

OLDER BORROWERS

What challenges do I face in accessing a mortgage?

People are living longer than ever before, and often buying property later in life than previous generations. There are any number of reasons why someone could be seeking a mortgage over the age of 50.

With an ageing population, the UK will see a rising demand for mortgages from older borrowers. The Office for National Statistics (ONS) predicts that by 2050, one in four people in the UK will be aged 65 and over.

Older borrowers are often in a stronger financial position than the younger age group. They are further into their career and often earn more than younger borrowers. Their children may have left home, and they may have already come into a family inheritance. But over the last few years, older borrowers have faced significant challenges in accessing the mortgage market.

In 2014, legislation known as the Mortgage Market Review (MMR) led to many banks and building societies refusing to lend to existing mortgage holders where the term would take the borrower over the age of 65.

More emphasis was placed on affordability, which meant lenders must now look closely at the income and outgoings of mortgage applicants. This leaves older borrowers in their fifties and above with a reduced choice of mortgage products in the UK.

This, plus changes to state pension and retirement laws, including the abolishment of the compulsory retirement age, means the choices for borrowing later in life are limited. Here's why, and what you can do in this situation.

IS IT HARDER TO GET A MORTGAGE AS AN OLDER BORROWER?

Unfortunately, yes, it is. All mortgage providers have a maximum age for their products. This can be your age at the time of application or your age at the end of the mortgage term.

If a mortgage provider has a maximum age of 70 at the end of the mortgage term, as many do, you will find that they have fewer mortgages available to you after you turn 45, since you'll no longer be eligible for 25-year mortgages (the most common length term).

The number of mortgages available to you will decrease as you get older.

IS THIS A COMMON PROBLEM?

Increasingly so. These days, many people move home in later life. You might be relocating to enjoy your retirement, downsizing after your children have flown the nest, or moving to be closer to family. No matter what the reason, you will be looking for a mortgage from a smaller pool of options.

Even if you have no plans to move, you could be affected if you need to remortgage your current home, for example, at the end of your fixed rate mortgage period.

How difficult it is for you to get a mortgage will depend on your age at the time of application, how much you want to borrow, and the period you want to repay over.

WHY IS IT HARDER TO GET A MORTGAGE AS AN OLDER BORROWER?

When lending you money, mortgage providers want to be sure that they'll get that money back. And, they have a responsibility as lenders to ensure that you won't be left with debt you can't pay.

According to the Mortgage Market Review (MMR) in 2014, they are required to anticipate foreseeable changes in your circumstances over the term of the mortgage, particularly regarding retirement and your expected retirement income.

Once you're approaching retirement age, you'll have more work to do to convince a mortgage provider that you'll have sufficient income to cover your mortgage and living expenses throughout the full term of the mortgage.

HOW CAN YOU FIND A MORTGAGE AS AN OLDER BORROWER?

This is partly a matter of persistence, as there are mortgages available for older borrowers if you look hard enough.

Here are a few tips:

1. Shop around. Different mortgage providers have different maximum ages, so others might still accept you even if your first choice won't.
2. Speak to a broker. They will sometimes have access to more mortgages than you can find yourself, and can do the time-consuming work of checking maximum ages for you.
3. Look for shorter-term mortgages, for example, a 10-year mortgage if you're over 55. That way you can plan to repay it before you retire (though your repayments will be higher than with longer mortgages).
4. Inform your mortgage provider if you have plans to delay retirement beyond the full term of the mortgage. They will need to assess the feasibility of your plans.
5. Provide evidence of your retirement income. In some cases, you might have plenty of pension savings or guaranteed pension income, which will be sufficient to convince your mortgage provider that you can afford the repayments.

WHAT ARE YOUR OTHER OPTIONS AS AN OLDER BORROWER?

If you're still unable to find a suitable mortgage, you can look into other options, such as:

- Retirement interest-only mortgages, for which you only pay the interest on your loan, and it is repaid in full after you die, move into residential care or sell the property.
- Equity release, which can provide a cash lump sum while you continue to live in your current home, which again is repaid after you die, move into residential care or sell the property.

These options are only available after the age of 55. ■

LOOKING TO APPLY FOR A MORTGAGE?

Are you ever too old to apply for a mortgage loan? This process focuses on your ability to make repayments as you get older. Chances are, if your profession enables you to work later on in life you may be okay, but if age is likely to stop you working, this may not be the case. Either way, understanding what lenders will consider can help you be prepared and know what to expect. For more information, please contact us.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

