



Guidance notes for Service personnel applying for a mortgage

Key Principle

The secured lending industry has agreed to the following key principles when considering lending to service personnel:

Those who serve with the Armed Forces should not be disadvantaged because of their occupation. Mortgage applications will be treated fairly and consistently with civilian counterparts and will not be automatically rejected purely on the basis of a BFPO address.

Listed below are a number of considerations and items you should be ready to present when making your mortgage application. These guidance notes apply either if you are preparing to embark on an overseas posting or deployment, or if you are returning to the UK from overseas.

This list is not exhaustive and individual lenders will have specific requirements - please note that bringing all of this information does not guarantee your application will be successful, but will at least help you to be as prepared as possible before approaching a lender or broker.

1. If you are to serve overseas, make your mortgage application before you commence your posting if at all possible. And if you are returning to the UK, you might want to think about making your application before you return. It may be necessary for your lender to contact you during the application process which may not be practical if you are on the front line or in a different time zone. If, during the application process, you become un-contactable, it may not always be possible to complete your application.
2. You can apply for a mortgage via an intermediary or direct from a lender such as a bank, building society or specialist mortgage lender. Research the market to ensure you get the best mortgage for you. Check what your bank or building society can offer, especially if you already have a mortgage with them. An intermediary may be particularly useful if, for example, you have a poor credit rating or need a specialist mortgage, such as buy-to-let.
3. When you come to apply for a mortgage, make sure you include a telephone number that the lender can contact you on during working hours or an email address. Remember to advise the lender of the time difference if you are serving abroad.
4. When completing your application form, make sure you provide complete and accurate details to avoid unnecessary queries. It is particularly important to provide your current and previous address history for the last three years and if you are serving, or have served overseas, make sure you include your full BFPO address including postcode and relevant unit number. A letter from your Commanding Officer confirming address history will assist here, and is required by some lenders.
5. Ensure correct contact details are provided for your payroll department, Commanding Officer and, if applicable, estate agent.
6. You will be required to provide proof of income in the form of your pay statements (generally the most recent three), your most recent P60, up to date bank statements and details of existing credit. If you are serving overseas, you will have to provide details of any allowances in payment. If you already own a property, you should also provide your most recent annual mortgage statement.
7. Provide details of your length of contract with the Services, the length of any posting and the term remaining, particularly if you are serving overseas and are applying for a mortgage to purchase a property on your return to UK.
8. Affordability calculations are also used during the application process as part of the lending decisions. Be prepared to provide evidence of your income and expenditure pattern including taking into account any additional expenses your partner or spouse may have. Your monthly income against your monthly outgoings, including debt repayments, utility bills and 'lifestyle costs' will be considered.
9. You may be required to provide details of who will reside in the property you wish to purchase. If you have tied accommodation, clarification may

be required as to who will reside in the property i.e. spouse/children. Confirmation may be required that the property will not be left empty if you are posted overseas.

10. You should make known details of any impending overseas posting or any other reason which will mean that you will not reside in the property. If you intend to let the property, make the lender aware of this.

11. You should provide any other information which you feel may be relevant e.g. accumulated savings reserves, anticipated gratuity or details of any special services scheme or parental support.

12. If the deposit for your proposed purchase is coming from your own resources then you should provide some evidence of that. If the deposit is coming from a long service award (such as the Long Service Advance of Pay) or another source, further information may be required by the lender to confirm that there will be no future requirements to repay all or some of the money. Lenders will need to assess any requirement to repay and this may reduce the amount of mortgage that you can obtain.

13. As well as assessing the information you provide to your proposed mortgage lender as part of the application process, such as your income and expenditure, age, the property you want to buy and marital status, most lenders will also look at information provided to them by Credit Reference Agencies (such as Callcredit, Equifax and Experian). This will tell them how you have managed other credit in the past, such as loans, credit cards and utilities.

14. It is sometimes difficult to build up a credit history when serving in the Armed Forces, particularly if you have been out of the UK for a long time. This may mean the lender does not have sufficient evidence to determine whether your application should be taken forward. If that is the case, you may also find it useful to provide evidence of loans taken out whilst overseas, and statements or bills from transactions carried out overseas.

15. It is possible to ask the credit reference agencies to add a 'Notice of Correction' to your credit file. This is a short statement that you can add to your credit file to explain any entry on it. A Notice of Correction means any credit application will be taken out of any automated decision making system. Credit worthiness will instead be manually assessed with that Notice of Correction taken into account. You should bear in mind that this may add a small delay to the processing of your application.

16. Remember, managing your finances through a UK based bank account, even if you are based overseas, will help build a credit history profile that will assist lenders when you apply for credit during an overseas posting. But you should ensure that you always make payments on time and keep within your credit limits.

17. When choosing your mortgage, it may be useful to consider a number of Government home ownership schemes which may be able to reduce the upfront cost of buying a home. Some lenders may allow you the ability to rent out the property if you are posted away, even if you use one of these schemes. Further information on Help to Buy and other Government schemes is available at the websites below:

<https://www.gov.uk/affordable-home-ownership-schemes/help-to-buy-equity-loans>

<http://www.helptobuy.org.uk/>

<http://www.mortgageadvicebureau.com/helptobuyscheme/>

<https://www.moneyadvice.service.org.uk/en/articles/help-to-buy-scheme-everything-you-need-to-know>

18. The Government has announced a new scheme to help Service personnel who want to buy their first home. From April 2014 and for a trial period of 3 years, regular personnel will be able to take a salary advance of up to 50% of their salary and up to a maximum of £25,000. The loan will be interest free – but taxable, and repayable over a 10 year period.

Full scheme details and eligibility criteria have yet to be announced, but will be available before the launch in April 2014

19. For further information about applying for a mortgage, visit MoneyForce (<https://www.moneyforce.org.uk>). The website is designed specifically for the Armed Forces community, with the support of the Ministry of Defence, to help you make the most of your money and avoid financial difficulty.

