

MORTGAGE CAPACITY ASSESSMENT

Prepared for: Mrs Sarah Smith

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Director

On: 1st September 2016

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Experts Qualifications

I can confirm that as an Independent Mortgage Advisor I hold the Certificate in Mortgage Advice (CF6) necessary to provide the information contained within this report. Other relevant Qualifications obtained are:

- CF1 – UK Financial Services, Regulation & Ethics.
- CF3 – Financial Protection.
- FA1 – Level 3 Certificate in Financial Administration.

I can also confirm that I have carried out and produced this information for individuals and/or Legal Representatives in the past and continue to be active in this role.

Introduction

I have been instructed to provide a Mortgage Capacity Assessment in respect of matrimonial matters for Mrs. Sarah Smith. My assessment is to include details of mortgage capacity based on Mrs. Smith's current financial circumstances only

We were instructed by Mrs. Smith who also provided the personal and financial information this report is based upon. The report is intended for use by Mrs. Smith and if necessary the Court.

Mortgage Capacity Assessment

Maximum mortgage borrowing based on the following income and expenditure details:

Income:

- Annual Salary - £38,000.00 gross (approximately £2,497.27 per month net).
- Annual Child Benefits - £993.60 (£82.80 per month)
- Annual Child Maintenance - £5,040.00 (£420.00 per month)

Total Annual Income - £44,033.00 (Approximately £3,000.00 per month net)

Liabilities:

Please see Appendix 1.

All estimated future costs have been used and for research purposes Mrs. Smith's outgoings have been calculated on a monthly basis.

Total Monthly Outgoings - £2,886.00

Other Considerations

For purposes of clarity I will detail other considerations taken in to account when calculating Mrs. Smith's mortgage capacity below:

- I have based my calculations on Mrs. Smith having a deposit of £20,000.00 for any new property purchase.
- I have assumed the marital home, which Mrs. Smith jointly owns with her ex-husband, will be sold and Mrs. Smith will not be party to or responsible for any other mortgage at the time a new mortgage is applied for.
- I have assumed a mortgage term of 17 years to ensure that any new mortgage will end before Mrs. Smith's 65th Birthday and retirement date.
- I have taken into account Mrs. Smith's financial responsibility for her 5 year old son.
- In order for mortgage lenders to consider the Child Maintenance income Mrs. Smith receives, proof of this income via a Court Order is likely to be required. I have assumed this is available.
- I have assumed Mrs. Smith has no missed payments on any financial commitments within the last 24 months or ever had a CCJ, IVA or any other payment plan.
- I have assumed Mrs. Smith has never been declared Bankrupt.

Maximum Mortgage Borrowing:

Based on the above I can confirm Mrs. Smith's likely maximum mortgage borrowing is approximately £123,000.00, subject to a satisfactory credit score.

In addition to Mrs. Smith's deposit she would be in a position to purchase a property for up to £143,000.00.

Mortgage Cost:

With this in mind the following illustrations highlight what a mortgage of £123,000.00 might cost:

Appendix 2:

- A 2 year Tracker Rate of 1.44% (0.94% above the Bank of England Base Rate), over a 17 year term and on a Repayment basis the above mortgage amount would cost £680.11 per month. Please note that if the Variable Rate increased, for example by 1% the mortgage payments would increase by £57.11.
- At the end of the 2 year period the mortgage would switch to the lenders Standard Variable Rate which is currently 3.99%. At this rate the mortgage payments would be £831.33 per month.
- Total Fees payable in order to take out this mortgage are £1,309.00. Please see section 8 of the illustration for further information.
- The APRC applicable to your loan is 4.43%.
- Stamp Duty Land Tax for a purchase price of £143,000.00 would be £360.00. Please check with a Solicitor/Conveyancer for confirmation of these charges.

Appendix 3:

- A 2 year Fixed Rate of 2.54%, over a 17 year term and on a Repayment basis the above mortgage amount would cost £743.08 per month.
- At the end of the 2 year period the mortgage would switch to the lenders Standard Variable Rate which is currently 4.74%. At this rate the mortgage payments would be £864.46 per month.
- Total Fees payable in order to take out this mortgage are £1,071.00. Please see section 8 of the illustration for further information.
- The APRC applicable to your loan is 4.43%. Stamp Duty Land Tax for a purchase price of £143,000.00 would be £360.00. Please check with a Solicitor/Conveyancer for confirmation of these charges.

Please note that Interest Only mortgage illustrations have not been provided because Mrs. Smith is highly unlikely to qualify for this type of mortgage. Criteria varies drastically from lender to lender, however, all Interest Only mortgages now require a Repayment vehicle to be in place, this is to ensure funds will be available at the end of the mortgage term to repay the capital outstanding on the mortgage. Many lenders have restrictions on suitable types of repayment vehicles, for example many will not accept 'sale of property'. Of the lenders that will accept this as a suitable strategy other criteria will need to be satisfied such as a need for a larger deposit or higher minimum income requirements.

