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INSIDE MORTGAGE FINANCE

April 2026



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Welcome

To the April 2026 quarterly issue of Inside Mortgage Finance.

Inside this issue we will cover mortgage finance related topics – including fixed-rate mortgages, securing a mortgage with a less-than-perfect credit score, how first-time buyers can

overcome affordability challenges, and how to find a mortgage that’s right for you.

A complete list of the articles appears opposite.

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Contents

03

Mortgage Charter

A lifeline for borrowers facing difficulties with their monthly repayments

04

Fixed-rate mortgages

How to lock in your interest rate and secure your monthly repayments

06

Record price gap between first and second homes

Why moving up the property ladder now requires more equity

08

How first-time buyers can overcome affordability challenges

Longer terms, joint purchases, and family support reshape the journey to homeownership

10

What’s keeping first-time buyers off the property ladder?

Buying a home is no longer simply a question of affordability

12

Securing a mortgage with a less-than-perfect credit score

Find out how securing a home loan with poor credit is completely possible

14

How to find a mortgage that’s right for you

From first homes to new moves, discover your options



Mortgage Charter

A lifeline for borrowers facing difficulties with their monthly repayments

Chancellor of the Exchequer Rachel Reeves recently held talks with the UK's six largest banks and building societies to support borrowers who could be affected by the current Middle East conflict. Fixed-rate mortgages increased in cost during March, with the average mortgage rate rising from 4.89% at the start of the month to 5.50%.

Those borrowers currently on a fixed rate will not see any immediate change, and it is

estimated that about 86% of homeowners are in this secure group. However, over one million homeowners whose deals expire in the coming months will likely face higher repayments as these rate rises come into effect.

Proactive contact from major lenders

In response to these financial pressures, the Chancellor and the Economic Secretary brought together the largest financial institutions and secured a

strong commitment. These lenders will now proactively contact 1.6 million customers whose fixed-rate deals expire between now and the end of the year.

Financial providers have been clearly instructed to outline customer options or explain how they can access tailored support well before any payment adjustments occur. The Chancellor has also emphasised that the existing Mortgage Charter can offer a lifeline to borrowers struggling with their monthly repayments.

Understanding the Mortgage Charter

Created during the height of the recent mortgage crisis, the Mortgage Charter aims to offer practical support to customers facing payment difficulties.

Under this agreement, lenders must provide flexible options, including a temporary switch to interest-only payments to ease immediate financial pressure.

Importantly, the scheme also allows customers to reserve a new rate up to 6 months in advance. Borrowers can switch to a different deal with their existing lender without needing a new affordability assessment. Chancellor of the Exchequer Rachel Reeves pointed out that in uncertain times, people require clear reassurance and practical support without concern over their credit score being impacted.

Industry support and expert advice

Rather than introducing a completely new support package, this initiative seeks to enhance the current framework by offering clearer notice, more preparation time, and a simpler, more accessible route to existing support. The goal is to make the process less intimidating and more transparent for those

needing assistance. Key features of this support include the ability to secure a rate up to six months in advance, switch to a like-for-like deal, or discuss options for short-term breathing space to help manage financial pressures.

For individuals feeling anxious about moving onto a higher rate in 2026, it's especially important to take proactive steps early. Waiting until an existing deal expires can limit options and increase stress, while starting the process sooner allows for better planning, greater flexibility, and a smoother transition.

This approach highlights the value of early engagement and preparation, helping individuals to make informed decisions and access the support they need when they need it most.

Taking control of your finances

The six-month point is a crucial moment for action. By this time, borrowers should review what their current lender offers, compare it with other options on the market, and determine the exact new monthly payment in real financial terms. Many people focus only on the interest rate, but the most important factor is whether the new monthly payment remains manageable alongside daily living costs.

It is advisable to discuss your options with us early in the process. We can help you understand your options in advance and estimate your potential payments before you face pressure, giving you the opportunity to find an alternative mortgage solution. ●



Fixed-rate mortgages

How to lock in your interest rate and secure your monthly repayments

When buying a home, selecting the right mortgage can feel daunting.

