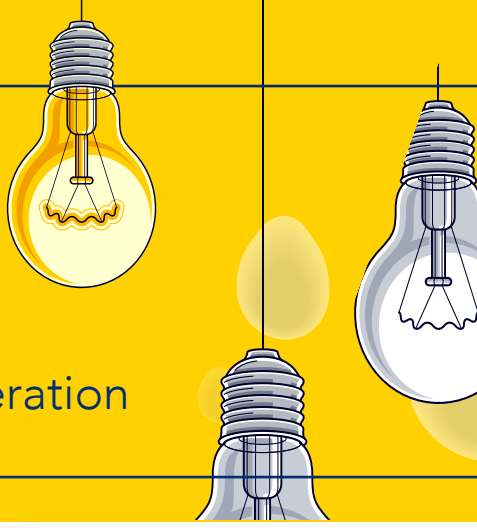


Industry insights

Living together - The rise of the sandwich generation



MULTIGENERATIONAL LIVING

Modern life is full of emerging trends and circumstances, no more so than in the way we live. One example is the increased interest from extended families and friendship groups wanting to live together, creating new opportunities for brokers. To overcome the complexities of mortgage applications in this space, specialist lenders like Harpenden are offering expert support so brokers can effectively build new business in this developing market.



LIVING WITH WIDER FAMILY

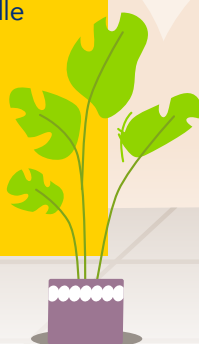
In the most straightforward 'sandwich generation' situation, the middle-aged parents will be meeting the mortgage costs linked to the property their children, parents or wider family share together. What is apparent however, as a lender in this space, is that families are increasingly pooling their resources to create the best living space possible and looking to secure a 'multigenerational' mortgage which can facilitate this complex situation, with all three generations formerly contributing to the mortgage payments. As you might imagine the different permutations to this are numerous, so brokers and their customers need expert advice.

THE SITUATION

Twenty first century living is different from those experienced by past generations. One example is the increase in blended families and multigenerational living, emerging segments in today's society that need effective mortgage solutions.

The makeup of each household can be very different – from a group of financially independent individuals who can pool their resources, to the 'sandwich generation', middle-aged adults who are financially responsible for running the household, but caring for both their ageing parents and their own, often adult children. In the UK, about 3% of the population is providing care for more than one generation, whether in the same home or across multiple homes, according to Athina Vlachantoni, a gerontologist at the University of Southampton.*

With the younger generation finding it harder to get onto the property ladder and with the care home sector in crisis suffering from chronic staff shortages; middle aged parents / carers are looking increasingly likely to 'look after' generations either side of them. According to research from Aviva,** a third of UK households are now multi-generational, which will include this so-called 'sandwich' demographic.



Sources:

*BBC - <https://www.bbc.com/worklife/article/20210128-why-the-sandwich-generation-is-so-stressed-out>

**Aviva research published Sept 2020

A CASE IN POINT

I was recently involved in facilitating a multigenerational mortgage application working with a broker and his customers in Solihull.

Their plan was to purchase a plot of land and obtain planning permission to build 3 dwellings on the same title. The properties were to be used primarily for the customers' occupation, hence suitable for our self-build product, with mum and dad moving into one, the daughter and her partner moving into another and the third being sold as part of the repayment strategy. The individual properties had their own title created once the house was ready for occupation (or sale). While the build took place they continued to live in their current homes.

This was a slightly unusual proposal due to the number of houses being built with the lending being secured against the site and in their 4 names but we were able to accommodate this bespoke request. The latter was changed once the properties were finished and the titles moved into by the respective named parties. It also satisfied their need to live closer together but still have their own home to occupy.

This was one of the more complex mortgage applications I have dealt with in a multigenerational setting but we've experienced in dealing with multifaceted situations and bringing them to a positive conclusion, something that mainstream lenders can't always do.

ADVANTAGES OF USING A SPECIALIST LENDER

In this multigenerational scenario described, 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'.

MEETING THE NEEDS OF YOUR MULTIGENERATIONAL CUSTOMERS

Whether it's a standard residential mortgage that's required in this multigenerational setting; a later life or self-build mortgage option, our team of experts are available to steer you through the complexities and obtain the most appropriate mortgage solution for your customers' needs.

I can only see the demand for multigenerational living growing in popularity due to current economic and social circumstances – we will be pleased to support brokers and their customers exploring this new and increasingly popular way of living.



Graeme Aitken

Graeme Aitken, Business Development Manager,
Harpden Building Society



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.