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BRIDGING THE PROPERTY FINANCING GAP

Exploring the rising significance of bridging loans in the UK property market.

The Rise of Green Mortgages in the UK

Blending financial prudence with environmental mindfulness.

Hard vs Soft Credit Checks

How do credit checks and credit health affect mortgage applications?

Mortgage Anxiety Among Generation X

A concern is surfacing among Generation X: Carrying a mortgage into retirement.

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- Mark Turney

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HARD VS SOFT CREDIT CHECKS



How Do Credit Checks And Credit Health Affect Mortgage Applications?

Have you ever wondered how your past financial decisions could impact your dreams of owning a home? In the evolving world of UK mortgage applications, understanding the difference between hard and soft credit checks is important.

These checks are integral to a lender's assessment of creditworthiness, and differ in their impact on credit scores and visibility on credit reports.

This article, initially focusing on the differences between these checks, discusses their influence on mortgage rates, tips for improving credit scores before applying, insights into credit reports, and specific guidance for first-time homebuyers. Let's get stuck in.

HARD VS. SOFT CREDIT CHECKS: WHAT IS THE DIFFERENCE?

Hard Credit Checks

Hard credit checks are thorough reviews of your credit history, usually conducted by lenders when you're finalising major financial applications, such as mortgage applications, credit card applications, personal loans, or car financing. These checks can slightly lower your credit score, as they indicate an application for new credit, which can be interpreted as increased financial risk. While the impact of a single hard check is usually minor, multiple checks over a short period can raise red flags for lenders, suggesting potential financial distress. These inquiries are visible on your credit report for up to two years, but their influence on your credit score diminishes over time. Lenders use the results of these checks to gauge your creditworthiness, which directly influences their decision-making process in approving loans or credit.

Soft Credit Checks

In contrast, soft credit checks are less invasive and often used for preliminary assessments like loan pre-approvals or credit card offers. Employers, for background checks, and utility companies, for identity verification, also conduct soft checks. Importantly, these checks do not impact your credit score, making them a non-risky option for initial screenings. Soft checks are recorded on your credit report, but they are only visible to you, ensuring that your exploration of new credit options doesn't negatively impact your creditworthiness in the eyes of lenders.

IMPROVING CREDIT SCORE BEFORE A MORTGAGE APPLICATION

Prospective borrowers should take proactive steps to enhance their credit score. This includes timely bill payments, reducing outstanding debts, and avoiding new credit applications in the months leading up to the mortgage application. For those with no credit history, it is recommended you start building a credit profile through small, manageable loans or credit cards. This is important, as lenders use your credit history to gauge your financial conduct. Additionally, maintaining a low credit utilisation ratio and keeping long-standing credit accounts open can significantly boost your score.

UNDERSTANDING YOUR CREDIT REPORT

Your credit report is compiled by companies known as credit reference agencies (CRAs). There are three CRAs in the UK: Experian, Equifax and TransUnion.

Regularly reviewing your credit report is important. It helps you to identify any discrepancies and understand factors

affecting your credit score overtime. It is recommended to check your report annually (or even more often) for errors, and to dispute any inaccuracies with credit bureaus.

CREDIT CHECKS FOR FIRST-TIME HOMEBUYERS

First-time homebuyers should approach credit checks with care. Starting with lenders who perform soft checks for initial mortgage estimates can help maintain good credit standing. A balanced approach to mortgage preparation involves not only managing your credit, but also ensuring that you prioritise other factors, such as income stability and employment history, all of which play a role in mortgage approval.

Homeownership is deeply intertwined with credit management. Understanding both hard and soft credit checks is important, regardless of whether you are a seasoned investor or first-time-buyer. In fact, it is important knowledge, even if you don't plan to buy a house at all! The guidance of a mortgage adviser can help you understand the impact of credit checks on your mortgage application, but also help develop a comprehensive strategy that includes improving credit scores and navigating other financial aspects around your mortgage. A well-informed approach to credit checks, complemented by the expertise of a mortgage adviser, not only safeguards your credit score, but also opens doors to better mortgage options. As the industry continues to evolve, one thing that will not change will be to stay informed and proactive about your credit health, which remains the cornerstone of successful mortgage applications. Get in touch for personalised advice.



