your credit report or are worried about what it means for your future, including the ability to secure a mortgage, please don't worry. You can contact us to discuss your concerns and plans.

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