

Mortgages for Ministers

This fact sheet has been provided by Kingdom Bank who specialise in Ministers Mortgages. This is not intended to be advice or a recommendation but to provide some guidance as to the options that you may be able to investigate. Further information about their services for Missionaries can be found at www.kingdom.bank

Ministers Mortgages – Fact Sheet

In today's personal mortgage market, it is no longer possible to simply certify your own income and expenses. Lenders are now required to check and independently verify these to ensure that they don't lend you too much. This is good for helping people to not over extend themselves but makes things difficult, if like most ministers, your income might be a stipend with accommodation and other costs paid.

An additional challenge comes for property that you intend to let. There are definitions of what is treated as a Buy to Let property. The regulations for personal mortgages now separate a property that you have previously lived in or intend to live in one day in the future. These are not classed as a Buy to Let but as a personal mortgage requiring full advice to provide you with added protection.

All of this could make it hard to navigate the route to buy or retain a property. The following information tries to explain a number of different options. Each lender will have their own products only some of which may be suitable for your situation. It's possible that you will need to shop around to find a lender to whom you can apply.

Buying a Property just for investment (Buy to Let).

This is possibly the easiest starting point if buying a property that you will never live in and is known as a 'Buy to Let'. It is to buy a property that you just own as an investment. The lending criteria to assess payment will be based on the rental income that will likely be received.

Lenders may have conditions that require you live in the UK, own another property that you live in and/or have a minimum income. Finding a flexible lender who understand Ministers work and their income streams can be challenging.

Most Buy to Let mortgages require rent, after deducting agents fees and other costs, to be more than 125% of the interest only amount. In some areas of the country you may need to increase your deposit as the market rent might not be sufficient to make this work with a small deposit.

If you are buying this property to give you the opportunity to buy a home later in life (as an investment), it is sensible to arrange the mortgage on a repayment basis as then eventually you are likely to own all or part of the property. Buy to Let mortgages are often interest only which relies on the increase in property prices to increase your equity. Increases in property values are not guaranteed and cannot therefore be relied upon.

Buying a Property as a future home

If you want to buy a property to live in but not for the next few years, this will still be treated as a 'Residential / Personal mortgage'. The lender is required to ensure you receive mortgage advice before borrowing the money. This can be provided by the lender or a mortgage broker. You may need to pay for this advice.

Assuming you plan to let the property until you live in it, you will need to obtain 'Consent to Let' from the lender.

In our view the best way for a Minister to deal with this type of purchase is to ensure it meets the financial criteria for a standard Buy to Let. As above this is likely to mean that the rental income after paying agents fees and any associated costs must be more than 125% of the interest payment. You then just need a lender who will accept that you live overseas, have no other UK property and perhaps do not have enough regular income from one source to support the mortgage.

Re-mortgaging a Property that used to be home

The problem here is that if you used to live in the property this will never be treated as a Buy to Let. You will need to find a lender who will offer a 'Consumer Buy to Let' mortgage. As in the example above if you can ensure this meets the financial criteria for a Buy to Let this makes it easier.

Also make sure this type of mortgage is set up on a repayment basis to use the rent to repay.

What if the Rent Income is not enough?

Sometimes, particularly if you trying to buy or re-mortgage a home, the rent is not enough to allow the calculations to work. In these circumstances it is sometimes possible to include your personal income as well as the rental income. To do this you will need to provide a very detailed breakdown of you income and expenditure and will need to be able to evidence your spending. A bank statement is normally enough to evidence spending but working overseas may mean you cannot do this quite so easily.

Calculating your income may also be difficult, particularly if you receive personal support or income from a range of different sources as many. Lenders may only take note of your main or largest income and may discount or ignore the rest. If they are going to include all the income then they are likely to take an average of the recent past and would need evidence of it being received.

Applying for a mortgage in this way can get complex and so not many lenders are willing to deal with the issues this creates.

How much deposit will I need?

As a general rule you will need to provide around 20% of the purchase price as a deposit. However, when trying to use rental income to repay a mortgage the calculations might only work if you have a higher deposit. Normally a deposit must be money you have already. Some lenders might be happy for you to receive a gift from family members but would expect this to be clearly documented as a gift not a loan. On rare occasions a bank may allow part of the deposit to be provided as a loan by family or a friend providing the repayment is deferred until the mortgage is repaid or the lender gives specific permission.

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