A fixed-rate mortgage is a popular choice among home buyers. This type of deal offers a clear promise: your interest rate remains exactly the same for a set number of years.

Because the rate stays steady, your monthly repayments are fully predictable. Whether the Bank of England raises or lowers its base rate, you pay the same amount each month. This certainty helps you plan your budget effectively and protects you from unexpected shocks to your household finances.

For many buyers, the stability of a fixed-rate mortgage is a key advantage. It allows you to concentrate on other financial priorities without concern about fluctuating repayments. This predictability is especially valuable for first-time buyers or families managing tight budgets, as it offers peace of mind and a clear financial plan. Fixed-rate mortgages are a dependable choice for those seeking security in an often unpredictable market.

Why fixed rates make sense amid global uncertainty

Recent global geopolitical developments, such as tensions in the Middle East, have caused significant disruptions in energy markets and broader economic instability. These factors have led to increased volatility in interest rates, with many experts predicting further increases in the near future. Choosing a fixed-rate mortgage during such uncertain times can provide

essential financial stability. By locking in your rate now, you safeguard yourself against potential rises in borrowing costs, ensuring your monthly payments remain manageable despite market fluctuations.

This peace of mind is especially valuable when household budgets are already stretched due to rising living costs. With energy prices soaring and inflation affecting everyday expenses, securing a fixed-rate mortgage can help you keep control over your finances. It's a proactive measure that protects you from the unpredictability of global events, allowing you to focus on your home and future plans without the worry of fluctuating mortgage payments.

Choosing your fixed term

Lenders typically offer fixed terms ranging from two to ten years. Two-year and five-year fixes are the most common options available. A shorter term usually features a lower initial interest rate, but you will need to review your mortgage sooner and might have to pay new arrangement fees. Longer terms, such as a ten-year fix, provide peace of mind for a longer period. However, these extended agreements sometimes have marginally higher rates to reflect the risk the lender assumes.

You should carefully think about how long you intend to stay in your property before committing to a lengthy contract. For those planning to stay put for the foreseeable future, a longer fixed term can offer stability and protection from future rate increases. Conversely, if you expect to move or

remortgage within a few years, a shorter fixed term might be more appropriate. Finding the right balance between your long-term aims and the flexibility you require is essential when selecting a fixed term.

Reaching the end of your deal

Your fixed rate isn't permanent. When your agreed term ends, your lender will automatically switch you to their Standard Variable Rate (SVR). This default rate is usually much higher than the fixed rate you were paying. Because the SVR tracks the wider market, your monthly payments may increase significantly at this point. To avoid paying more than necessary, most borrowers arrange a new mortgage before their current fixed term finishes. This process, called remortgaging, allows you to secure a better rate and avoid the financial strain of higher repayments.

Planning ahead is vital to ensure a smooth transition when your fixed term ends. Begin exploring your options several months before your deal expires to allow enough time to compare rates and secure the best deal. Many lenders permit you to lock in a new rate up to six months in advance, offering a buffer against potential rate rises. Being proactive can save you money and reduce unnecessary stress when your fixed term concludes.

Navigating fees and flexibility

While fixed-rate mortgages provide stability, they can also limit your flexibility. If you wish to end your agreement early, sell your property, or switch lenders, you will usually face an

Early Repayment Charge. This fee can amount to thousands of pounds and is often calculated as a percentage of your remaining loan balance, such as 1% or 2% per year remaining. Understanding these potential costs is crucial when deciding if a fixed-rate mortgage suits your future plans.

Despite these restrictions, most lenders allow you to make small overpayments without penalty. You can normally overpay by up to 10% of your remaining balance each year. Doing so helps you clear your debt faster and reduces the total interest paid over the loan's duration. It's beneficial to check your mortgage terms to understand its flexibility and how to maximise it.

