

# Mortgage & Protection news

The bulletin from Mortgage and Money Management Ltd

» For some, now may be an excellent time to buy a first home, move up the property ladder, remortgage to get a more suitable deal, or perhaps, set-up a buy-to-let portfolio.

And with the election now behind us, this optimism might be fuelled by some of the developments over the last year or so. This covers the improving economy, the launch of the Help-to-Buy schemes, the revamping of Stamp Duty (or its comparable offering in Scotland) and the excellent mortgage deals that are currently on offer.

As for the average UK house price, this has surpassed the previous peak of 2007, albeit growth of late has been more moderate, partially driven by the slowdown in London prices. *(Source: Nationwide House Prices, March/April 2015)*

## Jumping through more hoops

Of course, this has occurred against a backdrop of tighter lending regulations that were introduced over a year ago, meaning that it might be harder for some to obtain the mortgage deal they want.

The bedding in of those regulations, along with the uncertainty around the election result, are thought to have helped depress the lending figures for the back end of 2014 and early part of 2015. However, the tide may be turning with March showing a 7% year-on-year rise.

*(Source: Council of Mortgage Lenders, March 2015 figures)*



# Time for ACTION?

## Decent deals on offer

This improving optimism is also reflected in research from the Building Societies Association (BSA), which shows that 36% of consumers believe that now is a good time to buy a UK residential property, up from 31% in December. At the same time, those that disagreed fell from 16% to 13%.

*(Source: BSA Property Tracker, March 2015)*

To reinforce this point the quarterly analysis from Mortgage Brain (a mortgage sourcing platform) shows a widespread drop in lenders' interest rates across the last six months for most product offerings - another positive development. *(Source: Mortgage Brain, April 2015)*

And looking ahead, a recent report from the Bank of England sets out that this scenario is likely to continue as lenders fight for market share, which may possibly result in even better deals on offer.

*(Source: Bank of England, Credit Conditions Survey, Q1 2015)*

## Take advice

If all of this motivates you to act, then do get in touch with us, and we can identify the most suitable (and achievable) options for your needs.

And whilst we don't have a magic wand, we do operate in this marketplace day-in, day-out, so we will have a much better feel for where you'll enjoy success and in the process help ensure that your credit rating isn't adversely affected through making multiple applications.

We will also keep abreast of any financial developments as the new government beds itself in - and can convey where it may, or may not, benefit you.

**You may have to pay an early repayment charge to your existing lender if you remortgage.**

**The Financial Conduct Authority does not regulate most Buy-to-Let mortgages.**

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**Welcome....** to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgage, protection and insurance products - and sets out how we **may help you.**

■ Mortgage and Money Management Ltd is directly authorised and regulated by the Financial Conduct Authority. FSA no 452616.

■ **Your property may be repossessed if you do not keep up repayments on your mortgage.**



# You can both RELAX...

What with a raft of 'tighter' rules, a wide range of mortgage products to consider, combined with too little time on your hands, it makes sense to take advice.

» The new mortgage borrowing rules have now been with us for over a year. They are designed to ensure that there is a sensible lending policy in place to help avoid past problems. What this translates to for hopeful borrowers are stricter 'evidencing of income' and 'affordability' rules, to ensure that borrowers are stress-tested to see if they can not only meet current payments, but also be able to cope should the interest rate rise.

## Seeking advice

With lenders having some flexibility in interpreting the rules it could also mean that a negative response from one may not necessarily mean that you won't get a positive answer from elsewhere. That's why it makes sense to talk to us, as we will run through your needs, consider your circumstances and then endeavour to find the most suitable route for you.

And it's not just the mortgage loan that we'd help to source, we would also consider the various types of insurance policies available that may deliver protection for your home, your future mortgage payments, and more.

## Meeting differing needs

We're also aware that you may have time-pressed lives, so we can hold your hand throughout the process, and liaise with the various parties along the way.

And, of course, we already help a whole range of clients, from those who are new to home ownership, have a home and may want to move up (or down) the property ladder, or simply want to stay put and seek out a better deal, or require funds to assist with the cost of home improvements.

## Changing circumstances

According to research from HSBC nearly

4.3m mortgage borrowers (equating to almost 40% of all borrowers) may be sitting on their lenders' Standard Variable Rate (SVR) - which is likely to be at a higher interest rate than many of the deals currently on offer. (Source: HSBC, November 2014 release)

There are various reasons why this may be the case, resulting in the borrower not taken action - such as a drop in the value of the home in relation to the mortgage loan, lower income streams, or a change in employment or family circumstances.

