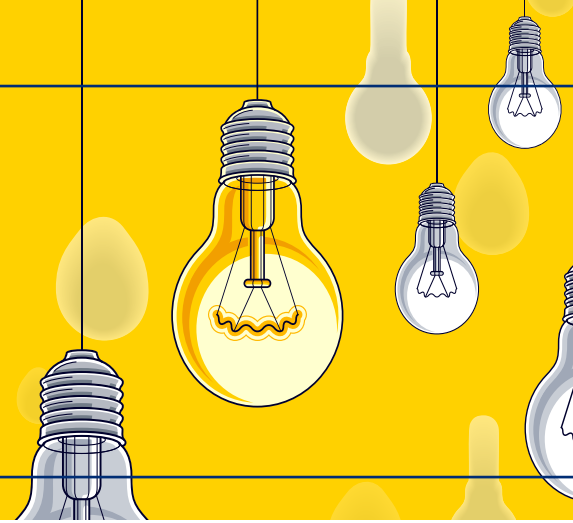


Industry insights

Multigenerational living increasingly becomes the norm



Whatever your experiences have been during Covid-19, one aspect that has remained constant throughout is 'change'. The way we live and how we finance our accommodation hasn't escaped this constant evolution and remains an ongoing point of debate for those of us working in the mortgage industry.

Staying ahead of the curve in relation to providing access to market leading mortgage products and services remains important for brokers focused on growth and providing the best customer service.

RELEVANT MORTGAGE PRODUCTS

What has been apparent to the Harpenden team during this pandemic is the increasing desire for individuals and families to find their 'perfect' place to live. People have had to spend more time at home so they've become even more intent on finding the right property to accommodate changing needs and the most appropriate and relevant mortgage to support this purchase.

CHANGES IN DEMAND

With high demand for property at this time, it's important for brokers to have a good range of mortgage options at their fingertips which will best suit their customers, whatever their requirement.

One sector we're seeing increased interest in is multigenerational living and the demand for mortgage products to serve this lending need. According to research from Aviva,* a third of UK households are now multi-generational, mainly due to adult children living with parents. Older relatives account for 14% of multi-generational set-ups with a quarter of "granny flats" designed for grown-up children.

LIVING WITH WIDER FAMILY

Multigenerational living has become popular for a number of reasons. Children returning from university and unable to afford rising rental costs; young adults opting to live with parents as their individual income won't qualify for their own mortgage; older generations requiring family support without incurring care costs; and blended families beginning a new life together are just a few examples. The full list of variations is endless. What is apparent is that families are increasingly pooling their resources to create the best living space possible and looking to secure a mortgage which can facilitate this complex situation.

Jane Penrose from Hertfordshire, where our Society is based, explains her own situation. "Since the lockdown was introduced we became a family of seven. Our grown up children and their partners all joined forces with us and we created one large, extended family living at one address. It's worked surprisingly well – we've combined resources which has made finances stretch further; we can look out for one another easily and we've felt more able to adapt to new situations brought about by the pandemic.

Although this solution was originally seen as a temporary measure we have realised that this could become a permanent arrangement. We're now thinking about buying a larger property together to allow this new way of living. It would mean we could support each other more effectively; it creates a lovely social environment without having to travel to visit family and in the case of one of our children, a young teacher, it means he could make the first step onto the property ladder, something he couldn't ordinarily afford on his sole income. The opportunity to use our incomes more efficiently through a multigenerational mortgage, rather than financing two, three or four households in the future, is an appealing option and something we may not have considered without the pandemic."



ADVANTAGES OF USING A SPECIALIST LENDER

In scenarios like this the property being purchased is likely to comprise either an annexe attached to the main house or an additional separate dwelling. Both living spaces will appear on the same property title. In either instance we are happy to consider these for mortgage security purposes. Specialist lenders, like ourselves, are more willing to accept this type of property whereas we know from our experience that other, more standard lenders often shy away from property where more than one dwelling appears on the same legal title.

As one might expect, a multigenerational mortgage application comes with complexities and a number of moving parts. It's important to be able to partner with a lender that can more easily accommodate this complexity and be able to assess each named, individual's financial circumstances in detail to create the best outcome. We find that our manual underwriting approach makes it easier to say 'yes' when an algorithm, used in the application process by many mainstream lenders, may say 'no'.



5 TOP TIPS FOR CREATING A STRONG APPLICATION

In order for brokers and their customers to create the strongest application possible, the following considerations will speed up the application for a multigenerational mortgage:

1. Affordability, with the incomes of up to 4 named individuals possible on a multigenerational mortgage application, it's important to outline which verified incomes will be included and confirmation they will meet the multiple criteria.
2. If older persons are party to the purchase will their age be a restriction to them obtaining a mortgage?
3. If either Interest Only or part Interest Only/part Repayment is required, is there an acceptable repayment/exit strategy in place to pay off the mortgage?
4. Do the applicants have or will have suitable provisions or plans in place in the event of the death of any of the borrowers/owners during the mortgage term?
5. Will a property with an annexe or separate living accommodation on the same title be acceptable as mortgage security?

Specialist lenders, expert and experienced in providing mortgage options for multigenerational households, will be pleased to support brokers and their customers exploring this new and increasingly popular way of living.

Further details of Harpenden Building Society's specialist mortgages can contact our BDMs, or more information can be found at:

www.harpendenbs.co.uk/intermediaries

Graeme Aitken

Graeme Aitken – Business Development Manager,
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We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.