Credit Score

Your Credit Score

810

EXCELLENT

Updated 5 days ago



BAD

● NATIONAL AVERAGE 690



YOUR MORTGAGE MATCHMAKER

In today's fast-paced world, searching for the perfect mortgage can feel like navigating a dating app.

With a wide variety of rates, terms and fine print, it is easy to get lost in the overwhelming sea of options. Enter a mortgage adviser: not just a financial expert, but your personal 'mortgage matchmaker', dedicated to presenting you with a wide range of options. A guide who not only understands your unique financial situation, but also aligns it with the most suitable mortgage products.

THE CURRENT MORTGAGE MARKET

The start of 2024 has brought a wave of optimism to the UK housing market. Rightmove reported a 1.3% increase in average home prices from December to January, marking the most significant rise for this period

since 2020. Additionally, the number of agreed sales in the first week of January surged by 20% compared to last year. [1] Meanwhile, UK Finance predicts a decrease in mortgage lending, suggesting a cautious approach from lenders and borrowers alike. [2] This combination of opportunities and complexities within the market is precisely where a mortgage adviser's expertise becomes invaluable.

YOUR MORTGAGE MATCHMAKER

Put yourself in the shoes of first-time buyers navigating the mortgage market. Overwhelmed by the various options, they turn to a mortgage adviser. The adviser doesn't just find them a deal at an excellent rate, but also explains

the long-term implications of their choice—a critical aspect they hadn't fully considered.

Mortgage advisers go beyond the role of financial experts; they are friendly strategic partners on your mortgage journey. They dig into the intricacies of the market, providing bespoke advice tailored to your unique financial situation. In an environment where rates are expected to fall, 30-year mortgage rates are expected to fall to somewhere between 5.8% and 6.1% in 2024 [3]. An adviser can astutely determine the optimal time to choose a fixed-rate mortgage or suggest variable rates to capitalise on these future market trends.

THE ROCKY PATCHES

The road to securing a mortgage can seem challenging with financial jargon, fluctuating market dynamics, and strict regulatory requirements. Mortgage advisers are there to simplify these complexities, ensuring strong, compliant applications. Their job is to keep ahead of the latest regulations, offering peace of mind that your mortgage adheres to legal standards.

BENEFITS OF WORKING WITH A MORTGAGE ADVISER

Partnering with a mortgage adviser offers many advantages. Their expertise and guidance can be invaluable in finding the right mortgage deal. Here are some key benefits:

- **Expert Market Insights:** Advisers have extensive knowledge of the mortgage market, providing clients with up-to-date information and insights.
- **Tailored Mortgage Solutions:** Just as a matchmaker understands their client's needs, mortgage advisers recommend mortgage solutions that align with your financial goals.
- **Exclusive Mortgage Offers:** Advisers often have access to exclusive mortgage deals not available to the general public, potentially offering better rates and terms.
- **Navigational Ease:** The mortgage application process can be both complex and daunting. Advisers can

simplify this journey, saving their clients both time and stress.

- **Comprehensive Financial Analysis:** Advisers conduct thorough financial analysis, considering various aspects such as income, expenses, future plans, and potential risks. Ensuring their recommendations align with your unique circumstances.
- **Advocacy and Negotiation:** Advisers act as advocates for their clients, negotiating with lenders to secure the most favourable mortgage terms.
- **Long-Term Relationship and Support:** Beyond securing a mortgage, advisers often maintain a long-term relationship with clients, providing ongoing support and advice for future financial decisions.
- **Risk Management:** Advisers help clients understand and manage the risks associated with mortgages, ensuring informed decision-making.
- **Regulatory Compliance and Understanding:** They ensure that all mortgage applications comply with current regulations, protecting clients from potential legal issues.

While partnering with a mortgage adviser offers numerous advantages, it's also worth acknowledging the other routes available for securing a mortgage. Some individuals may choose to apply directly to banks or use online mortgage comparison tools. These alternatives can be suitable for those who have a strong understanding of the mortgage process.

