

First Time UK Expat and Foreign National Investors Emboldened by Relaxed Mortgage Affordability Rules

The Bank of England's Relaxed Mortgage Affordability Rules are good news for first time UK Expat and Foreign National Investors.

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Unpacking the Relaxed Mortgage Affordability Rules for UK Expat and Foreign National Investors.

'The Bank of England's recent relaxing of mortgage affordability rules should come as another huge investment incentive for first time UK expat and foreign national investors' says Stuart Marshall. 'The new, relaxed mortgage lending rules came into force on August 1st and are set to further embolden first time UK expat



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and foreign national investors. Before the rules, borrowers had to show that they could afford their mortgage repayments in the event that the mortgage rate rose to the lender's standard variable rate and interest rates rose by 3%. This rule was intended to prevent the high levels of debt seen in the 2008 financial crisis. However, due to the recent rises and the predicted future rises in the Bank of England's base rate, borrowers would have to show that they could afford a much higher mortgage rate than they would likely ever pay. This move from the Bank of England

will increase the accessibility of UK expat and foreign national mortgage products for many first

time UK expat and foreign national investors, who usually have smaller deposits than more experienced investors.'

Let's look at how this would translate to real terms. For this example, we will look at the average cost of a flat as this is an incredibly popular investment choice for many UK expats and foreign nationals at the moment. According to Zoopla, the average cost of a UK flat is currently £247,323. Assuming that the investor has a 25% deposit and that they obtain a five-year fixed-rate mortgage at the UK's average rate of 2.6%, the monthly repayments would be £842 per month over a 25-year term.

However, if asked to meet the old mortgage affordability criteria and assuming the lender's standard variable rate to be the UK average of 4.9%, the borrower would have to show they could afford a monthly payment of £1,419. Using the new affordability criteria, borrowers would only have to show that they could afford 1% higher than today. Clearly then, mortgages will become massively more accessible to first time UK expat and foreign national investors.

Good news for First Time UK Expat and Foreign National Investors.

Buying a UK rental property is an investment goal for many UK expat and foreign nationals. This is due to UK property's longstanding reputation as an incredibly strong asset class. For many prospective first time UK expat and foreign national investors, the recent conditions and rising interest rates may have worked as a deterrent. However, the slackening of mortgage affordability rules will facilitate purchases for so many first time UK expat and foreign national investors.



Buying a UK rental property is an investment goal for many UK expat and foreign nationals.



For many prospective first time UK expat and foreign national investors, the recent conditions have worked as a deterrent to buy. However, the new mortgage affordability rules will facilitate purchases for so many first time UK expat and foreign national investors.

'This is also an excellent time for the rules to be relaxed' says Stuart Marshall. 'For one, the supply-demand imbalance in the housing market is beginning to realign as [more people rush to sell](#). Meanwhile property demand has fallen slightly meaning that first time UK expat and foreign national investors will have more choice, reduced competition, reduced prices and a slower marketplace. So, there are currently good conditions for UK expat and foreign nationals to invest. Of course, with these better-than-usual investment conditions there are even more UK expats and foreign nationals who want to get involved in the UK investment market for the first time. For these UK expats and foreign nationals, the relaxed mortgage affordability rules are exactly the kind of thing needed to strengthen the investment proposition even further.'



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'In addition to these conditions, there are [numerous great options](#) for first time UK expat and foreign national investors. These include city-centre flats, student properties and off-plan properties. Many of these property types are currently booming in the rental sector because of the [changes that have happened](#) as a result of the rising cost of living and the energy price crisis.'

First Time UK Expat and Foreign National Investors to Benefit More Than Domestic Borrowers. First time UK expat and foreign national investors are likely to benefit from the relaxed affordability rules more than domestic buyers. This is because domestic buyers will still be constrained by lenders' inability to lend at high loan to income ratios, which will be a hindrance with the high cost of property at the moment. On the other hand, UK expat and foreign national borrowers typically earn more and are often taxed at lower rates. Further, UK expat and foreign national investors who use a specialist UK expat and foreign national mortgage broker will gain access to specialised deals and interest rates to incentivise business from this highly lucrative sector of the mortgage market. The relaxing of mortgage affordability rules only makes these deals even more accessible and should bring many more first time UK expat and foreign national investors into the marketplace.

In sum, as Savills highlights, the biggest barrier for many domestic buyers will be saving a deposit. This is a problem that is unlikely to go away, while relative currency strengths, higher earnings and lower taxation among many in the expat community will only increase their relative buying power.

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