

First-time buyers currently applying for their first mortgage lack knowledge about the application process according to new research by Equifax

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- 48% of first-time buyers are not aware of how the mortgage affordability rules might impact a mortgage application
- 18% have missed payments on credit agreements
- 27% of first-time buyers are between 31 and 35 years old
- 28% have saved either less than 5% deposit or nothing at all
- 29% are getting help with their deposit
- 28% believe they will still be paying off their mortgage into retirement

London, March 2016 - First-time buyers can take years to save a deposit for their dream home, but new research commissioned by credit information provider, Equifax, reveals that a lack of understanding about the mortgage application process could push their dream back even further.

First-time buyers were surveyed by Equifax and What Mortgage magazine in February 2016. Of those who are currently in the process of applying for a mortgage, 18% have missed payments on credit agreements, 13% believe they have too many credit agreements, with the same percentage believing they have too few credit agreements. 48% are not aware of how the mortgage affordability rules might impact a mortgage application.

Lisa Hardstaff, credit information expert at Equifax explains: "The reality is that mortgage lenders will take a good look at a person's financial situation when assessing an application. This includes looking at information on their credit report. And if they have missed or made a late payment on a credit or service agreement, this could be a cause for concern for prospective lenders. Also having too many credit agreements could indicate a person is financially overstretching themselves, too few, and a lender may find it difficult to assess how the person will perform with repaying their mortgage.

"We would therefore suggest that anyone considering applying for a mortgage should check their credit report at least 6 months before submitting their application. This will enable them to ensure that any changes that might need to be made – such as updating their electoral registration, making sure the report data is correct - or get back on track with payments on existing credit agreements are in place and showing a pattern of good financial behaviour, so that they have the best chance of making a successful application.

"Lenders also have a duty to assess the long-term affordability of an applicant – will they be able to meet their repayments now and in the future. Yet nearly half of the first-time buyers, who responded to our survey, weren't aware of how these rules might affect their application."

Affordability checks are designed to make sure the applicant can afford the repayments both now and in

the future. The checks will also take into consideration potential interest rate increases as well as significant life events that may affect future repayments. Borrowers should therefore expect to be asked questions about spending habits, childcare costs and future financial plans.

The Equifax and What Mortgage research revealed that raising a deposit remains a major challenge for first time buyers. 37% of the first time buyers surveyed had managed to save between 5% and 10%, but 28% had saved less than a 5% deposit or none at all. Nearly a third (29%) are getting help with their deposit from family or friends.

“Clearly raising the funds for a deposit is a big step for first-time buyers, perhaps reflected in our findings which show that the biggest group of first-time buyers – at 27% - are aged 31-35”, added Lisa Hardstaff. “With just over half (52%) taking between 1 to 5 years to save a deposit, it is worth first-time buyers using this time to get their credit report in the best shape possible for them. Having a good understanding of the mortgage application process, including understanding how credit information is used within it, will help ensure first-time buyers are mortgage ready.”

First time buyers can get a copy of their Equifax Credit Report - which is accessible for 30 days free simply by logging onto www.equifax.co.uk/Products/credit/credit-report. If customers do not cancel before the end of the 30 Day Free Trial, the service will continue at £9.95 per month, giving them unlimited online access to their credit information and weekly alerts on any changes to their credit file. It also includes an online dispute facility to help them correct any errors on their credit file simply and quickly.

ENDS

*Survey of 1,335 Equifax customers and What Mortgage, Expert Agent Property News subscribers February 2016

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