However, it's important to note that while these methods can be effective, they may lack the personalised advice and market insights that a dedicated mortgage adviser provides.

In a constantly evolving market, the support and guidance of a qualified mortgage adviser will help you make informed and sensible mortgage decisions and establish a secure financial future. Get in touch if you would like tailored advice from a 'Mortgage Matchmaker'.

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

SOURCE DATA:

- [1] Reuters - UK housing market gains momentum at start of 2024: Rightmove.
- [2] UK Finance - Mortgage lending to fall in 2024.
- [3] Business Insider - Will mortgage rates go down in 2024?



THE RISE OF GREEN MORTGAGES IN THE UK

**57% of Major UK Lenders Are Now Onboard,
Signalling a Shift in Sustainable Home Financing [1].**



Picture this - a housing market that not only serves our needs, but also sustains our planet. This is no longer a distant dream, but an emerging reality in the UK, thanks to the rise of Green Mortgages. These aren't just financial products; they're a beacon of hope in a world wrestling with environmental challenges. Green Mortgages are redefining the concept of home ownership, blending financial prudence with environmental mindfulness.

The UK Climate Change Committee estimates £250 billion will be invested in UK home upgrades by 2050, which indicates that there is potential for significant capital flow in green mortgages in the coming years [2].

THE GREEN MORTGAGE REVOLUTION

Gone are the days when eco-friendly choices were an afterthought in home financing. Today, Green Mortgages are

leading a revolution, offering perks like lower interest rates and cash incentives for those who embrace energy efficiency. It's not just about saving pounds; it's about saving the planet. These mortgages are a testament to a shift in people's thinking.

Dive into the numbers, and you'll see a clear trend. Recent findings from the Mortgage Advice Bureau indicate a notable surge in the market. About 57% of major UK lenders now offer Green Mortgage options, up by 4% from last year [1]. This rise isn't just about figures, it's a shift in priorities, both at the consumer and policy level.

MORE THAN JUST SAVINGS

The allure of Green Mortgages extends beyond mere monetary gains. They're about living in homes that breathe sustainability, contributing to a significant cut in carbon emissions.

Imagine a world where your home doesn't just shelter you, but also preserves the environment.

ELIGIBILITY

Securing a Green Mortgage goes beyond ticking boxes on a form. It's an opportunity to prioritise energy efficiency in your property. Lenders aren't just looking at numbers; they're looking at potential - the potential for solar panels, advanced insulation, for greener living. It's a rigorous process, but one that's reshaping the landscape of property assessments. The road to green isn't without its bumps. The limited pool of eligible properties poses a challenge, reflecting the need for a broader transformation in the industry. The journey to a Green Mortgage is also a learning curve for many, highlighting the need for better consumer education and understanding.

ADAPTING TO ECONOMIC REALITIES

Let's face it: going green has its costs. But here's where the narrative changes - almost 59% of lenders see Green Mortgages as a permanent fixture in their portfolios [3]. This isn't just about adapting to market demands, it's about leading a movement.

The horizon looks promising for Green Mortgages. With technological advancements and evolving policies, we're likely to see a broadening of the criteria, making green living more accessible - a future where Green Mortgages aren't the exception, but the norm.

Green mortgages are more than financial products; they're a commitment to a greener, more sustainable future. They offer a unique opportunity for homeowners and buyers to make choices that benefit both their wallets and the world. As we move forward, Green Mortgages will play an important role in shaping not just the housing market, but also the environmental legacy we leave behind. Watch this space!

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

SOURCE DATA

[1] Mortgage Introducer - More UK lenders offer green mortgages, research suggests.

[2] Green Finance Institute - Green Mortgages.

[3] Mortgage Introducer - Green mortgage market - what are the key trends?



BRIDGING THE PROPERTY FINANCING GAP

The UK property market is experiencing a shift with the rise of bridging loans. As a versatile financial solution, bridging loans are becoming increasingly popular vehicles for swift and strategic property transactions.

