

24 September 2015

## BUSTING THE MORTGAGE MYTHS

- *Over half (54%) of 25 to 34 year olds have given up on buying a home as they don't think they'll be able to get the deposit together*

Consumer attitudes to home buying have yet to catch up with the recovery in mortgage lending according to new research from Barratt Homes, with misconceptions and confusion around the house buying process hampering the aspirations of potential homebuyers.

### ***Top mortgage myths and misconceptions***

**A tendency to *overestimate* the required deposit by three times:** It's believed that the average deposit needed to buy a new home is 15% of the purchase price, with one in ten believing they need over 25%. Whereas with schemes like Help to Buy it's as little as 5%\*.

**An exaggerated view of how long the mortgage process will take:** Despite the majority of mortgage offers coming through within less than three weeks, on average people think that they will have to wait five and a half weeks to hear back from their bank and 15% of people think it will take longer than nine weeks.

**Almost seven months' worth of spending checks:** On average, those considering buying a new home believe they need to provide almost seven months' worth of bank statements, with almost a third (31%) expecting to be asked to show them for the last year. Yet this is not normally the case and most people simply need to demonstrate their spending habits via a budget planner form. Despite people believing they would have to provide numerous bank statements, only one in five (22%) expected to be asked about how often they eat out and less than half (45%) expected to be asked if they were prepared to cut back to enable them to become a homeowner.

Speaking about the research **Adrian MacDiarmid, Head of Mortgage Lender Relations at Barratt Developments, said:** "Our research highlighted that consumer attitudes have not kept up with the fact that the mortgage market has recovered strongly. But also it reveals misconceptions about what is needed when it comes to applying for a mortgage, from deposits through to questions asked as part of the mortgage process. We have lots of advice available to help buyers navigate the mortgage process - from online tools to our panel of recommended independent mortgage advisers.

“Mortgage rates are at an all-time low and although we know that they will increase at some point, buyers who are concerned about how this might affect them should consider some of the fixed rate schemes available that will give them the security of knowing that their payments will stay the same for the initial period of the mortgage. We believe that now is a great time to consider buying a home. From the Help to Buy scheme to our Deposit Boost programme, there are lots of ways to get onto the property ladder with a mortgage that you’re comfortable with.”

### **Top tips from Barratt Homes on applying for a mortgage:**

#### ***Get Organised***

- Getting organised before you talk to an independent mortgage adviser can save you both time and hassle later on down the line
- Make sure you locate important documents like payslips, and your P60 – proof of bonuses or overtime can also work in your favour
- Lenders may need to see proof of bank statements and, even if they don’t, having these to hand will assist in establishing your spending patterns to help prove affordability
- Other documents that you should have access to include your passport / driving licence for proof of identity, and recent bank statements or utility bills for proof of residence

#### ***Understand Your Limits***

- If you have existing credit such as credit cards and loans, you must ensure that you keep up with the minimum repayments and do not get too close to your limits. Ideally repay the cards in full each month

#### ***The Family Connection***

- Details of your family’s credit score are not kept on your file, as long as you don’t have any joint finances. If you do, you are likely to be co-scored and this could stop you securing a mortgage
- If a family member, partner or housemate has a poor credit score, keep your finances rigidly separate. This includes joint accounts and bills under both names

#### ***It’s All in Your History***

- You may not realise but as many as 1 in 10 house hunters looking to buy a home have no credit history. They are often viewed as less credible as lenders have no information to base their decision on
- Of course you should never get in to debt to build up a credit history but by taking out a credit card and using it regularly (ensuring you pay off the bill at the end of the month with a direct debit) you will begin to build a credit history

#### ***Get On the Electoral Roll***

- You should try to show lenders that you have a 'stable' lifestyle, for example you are in full-time employment and live at a fixed address. If you aren't already, register for the electoral roll as you're unlikely to get credit without it

#### ***Be Consistent and Double Check***

- It sounds simple, but one slip-up on the application form could scupper your chances for securing a mortgage. This could be from a simple mistake, such as small inconsistencies in your salary details or using a slightly different name from the official version on your passport, for example

#### ***One at a Time***

- Also bear in mind that submitting numerous applications in a short space of time could have a negative effect as lenders may worry about why you have been rejected previously. Talking to an independent mortgage adviser gives you the best chance of applying to the lender most suited to your circumstances first time

For more information on mortgages and how Barratt Homes can help you buy your first home visit: <http://www.barratthomes.co.uk/Offers/>

**-ENDS-**

For more information please contact Emma Pritchard on 0207 009 3100 / [BarrattHomes@3-monkeys.co.uk](mailto:BarrattHomes@3-monkeys.co.uk)

**NOTES TO EDITORS:**



\* The Help to Buy scheme, which offers the chance to buy new homes in England and Wales with as little as a 5% deposit, has been particularly important in kick-starting the mortgage market. There are currently two Help to Buy schemes – 'Equity Loan' and 'Mortgage Guarantee'. Both require a 5% deposit and are available to first time buyers and existing homeowners.

Research carried out by OnePoll on behalf of Barratt Homes, April 2015, among UK 2,000 adults.

#### **About Barratt Homes**

Barratt Homes build smart and contemporary award winning worry free homes, designed to last with an exclusive five-year warranty on all fittings and fixtures. Brand new warm homes, where your family can grow, for only a 5% deposit with the Help to Buy scheme.

Barratt Developments PLC has sold 16,447 homes in the year to June 2015, making it the biggest housebuilder by volume in Britain. Barratt Group was awarded a maximum five star rating for the sixth consecutive year in the 2015 Home Builders Federation Customer Satisfaction Survey. Site managers working for Barratt Group won 90 awards for quality workmanship in the 2014 NHBC Pride in the Job Awards. Barratt has won more Pride in the Job awards than any other housebuilder for the last ten years. Barratt is the only housebuilder to provide a five year warranty on the fixtures and fittings in its new build homes at the time of purchase.