Help could possibly be at hand though. According to the same research, 3m are borrowing less than 90% of the home's value, thereby opening up access to potentially better deals.

Additionally, if a borrower simply wants to secure the same loan amount, has a good payment record, and just wants to get an improved interest rate deal, then they may even be able to avoid going through all the affordability checks.

Again, every situation is different, but through our knowledge, experience and ability to consider the wider marketplace, it's more likely that we, as qualified advisers, can help to resolve your needs.

**So do get in touch to find out more.**

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■ **Your home may be repossessed if you do not keep up repayments on your mortgage.**

# Ready for Home Improvements?

After a good few years where you may have had to control the purse strings, now might be the time to start thinking about those home improvements that you've previously put on the back burner.

The additional funding required for the renovations may both improve your quality of life, and could add value to your property. And combined with the decent deals on offer, it may well make the whole process a feasible option for you.

A further issue that may influence your decision is that the planning rules have been relaxed in some areas.

A popular improvement is to add extra rooms and, in

particular, a bedroom, thereby possibly avoiding the immediate need to move. This would generally be delivered by a loft conversion, extension, or converting the garage, which are all seen as some of the best investments in a home.

The kitchen, which can often be the focal point, may also be worth updating, but do consider if it would work for others should you think of selling up in the near future.

The addition of an extra bathroom may not only improve family life, it's also seen as a positive move for any future sale.

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# First-Time Buyer help

The deposit and house price rises may still be areas of concern, but much has been done to support the first-time buyer.

» The introduction of the Help-to-Buy schemes have assisted in addressing the problem of having to save for a sizeable deposit before you could have access to the better (or any) mortgage deals. By now, it's likely that we're moving towards 100,000 people that have already taken up one of these schemes.

*(Sources: HM Treasury and Dept. for Communities and Local Government - DCLG, March 2015 releases)*

## House building targets

The issue of rising house prices may also be slightly tempered if the government really do deliver on the promise of building more homes to meet the demand. This demand currently sits at around 200-250,000 new homes required each year. But even though house building is on the rise, at best over the last few years, it has only been hitting around half of that target.

*(Sources: DCLG, House Building and Home Builders Federation, February 2015 releases)*

## Stamp Duty

Another initiative which may help the first-time buyer to divert more funds to delivering a deposit, or perhaps much-needed monies for home improvements, is the decision last Autumn to reduce the level of tax that's paid on the majority of property purchases.

According to some research from Nationwide, more than two-thirds of homebuyers across the UK are likely to benefit from the new Stamp Duty regime (or similar Land and Building Transaction Tax in Scotland). And 29% would see no change, with just 2% likely to pay more.

For example, the savings would be £500 on a £200,000 property (£900 in Scotland), and for a £300,000 home it would be £4,000 (£4,400 in Scotland).

*(Source: Nationwide, March 2015)*

## A first-time buyer myth

Yet surprisingly, research from Halifax shows that nearly eight out of ten people, aged 20 to 45, feel that banks don't want to lend to first-time buyers.

However, this doesn't exactly tally with the improved take-up of first-time buyer mortgages. Whilst it did sit at a peak of 402,800 mortgages in 2006, dropping to a low of 192,300 in 2008, it climbed back

up to 311,400 in 2014 - equating to a sizeable 46% share of all house purchases made that year with a mortgage.

*(Source: Halifax, 2015 Generation Rent Report)*

**Talk to us to see if we can help you (or a family member) to dispel this myth and obtain a suitable loan.**

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# Essential family planning

## Will planning

If you want to protect your estate, it's essential that you have a Will in place, yet around 58% of us don't!

*(Source: Unbiased.co.uk and Certainty.co.uk, October 2013)*

Dying Intestate (without a Will) may mean that your estate might not go to the people you intended; or in a way where it may not be shared out as you would have wished.

And, in the absence of a Will, the whole process is slowed down dramatically; often meaning that the family left behind may face financial hardship, at the worst possible time. And it's even worse for unmarried couples!

## Trust planning

A Trust is another legal arrangement and can help ensure that life policies are paid out speedily to the beneficiaries. You can set up a Trust in your lifetime or in your Will.