The UK bridging finance market was estimated to reach a staggering £3.41 billion in 2023 [1]. This surge is a clear indicator of the growing reliance on and confidence in bridging finance within the property sector.

WHAT IS BRIDGING FINANCE?

Bridging finance, commonly seen as the unsung hero in the property world, is a form of short-term loan that stands out for its unparalleled speed and flexibility. The financing option serves as a 'bridge', connecting the immediate financial needs of property buyers or developers with their long-term funding goals. Unlike conventional mortgages, bridging loans are designed for quick processing, often being approved and funded in a matter of days or weeks.

The essence of bridging finance lies in its flexibility. It can be tailored to a wide range of scenarios, from facilitating rapid property purchases at auctions, where buyers are required to complete transactions within tight deadlines, to enabling property developers to jumpstart their projects without the

lengthy wait for traditional funding. Bridging finance can also be a saviour in situations where a quick cash injection is needed, for example, to secure a dream home before the sale of an existing property is completed.

What truly sets bridging finance apart is its non-reliance on standard criteria that govern traditional loans. Lenders of bridging finance focus more on the value of the property and the viability of the exit strategy, rather than the borrower's income or credit history.

This focus allows for more creative and flexible lending solutions, which can be particularly beneficial for borrowers with unique financial situations or those undertaking unconventional property ventures.

The application process for bridging finance is typically straightforward, but requires a clear understanding of the loan terms and a solid exit plan. Since these loans are often interest-only, with the principal due at the end of the term, borrowers need a robust strategy,

whether it's the sale of the property or refinancing to a long-term mortgage.

TYPES OF BRIDGING LOANS

Understanding the types of bridging loans is important for anyone considering this financing option. Broadly, there are three types of bridging loans, each catering to different needs and scenarios:

Regulated Bridging Loans: These are typically secured against a property that the borrower or their family will occupy. Due to their residential nature, these loans are subject to stringent regulations to ensure consumer protection.

Unregulated Bridging Loans: These loans can be secured against commercial properties or assets used for business purposes. They are also common when the finance is taken out in the name of a company. As they are used for commercial purposes, they fall outside the scope of residential property regulations.

Second Charge Bridging Loans: This type of loan is secured against a property that already has a mortgage or 'first charge' against it. They are often used when the borrower needs additional funding, but does not want to, or cannot, refinance their existing mortgage.

Each type of bridging loan has its nuances and suitability, depending on the borrower's circumstances and the purpose of the loan. It's vital for potential borrowers to understand these differences and choose the most appropriate option for their situation.

Bridging finance has now firmly established itself as a key element in the UK property market, offering quick and flexible solutions.

Its impressive growth and significant market value is a testament to its effectiveness and growing popularity

among buyers, investors and developers alike.

Yet, as with any financial decision, navigating bridging finance requires careful consideration. Prospective borrowers should weigh the benefits, like flexibility and speed, against factors such as higher interest rates and the need for a well-planned exit strategy.

It's crucial to approach bridging finance with a clear and realistic repayment plan, ensuring it aligns with your long-term financial goals. As the landscape of the UK property market continues to evolve, bridging finance is expected to play an increasingly prominent role.

Whether you're looking to bridge a gap in funding, seize a time-sensitive opportunity, or undertake a property project, bridging finance offers a solution that traditional mortgages often cannot.

If you're considering leveraging the power of bridging finance for your next property venture, we invite you to contact us for expert guidance and support.

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

SOME BRIDGING FINANCE IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

BRIDGING FINANCE IS ARRANGED BY INTRODUCTION ONLY

SOURCE DATA:

[1] MINTEL - UK BRIDGING LOANS MARKET REPORT 2023.





MORTGAGE ANXIETY AMONG GENERATION X

In an era of financial uncertainty, a significant concern is surfacing among Generation X (individuals born between 1965-1980): the fear of carrying a mortgage into retirement. Recent research by Just Group uncovers that over a quarter of Gen X with mortgages doubt their ability to clear these loans before reaching the State Pension Age of 67. **[1]** This article explores the roots of this growing anxiety, its implications, and potential strategies for resolution.