Furthermore, due to the need for a repayment vehicle to be in place Interest Only mortgages may not offer the reduced payment benefits they once did. The difference in cost between monthly Interest Only mortgage payments plus contributions to a relevant repayment vehicle when compared to the cost of a Repayment mortgage is often very little.

Finally, all mortgage applications, whether Interest Only or Repayment, will be assessed for affordability on a Repayment basis to ensure the mortgage remains affordable should it switch to Repayment at any point.

Mortgage Capacity

When calculating maximum mortgage borrowing most mortgage lenders will only take into account outgoings deemed as 'essential', any luxury or non-essential items will be ignored. Therefore, when taking into account Mrs. Smith's monthly income and all outgoings (detailed in Appendix 1) approximately £114.00 per month is left at her disposal. Therefore, based on the above mortgage illustrations lending of £123,000,000 would not be affordable to her.

Based on disposable income available for mortgage payments of £114.00 per month on an Interest Rate of 4%, over 17 years and on a Repayment basis maximum affordable borrowing is approximately £17,000.00.

Conclusion

Although mortgage lenders would deem mortgage lending of £123,000.00 as suitable for Mrs. Smith, it is clear that based on her outgoings this amount of mortgage lending is not affordable to her. Unless suitable reductions in outgoings can be made to create sufficient disposable income to afford the monthly mortgage payments, Mrs. Smith should not pursue a mortgage for more than the affordable lending amount of £17,000.00.

This now concludes my report which I trust you will find satisfactory, however, should you have any further queries then please do not hesitate to contact me.

Experts Declaration

- I understand that my overriding duty is to assist the court in matters within my expertise, and that this duty overrides any obligation to those instructing me or their clients. I can confirm I have complied with that duty and will continue to do so, I am aware of the requirements set out in Part 35 of the Civil Procedure Rules and the accompanying Practice Direction, the Guidance for the Instructions of Experts in Civil Claims 2014, and the Practice Direction for Pre-action conduct.
- I have set out in my report what I understand from those instructing me to be the questions in respect of which my opinion as an expert is required.
- I have done my best, in preparing this report, to be accurate and complete. I have mentioned all matters which I regard as relevant to the opinions I have expressed.
- I consider that all of the matters on which I have expressed an opinion lie within my field of expertise.
- I have drawn to the attention of the court all matters, of which I am aware, which might adversely affect my opinion.
- In preparing and presenting this report I am not aware of any conflict of interest actual or potential save as expressly disclosed in this report.
- In respect of matters referred to which are not within my personal knowledge, I have indicated the source of such information.
- I have not included anything in this report which has been suggested to me by anyone, including the lawyers instructing me, without forming my own independent view of the matter.
- In my view, there is a range of reasonable opinion relevant to the opinions I express, I have indicated the extent of that range in the report.
- At the time of signing the report I consider it to be complete and accurate. I will notify those instructing me if, for any reason, I subsequently consider that the report requires any alteration, correction or qualification.
- I understand that this report will be the evidence that I will give, if required, under oath, subject to any correction or qualification I may make before swearing to its veracity.
- I have detailed in this report all facts and instructions given to me which are material to the opinions expressed in this report or upon which those opinions are based.

Statement of Truth

I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

Signature: _____

Date _____

Disclaimer

This report has been compiled by researching current criteria from a range of Mortgage Lenders active in the market place at present. We cannot be responsible if a mortgage is later unobtainable by the individual in question due to criteria change by Mortgage Lenders in the future.

The figures quoted are subject to a satisfactory credit score, confirmation of income, the value and suitability of the property, and any other additional information that may be required.

The figures quoted are not guaranteed and no underwriting has taken place. We recommend that a Decision in Principle is obtained to further substantiate the borrowing. The Illustrations provided and the products and charges shown are to be used to as examples only.

Appendix 1

Mrs. Smith Monthly Outgoings & Liabilities				
Liability Type	Provider	Balance	Monthly Payment	Notes
Loan	Santander	£8,000.00	£156.00	
Credit Card		£11,50.00	£30.00	
Household Expenditure				
Utilities & Council Tax			£330.00	
Food			£400.00	
Maintenance & Repairs			£89.00	
Personal Expenditure				
Personal Expenses			£571.00	
Holidays			£400.00	
Car/Travel Expenses				
Car Expenses			£300.00	
Train Expenses			£220.00	
Children's Expenditure				
Children's Expenses			£160.00	
Entertainment & Hobbies			£230.00	
Total			£2,886.00	