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Dudley Building Society
CPD – An Introduction to
Expatriate Mortgages

Introduction

The following document will provide you with detailed information on the expat mortgage market, as well as information on how this ties into Dudley Building Society's lending criteria. The written text should take approximately 15 minutes to read.

Once you have finished reading the text, you can complete a series of quiz questions. There are 10 questions to complete. Once finished, you can find the answers on page 7 of this document.

Learning objectives:

- To understand the main drivers behind consumer demand in the expat mortgage market and which type of lenders operate within it
- To understand Dudley Building Society's key criteria in relation to expat lending

The written content has been divided into three sections:

Section 1 The Expat Market
.....

Section 2 Dudley Building Society Criteria
.....

Section 3 Case Study
.....



Section 1

Drivers

The motivations which drive UK expats, who seek to purchase properties in the UK whilst being based abroad, have been key to the expat mortgage market's growth in recent years. Two of the main drivers include purchasing a UK property to let out in order to generate rental income, or buying on a residential basis with the option to return back to the UK in the short to medium term.

Economic uncertainty, in particular exchange rate fluctuations, has also made buying UK property an attractive proposition for expats located abroad. The fall in Sterling means that purchasing UK property is currently cheaper for expats. Due to applicants getting more Sterling in exchange for their foreign currency, applicants based overseas also have to save less for a deposit.

InterNation's 2020 Expat Insider survey outlined the main motivations which drive expats to relocate to a foreign country. The research highlighted that there are a variety of reasons behind relocating overseas, with 8 per cent stating that they migrated as a lifestyle choice in search of a better quality of life. 10 per cent were sent abroad by their employer as part of their job/career, while 7 per cent relocated for educational purposes, such as to attend school or university. 33 per cent stated that they would possibly stay in their relocated country forever, while a combined 23 per cent planned to stay for between 1-5 years.

Impact of Brexit

Brexit has brought a significant amount of uncertainty to key stakeholders associated with the expat mortgage market. Several lenders have restricted lending to UK expats living in the EU due to the cancellation of financial services' passporting permissions on 31 December 2020. Prior to the UK's exit from the EU, these arrangements had allowed UK banks and building societies to trade freely in EU states and without these rules, lenders may need to apply for a licence in the countries they operate in.



Section 2

Dudley Building Society Criteria

Dudley Building Society will consider lending to customers who require expat residential mortgages, subject to a maximum loan-to-value of 75%. For borrowers who wish to take out an expat buy-to-let mortgage, the Society will consider lending to applicants subject to a maximum loan-to-value of 70%.

The Society does not have a minimum income requirement for expat mortgage applicants. They must, however, be UK citizens who are temporarily resident abroad with a credit footprint in the UK and a UK bank account. There are no restrictions on the foreign currency that can be used, as long as the currency does not fall within any territories subject to financial sanctions or FATF counter measures. Only 1 currency can be used per application.

Expat self-employed applications can be considered subject to satisfactory income verification, while consumer buy-to-let applications can also be considered.

The Society also does not require an applicant to work for a multi-national company.



Section 4

Questions

1. Which lender types operate within the expat mortgage market?
2. Why do expat mortgage applications require additional attention?
3. What do the maximum loan-to-values range from in the expat buy-to-let market?
4. What are the key drivers behind the expat mortgage market's growth in recent years?
5. Why is purchasing UK property currently cheaper for expats?
6. Why have several market lenders restricted lending to UK expats living in the EU?
7. What is Dudley Building Society's maximum loan to value for expat residential and expat buy-to-let mortgages?
8. Does Dudley Building Society have a minimum income requirement for expat applications?
9. Can Dudley Building Society consider expat applications from the self-employed?
10. Does Dudley Building Society place restrictions on the foreign currency type used within expat applications?

Answers

1. Banks, building societies and specialist lenders
2. Due to their exposure to exchange rate fluctuations – between the currency they are paid in and the sterling equivalent
3. 60 per cent – 75 per cent
4. Purchasing a UK property to let out in order to generate rental income, or buying on a residential basis with the option to return back to the UK in the short to medium term
5. The fall in Sterling
6. The cancellation of financial services' passporting permissions on 31 December 2020
7. Expat residential mortgages are available up to a maximum of 75 per cent loan to value, while the maximum loan-to-value for expat buy-to-let mortgages is 70 per cent
8. No
9. Yes
10. No, as long as the currency does not fall within any territories subject to financial sanctions or FATF counter measures