GENERATIONAL WEALTH DISPARITY

One aspect that brings the mortgage challenges of Generation X into sharp focus is the disparity in housing wealth between them and other generations. A study by Savills highlights this divide. The over-50s, predominantly Baby Boomers, hold 78% of all UK's privately held housing wealth. This gap further expands in the over-65s, the wealthiest demographic. Their total housing stock is valued at £2.735 trillion, with a substantial £2.038 trillion of it being

mortgage-free. **[2]** This stark contrast in housing wealth underscores the unique financial pressures faced by Gen X, many of whom are still in the depths of mortgage repayments, as opposed to the relative financial stability of the older Baby Boomer generation.

THE BURDEN OF LONG-TERM MORTGAGES

Just Group's findings highlight a stark reality: 27% of Gen Xers are uncertain about repaying their mortgages before retirement, with 13% firmly believing they won't, and another 14% unsure. This uncertainty is particularly acute in London, where the figure doubles the national average, reflecting the impact of higher house prices on mortgage repayment expectations.

FACTORS CONTRIBUTING TO MORTGAGE ANXIETY

Several factors contribute to this mortgage anxiety. Nearly half (45%)

of Gen Xers with mortgages admit that repaying them takes longer than expected. The need to extend mortgage terms to reduce monthly payments is the most common reason (34%), followed by extensions for home improvements (32%) and increased interest payments (23%).

THE STRUGGLE BETWEEN MORTGAGE AND PENSION SAVINGS

This mortgage burden leads to a critical dilemma: choosing between clearing the mortgage and saving for a pension.

As noted by Stephen Lowe, group communications director at Just Group, "About three-quarters of the Gen X cohort own their own homes, but many are struggling to clear their mortgage within the expected time frame. This group finds their finances stretched and is faced with the unenviable choice of either clearing the mortgage or saving for a pension."

EXAMINING THE HOUSING MARKET'S ROLE

The UK's housing market dynamics play a significant role in this scenario. The continual rise in house prices, particularly in areas like London, has led to larger mortgage loans that extend well into individuals' working lives and beyond. This development has led to a generation increasingly burdened by debt, struggling to balance homeownership dreams with financial freedom in their later years.

POTENTIAL SOLUTIONS AND STRATEGIES

Addressing this issue requires a layered approach. Financial education and planning are paramount, enabling individuals to make informed decisions about mortgage types, terms, and repayment strategies. There's also a need for tailored financial products that consider the long-term implications of mortgage repayments on retirement planning. Policy interventions could include more flexible mortgage products and government schemes to help those struggling with mortgage repayments.

The looming mortgage anxiety facing Generation X as they approach retirement represents a challenge deeply rooted in broader economic and housing market trends. To navigate these complexities, a combination of individual financial planning, innovative financial products, and supportive policy measures is essential. However, the journey doesn't have to be navigated alone. Mortgage advisers can play a pivotal role. Mortgage advisers can provide invaluable assistance to those in 'Gen X' grappling with mortgage decisions. They offer

tailored advice, helping to balance mortgage repayment with pension savings, and can suggest refinancing options or different mortgage products that may alleviate financial pressures as retirement approaches. By working with a mortgage adviser, individuals can gain a clearer understanding of their options and develop strategies that align with their long-term financial health and retirement goals. For Generation X, addressing the challenge of mortgage repayment before retirement is not just a personal financial issue; it's a matter that affects the broader health of the housing market and economy. If you're part of this generation and are concerned about carrying a mortgage into your retirement years, reaching out to a mortgage adviser could be a sensible step towards securing your financial future. With their expertise and guidance, you can explore routes to enter your golden years with financial freedom and peace of mind.

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

SOURCE DATA:

[1] Just Group - Generation Anxiety - Half of mortgage-laden Gen X struggling to clear loans before retirement.

[2] Savills - Housing wealth held by over 65's hits record high of over £2.6 trillion.



READY TO TALK ABOUT YOUR MORTGAGE?

At Turney & Associates, we specialise in helping families navigate the mortgage landscape and manage their money effectively. Contact us to review your situation or explore your options. We look forward to hearing from you.

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