Taking the next steps

Securing the right mortgage requires careful consideration of your current finances and future property plans. A fixed-rate deal offers security, especially in today's unpredictable economic climate, but you must ensure the terms match your long-term goals before signing any agreements.

Taking the time to evaluate your options and understand the implications of your choice will help you make a confident decision. Navigating the property market is much easier with professional guidance. With the right advice, you can progress with confidence and peace of mind, knowing your financial future is in safe hands. ●



Record price gap between first and second homes

Why moving up the property ladder now requires more equity

The gap between the cost of a typical first-time buyer home and a mid-market second-stepper property has reached its highest level on record. According to a recent analysis from the property platform Rightmove, those aiming to upgrade are facing unprecedented cost increases to secure their next home.

In March this year, the average asking price for a property with up to two bedrooms was £226,955. Moving to a typical three- or four-bedroom second-stepper

home raises the average asking price to £345,857. This signifies a substantial 52% increase and marks the widest gap ever recorded in the index. In real terms, buyers face an increase of £118,902 from their starter home to a second property, a financial gap that has only been larger twice before, in mid-2025.

Funding your next move

For borrowers aiming to put down a 20% deposit, this price jump requires a significant accumulation of wealth. Buying a starter home at the current average would require a deposit of £45,391, but securing a second-stepper property would require a deposit of £69,171.

This means home movers need to build an extra £23,780 in equity, which must come from dedicated savings, overpayments on their current mortgage, or natural house price growth. Additionally, buyers must also demonstrate their affordability to qualify for a significantly larger loan.

Moving up the ladder

The challenge of moving up the property ladder varies significantly depending on where you live in the UK. In the South East, the average asking price for a starter home is £286,748, compared with £460,781 for a larger property, representing a steep 61% increase. London is close behind, with a 60% gap between property types.

Conversely, moving up the ladder seems much more attainable in Yorkshire and The Humber, where a first-time buyer's home averages £182,029, and a second-stepper home costs £251,885,

resulting in a narrower 38% difference. Wales also provides a relatively accessible transition, with a 40% gap between typical first and second homes.

Flat versus house divide

The findings also highlight a

growing disparity between flats and houses, with weaker price growth for flats playing a significant role in the rising cost of moving up the property ladder. Currently, the gap between the average asking price of a flat and a house of any size stands at 26%. The average asking price for a flat

is £301,338, compared to £379,526 for a house. Over the past decade, flats have seen their average asking price increase by just 8%, while houses have experienced a much steeper rise of 34%, according to the analysis.

This has caused the price gap between an average

flat and a house to widen substantially, increasing from £24,010 in early 2020 to £78,198 now. Flats, which constitute a large share of first-time buyer homes, especially in markets like London, have seen noticeably slower price growth, while houses have surged ahead, further widening the divide. This trend highlights the difficulties faced by those looking to move from a flat to a house, as the financial leap needed continues to grow.

Strategies for home movers

Inevitably, trading up involves borrowing more money. Homeowners usually use the equity they've built since purchasing their first home to fund a larger deposit, which in turn allows them to secure lower mortgage rates. However, if equity growth has been limited by sluggish flat prices, movers may need alternative strategies. This could involve reducing their current mortgage balance through overpayments or significantly increasing their deposit using personal savings.

Buyers might also need to consider taking smaller, more gradual steps up the housing ladder instead of making a single, large jump, or look for more affordable locations to make their move feasible. Fortunately, if buyers face the prospect of moving up the ladder at higher loan-to-value ratios, lenders have various options to support this transition, which have been enhanced by recent changes to affordability rules by financial regulators. ●



How first-time buyers can overcome affordability challenges

Longer terms, joint purchases, and family support reshape the journey to homeownership



First-time buyers are no longer entering the housing market alone. Severe affordability pressures are causing many to abandon traditional routes onto the property ladder, instead opting for joint ownership, extended mortgage terms, and layered financial support. This shift is not merely behavioural; it is fundamentally transforming how property transactions are structured and assessed in today's stretched market.

