

FIRST TIME BUYER AFFORDABILITY: HOW WE CAN HELP

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It is hard to ignore the double digits house price growth when looking at the current housing market. House prices have increased exponentially over the last two years following the post-lockdown stamp duty tax break boom, reaching record highs over the last five consecutive months according to [Rightmove](#).

While the market appears to have shrugged off the end of the [furlough scheme](#) and the [stamp duty holiday](#), question marks remain over whether it will be able to do the same again. 2022 has brought on a unique set of challenges and the UK is currently facing a cost-of-living crisis, rising interest rates, and inflation levels not seen since the 1980s.

This has meant many young people looking to buy their first home since the Covid-19 pandemic are feeling overwhelmed. Affordability has always been an issue for those stepping onto the ladder, but especially now more than ever, with the average property costing 9.1 times the average salary. In 1997, the average property cost just 3.5 times average earnings¹. And according to analysis from Direct Line Home Insurance, first time buyer house prices across Britain rose by 24% between 2016 and 2021.

The Financial Policy Committee (FPC) withdrawing its stress testing from 1st August 2022 may work in favour for first time buyers, but the restriction by the Prudential Regulation Authority (PRA) loan to income of 4.5 limit ratio is bound to affect those where property prices are higher than national average, particularly in London and the South-East.

The Financial Policy Committee (FPC) have announced that from 1st August 2022 it will be withdrawing its current stress testing rule, which may benefit first time buyers, however lenders still must abide by the PRA guidance around not exceeding 15% of their total business volumes being above 4.5 times income, meaning there won't be much movement from lenders who are already actively supporting customers in this space.

In short, it's fair to say the picture is not looking bright right now for first time buyers. And many may not understand why affordability has changed, meaning they can't get a mortgage as easily, or via a mainstream lender. But there are solutions available and it's why it's important for brokers to be more informed than ever, as more buyers seek out broker advice or specialised support.

At Kensington, we already offer a range of innovative solutions to combat these concerns. Through offering enhanced affordability of up to 5x or 6x income on products such as our Hero and Professional ranges, we can provide solutions for some of your clients that traditional mortgages can't. Our underwriters personally review

applications, to take into consideration individual circumstances that fully automated processes can't. This combined with flexible lending criteria, which includes factors such as accepting overtime and second jobs as well as limited or no credit history, means first time buyers with unique circumstances can be considered, allowing more to begin their property search.

Our Flexi Fixed for Term mortgage offers potential homeowners peace of mind through its ability to offer a fixed term of anywhere between 11 to 40 years, with a fixed monthly payment that will never change. Accepting deposits from 5%, this gives first time buyers the reassurance of knowing they won't have to worry about fluctuating interest rates or remortgaging. The way in which we calculate affordability is different to our other products too, as it's all down to using the fixed rate rather than a future variable stressed rate. The Flexi Fixed for Term mortgage also provides buyers with an opportunity to overpay, allowing homeowners to pay off their mortgage earlier with no extra charges.

We also have a range of low deposit schemes, including Shared Ownership, Propportunity and Even. With Shared Ownership, first time buyers can initially own between 10 to 75% of their property, while paying rent on the remainder which can be owned by either the Government or a Private Housing association. Our solutions for first time buyers provide hope that there are a range of means and methods for aspiring home owners to own their own property, and we are also looking at expanding our low deposit range offering in the near future.

Ultimately, while there's no denying it's a tough market for buyers, help and support, both via brokers and specialist lenders, is available. Our modern, solution-led approach to mortgage demonstrate how we always look to say yes, thanks to our growing and strong underwriting team, innovative products and flexible lending criteria. We always look beyond the tick boxes of an application form.

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2021>



Eloise Hall – Interim Head of National Accounts.

Eloise joined Kensington Mortgages as National Account Manager in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, and has worked with many accounts throughout the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender, and in 2021 won the British Specialist Lender award for Lender: Business Development.

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