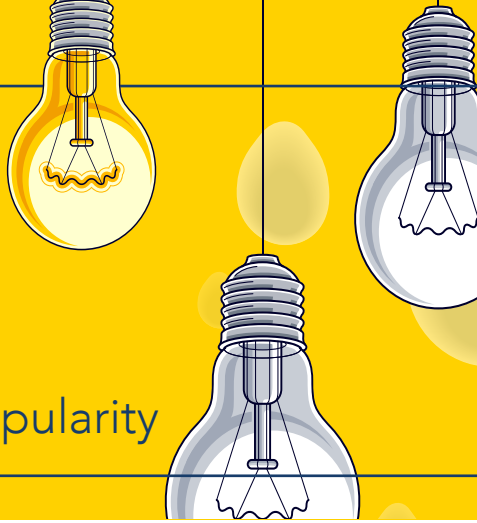


Industry insights

Help beat increasing living costs

Multigenerational mortgages set to grow in popularity



The increasing cost of living is changing the lending environment and how home ownership is financed. The harsh economic conditions of present are putting a strain on the population's finances, affecting the mortgage products customers are considering, but also providing new opportunities to borrow.

THE RISE OF MULTIGENERATIONAL LIVING

Over recent months at Harpenden we have noticed an increase in the number of mortgage enquiries for multigenerational or intergenerational house purchases – families looking to buy a property together and being able to share the benefits of this arrangement.

This may be driven by cost-of-living factors, longer term financial planning or future thoughts of being closer to parents as they get older and to avoid the cost of outsourced care. 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; and blended families beginning a new life together are further examples prompting this type of multigenerational living. 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 to save money. It was a scenario that many families sampled during lockdown - they saw the benefits and are now looking to find and finance a property large enough to accommodate their needs. Others who were separated from family during the pandemic have also been keen to reunite – what better way than living together in a multigenerational property.

Many consider it to be a win-win situation for all involved with the potential to save significant money as the cost-of-living crisis gains momentum. Just think; one mortgage payment, one set of utility bills, one council tax payment, one insurance policy, shared meal costs and transport, the list just goes on.

Multiple generations living together as one unit, as seen throughout history, has once again become popular. So what should would-be homeowners consider as they look to fund accommodation for wider family?



FINANCING A MULTIGENERATIONAL PROPERTY

In scenarios like this the property being purchased is likely to comprise either an annexe attached to the main house or a 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, who provide individual underwriting for every mortgage application, are more readily willing to accept this type of property whereas we know from experience that other, more mainstream lenders, often shy away from property where more than one dwelling appears on the same legal title.

This type of multigenerational purchase may also require, for example, up to 4 parties to be named on the mortgage and property title with all 4 incomes being used to assess the affordability of borrowing required.

When this includes older parents, the aspect of their ages and lending into retirement is often queried. Again this does not present a problem for a specialist lender like ourselves, provided that we are satisfied that the term is appropriate for the individuals involved. Many other lenders are less flexible with regard to the maximum age to which they will lend. At Harpenden there is no upper age limit, provided there is ongoing income to support the borrowing.

More generally for applicants, we consider salary, dividend & net/retained profit for Ltd Co self-employed; include up to 100% of other income including commission and bonus; and accept unearned income such as pension, rental, investment and maintenance. This deeper dive into customers' financial circumstances provides them with more flexible options when considering a mortgage for this more complex, multigenerational property purchase.

Harpenden has the expertise and experience in managing complex cases – delivering specialist solutions for brokers – of which other lenders and algorithms may not be able to adapt too. Every policy is underwritten manually by an expert, which enables us to create highly flexible solutions with regard to complex mortgages.

As the threat of increased living costs continues to make the headlines multigenerational living makes good financial sense and I believe we will continue to see increasing demand in this category giving new opportunities to customers, brokers and lenders alike. 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.



Emily Smith

Emily Smith, Head of Intermediary Sales & Distribution, Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process.



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.