More people are opting not to buy in their own names. Joint applications are becoming more common, and these arrangements are not limited to romantic partners. In practice, joint purchases now often include friends and even colleagues.

What was once regarded as a last resort is quickly becoming a typical route into homeownership. While purchasing with a friend involves certain personal risks, relying on a single income is simply unfeasible for many prospective buyers at present.

Reshaping the transaction

This increasing financial pressure is transforming every aspect of the property transaction. Buyers are combining incomes, utilising government savings schemes, seeking developer incentives, and heavily relying on family support to bridge the deposit gap. Gifted deposits from parents remain a key factor, although financial contributions now go beyond immediate

family, pushing the boundaries of traditional lending criteria.

Attitudes towards borrowing are changing rapidly to suit the current climate. Longer mortgage terms, once rarely used, are now becoming common. Buyers often request terms of 35 or even 40 years to keep their payments manageable, as interest rates stay high and monthly costs rise. The reason is quite practical: bigger loans mean lower monthly payments, even if it involves carrying the debt for many decades.

Managing income and expectations

That same economic pressure is changing how buyers manage their daily income. More people are taking on second or even third jobs to make ends meet

and increase their chances of getting mortgages. However, while buyers are becoming more resourceful, their expectations do not always match strict lending criteria.

Social media significantly influences these expectations. Buyers often see the lowest available interest rates advertised online and instantly assume they can access those exact deals. Unfortunately, a growing gap emerges between these eye-catching headline rates and actual eligibility. Key factors such as deposit sizes, loan-to-value thresholds, and strict affordability checks quickly limit the options, leaving many disappointed when their personal circumstances do not meet the standard criteria.



Navigating modern borrowing hurdles

This eligibility gap is especially clear among self-employed borrowers. Some believe they can simply join a family

member's company and get a mortgage immediately, but lenders usually require a solid 12-month track record to confirm that the income is sustainable.

Credit behaviour is another rising pressure point. Short-term borrowing, especially through buy-now-pay-later products, is becoming more visible on modern applications. Even small credit issues can have a big impact, as automated lending systems evaluate financial histories in strict black-and-white terms.

Typical first-time buyer continues to evolve

At the same time, the overall profile of the typical first-time buyer continues to evolve. Buyers are generally older, deposits take considerably longer to save up, and more people are considering locations well beyond traditional areas.

The rise of hybrid working has expanded search areas, making longer commutes a feasible trade-off for a more affordable home. For many, moving further out is no longer a lifestyle choice but a strict financial necessity in a complex and constrained market. ●





What's keeping first-time buyers off the property ladder?

Buying a home is no longer simply a question of affordability



First-time buyers are contending with a property market where house prices remain far ahead of average pay. Even when applicants can comfortably meet monthly repayments, strict affordability tests often limit how much they can borrow. The basic challenge is no longer just the headline mortgage payment, but whether buyers can build a viable plan for homeownership amid higher living costs and tighter lending standards.

House prices have outstripped wage growth for several years. In many areas of the country, the average first-time buyer is considering a property costing eight or nine times their annual income. Even in markets that have softened slightly, affordability remains a real barrier rather than just a perception issue. Therefore, the discussion needs to shift from simple eligibility to the exploration of practical alternatives.

Finding alternative pathways

For many prospective buyers, the conversation is no longer just about whether they can afford a mortgage, but about what their actual journey to ownership looks like. This might involve considering schemes like shared ownership, exploring entirely different locations, taking a smaller initial step onto the property ladder, or accepting a longer timeline to reach their goals.

Building deposits remains a significant challenge, especially for those trying to save while renting. Essential daily expenses now compete directly with savings, lengthening timelines and increasing the required amounts in many areas. For many first-time buyers today, fundamental living costs like rent, food, and energy bills deplete their salaries at an unprecedented rate, directly obstructing their savings goals.

Navigating market expectations

Despite these challenges, there is a complex network of deposit sources and financial support that buyers often overlook. Tools such as Lifetime ISAs, Help to Buy ISA savings already accumulated, employer benefits, and gifted deposits offer more options than many first-time buyers realise. Professional advice is essential for identifying and utilising these options to make saving for a deposit much more feasible.