It can also protect beneficiaries who might be too young to handle their affairs. And let's dwell on this aspect, as this type of planning isn't something simply to consider once you're retired.

## Consider the children

If there isn't a Guardianship arrangement in place to protect your young children - and both parents die - then the children may have to go into care!

The simplest way to protect against this is through a Will, or by having a Guardianship letter in place, both of which will set out your wishes, and whom you want to appoint as a guardian. Similar circumstances might occur if a couple aren't married and the mother dies and hasn't previously granted parental rights.

**Not all protection policies should be written in Trust, so do take advice.**

**The Financial Conduct Authority does not regulate Will writing or Trust advice.**



# Prospects for BUY-TO-LET

Buy-to-Let accounts for more than one in seven of all outstanding mortgages in the UK, by value.

(Source: \*Bank of England, Trends in Lending, released April 2015)

» This sector is a sizeable part of the UK mortgage scene and following the financial crash, the amount lent for buy-to-let mortgages has steadily increased each year since 2009 - with as much as £27.4bn being lent in 2014.\*

And the enthusiasm for buy-to-let is unlikely to dwindle in the foreseeable future, as so many factors play into its hands. The latest one are the new pension freedoms from April which allows certain pension planholders, aged 55+, to remove some or all of their money from within their pension pot.

It's thought that some of it may then be used for buy-to-let activity, where investors may feel they will get a better return and/or have more control over their funds (albeit they may face tax issues).

## ■ Other factors

You can understand why people are being attracted to creating a buy-to-let portfolio or expanding on what they already have when the above is then added to the following factors:

- Not enough homes are being built each year to meet the demand.
- Population growth will merely exacerbate that problem, with the UK population expected to grow to about 72m by 2032 from the current figure of around 65m. (Sources: *Housing supply - Home Builders Federation, February 2015; Population - Office for National Statistics*)
- At the same time those that are renting may either simply be happy to continue to do so - as it delivers the flexibility they desire. Or they may feel that saving for a deposit, followed by extensive credit check, affordability and evidencing of income hoops applicable to securing a mortgage loan may not be viable, or desirable, for them.

## ■ Into the future

So it's no surprise that without a massive programme of building affordable housing (partly promised in the election campaign), the privately rented sector is expected to grow to 35% of all homes by 2032. (Source: *Intermediary Mortgage Lenders Association, May 2014*)

## ■ It's not all plain sailing

Anyone already involved, or planning to become a landlord, must realise that there are drawbacks too. There are plenty of regulatory and insurance issues that you will have to get your head around, and you need to choose your tenants wisely (students, families, etc). A letting agent could handle some of these issues, should you want to delegate.

You'll also need to assess the right area, and property type, and



do the sums to work out the expected rental income vs. the cost of the loan. As part of that process, you'd need to factor in any additional expenses and possible void periods, when a property is not occupied, yet you may still be facing costs.

## ■ Historical position and current views

Recent research set out that every £1,000 invested in an average buy-to-let property purchased with a 75% loan-to-value back in 1996 would now be worth around £15,000 - delivering a far better return than other asset classes such as UK equities, gilts, commercial property and cash. Of course, there is no guarantee of future returns, as that's dependent on rising property prices, which could just as easily fall.

(Source: *The Wriglesworth Consultancy, with the report sponsored by Landbay, April 2015*)

Further research has also shown that for the first quarter of 2015, 42% of landlords said that tenant demand was either growing or booming, whilst only 4% felt demand was declining.

(Source: *Paragon Mortgages, March 2015*).

**If you would like to discuss your mortgage or insurance needs within the buy-to-let sector, then do get in touch.**

**There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.**

**The value of your Buy-to-Let property and income from it can go down as well as up.**

**You may also require advice on the legal and tax issues.**

**The Financial Conduct Authority does not regulate taxation advice, and most Buy-to-Let mortgages.**

**■ Your property may be repossessed if you do not keep up repayments on your mortgage.**

**All initial consultations will not be charged. Following this, Mortgage & Money Management Ltd may not charge a fee but do reserve the right to charge up to £495.00 for services and recommendations received. Confirmation of any fees to be charged will be disclosed at the first meeting.**

■ The contents of this newsletter are believed to be correct at the date of publication (May 2015).

■ Every care is taken that the information in *The Mortgage & Protection News* publication is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.

**■ We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs: Tel: 01920 821 333 Email: enquiries@mandmm.co.uk Web: www.mandmm.co.uk**