Furthermore, the after-effects of rapid rises in mortgage rates continue to influence buyer behaviour. A lingering mindset from these rate increases remains evident, keeping some buyers on the sidelines. They are waiting for a return to ultra-low prices that may not materialise in the near future. Waiting indefinitely has its own financial costs, and a good mortgage taken at today's rates can always be reviewed and remortgaged as market conditions evolve. ●



Securing a mortgage with a less-than-perfect credit score

Find out how securing a home loan with poor credit is completely possible

Purchasing a home is a major financial achievement, but a less-than-perfect financial record can make the process feel daunting. Some prospective buyers might think that a low credit score immediately rules them out of getting a mortgage.

The truth is that obtaining a home loan with poor credit is entirely achievable. While major banks might decline your initial application, the UK mortgage market is broad enough to provide workable alternatives if you know where to look.

Understanding and improving your credit profile

Before approaching a lender, you should know exactly what appears on your credit report. Check your file with the main UK

reference agencies to see the data that mortgage providers will review.

Check your file for errors and get them fixed immediately. Also, take simple steps to improve your score, such as registering to vote and paying all current bills on time. Avoid applying for new credit cards or loans in the months before your application.

Building a larger deposit for your purchase

When your credit history is poor, lenders naturally see you as a higher risk. You can reduce this risk and boost your chances of approval by providing a larger deposit. While typical buyers might secure a home with a 5% deposit, you will probably need 15% or more to access better mortgage options.

Saving a larger sum demonstrates to lenders that

you are financially responsible at present, despite any past mistakes. It also lowers your loan-to-value ratio, broadening access to a wider range of specialist lenders that focus specifically on individuals with adverse credit.

Navigating rates and finding the right lender

It is important to set realistic expectations about the total cost of your mortgage. Loans tailored for adverse credit usually carry higher interest rates and larger arrangement fees than standard market options.

Because mainstream banks rely on automated systems that often decline poor credit applications immediately, your best option is to work with a specialist mortgage broker. We know which lenders evaluate

applications manually and can match you with a provider who understands your specific financial circumstances.

Planning for a better financial future

Remember that a bad credit mortgage doesn't have to be a lifelong commitment. Many borrowers use these specialised loans as a practical stepping stone to finally get onto the property ladder.

By consistently making your new mortgage payments on time each month, you will actively rebuild your credit profile. After two or three years of dependable payments, you might find yourself in a strong enough position to remortgage with a mainstream lender at a more competitive rate. ●



How to find a mortgage that's right for you

From first homes to new moves, explore your options

Now that spring has arrived, more buyers traditionally start exploring their mortgage options and making plans to move. Whether you're entering the property market this season or planning for the future, a mortgage is likely the biggest and most important financial commitment you'll ever make.

With thousands of different products on the market, choosing the right one is crucial for your long-term financial wellbeing. Even a small change in your interest rate can significantly affect your total repayment costs over a mortgage that often lasts 25, 30, or even 35 years.

In this article, we explore the fundamental principles of borrowing, examine the differences between various mortgage types, and learn exactly how to secure the best deal for your personal circumstances.

Understanding the fundamentals of mortgages

There is much to consider when buying a property, from the location to the number of bedrooms, but understanding the basics of mortgages is just as important. You borrow money from a bank or building society to purchase a home and repay it with interest over many years.

Lenders evaluate your affordability based on a strict combination of your income, regular expenses, and financial history. They usually offer around 4 to 4.5 times your annual salary, although some may provide higher multiples for high earners or specific professionals. If you buy with a partner, lenders consider your combined



household income. They will also stress-test your finances to ensure you can still afford your monthly payments if interest rates increase in the future.

The power of your deposit

A larger deposit often secures a more competitive deal. Lenders assess your Loan-to-Value (LTV) ratio, which is the percentage of the property price you need to borrow. If you buy a £250,000 house with a £25,000 deposit, your LTV is 90%. Moving into a lower LTV bracket, such as 80% or 75%, shows strong financial stability. Lenders reward this lower risk by offering their most competitive interest rates.

Your credit history also plays a crucial role. Before you apply, it is wise to check your credit file with major credit bureaus such as Experian and Equifax. Correcting minor errors on your report or paying off existing credit card debt can greatly improve your chances of approval.

Exploring different mortgage types

The type of mortgage you choose greatly impacts your monthly budget and long-term costs. Different products have varying interest rates, and selecting the right structure involves aligning a mortgage with your personal risk tolerance.

Fixed-rate mortgages

Fixed-rate mortgages provide a fixed interest rate for a set period, usually between two and ten years. This ensures you know exactly what your monthly payments will be, regardless of wider market shifts or changes in the Bank of England base rate.

First-time buyers often prefer this stability because it makes household budgeting highly predictable. Remember that longer fixed terms usually come with slightly higher initial interest rates since the lender takes on the risk of future market changes. When your fixed term concludes, your mortgage will automatically switch to the lender's Standard Variable Rate (SVR), which is almost always significantly higher. At this stage, if suitable, you should think about remortgaging.

Variable and tracker mortgages

Variable and tracker mortgages operate quite differently, as they are subject to regular interest rate adjustments. A variable-rate mortgage has an interest rate determined solely by the lender, based on general market conditions. Some lenders offer new borrowers a temporary discount for a specified period, such as a 2% discount on a 5% SVR for the first two years.

Alternatively, a tracker mortgage varies directly with the Bank of England base rate,

plus an agreed percentage. If the Bank of England lowers the base rate, your monthly payments decrease immediately. Conversely, if the base rate rises, your payments will go up. These products are suitable for borrowers with flexible monthly budgets who wish to benefit from falling interest rates.

The value of seeking professional guidance

Navigating these options can feel overwhelming, especially with the wide range of products and strict lending criteria. This is precisely why many buyers turn to us for professional mortgage advice. We will help you simplify the entire process by clearly outlining your options and guiding you through what is often a complex, highly administrative application.

Unlike typical high street banks and building societies, which only offer their own products, we operate as whole-of-market mortgage brokers. We have access to a broad range of deals from lenders across the market, including specialist lenders that do not deal directly with the public.

Tailored support for complex situations

This broader perspective helps us find a mortgage product that actively suits your current financial situation and aligns with your long-term property goals. If you are self-employed, have complex income streams, or possess a less-than-perfect credit score, we know exactly which lenders are most likely to approve your application.

By understanding your unique circumstances, we'll help you make well-informed decisions. We can save you countless hours of research, handle the paperwork, and secure the right mortgage deal you might never find on your own. We'll ensure you receive support

throughout the home-buying process, making it smoother and significantly less stressful.

Securing your decision and future steps

Before you start viewing properties or speaking to estate agents, obtaining a Decision in Principle (DIP) can give you a clear, realistic idea of your actual borrowing capacity. Also known as an Agreement in Principle or a Mortgage in Principle, this written statement from a lender estimates how much money you can borrow.

It depends on a quick assessment of your credit score, employment status, existing debts, and available deposit funds. Importantly, most lenders carry out a "soft" credit check, which leaves no permanent mark on your credit file.

Moving forward with confidence

Although a DIP is not a formal, guaranteed mortgage offer, it typically remains valid for 30 to 90 days. Having this document ready demonstrates to estate agents and sellers that you are a serious, prepared buyer, giving you a stronger position when you decide to make an offer on a home.

If you decide to move house later, you might be able to transfer your existing mortgage to your new property through a process called porting. This allows you to retain an attractive interest rate even if you change addresses. Securing the right mortgage ultimately depends on your individual needs and future plans. We take the time to assess your situation carefully before you make any financial commitment. ●

Your Logo

And Company Name Here

Contact Number

Contact Email

Contact Address

Contact Website

Your Regulatory Statement Here