Spring/Summer 2013

Mortgage & Protection news

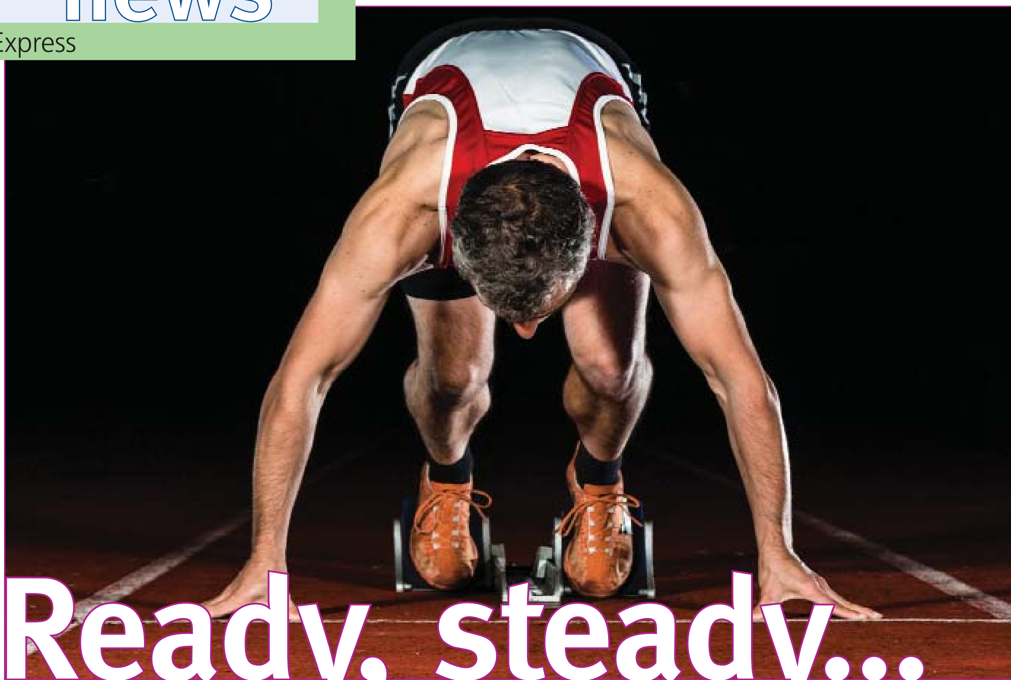
The newsletter from Homeloan Express

Homeloan EXPRESS

MORTGAGE UPDATE

Improved Fixed Rates on offer!

(Source: Moneyfacts, May 2013)



Ready, steady...

» Perhaps, for the first time since 2007, when the current economic problems began, there may be some cause for optimism with regard to the mortgage lending marketplace.

And with the developments below, now may be the time to get on the starting blocks to assess your plans for 2013 (and beyond).

Funding for Lending scheme

This is a Bank of England and HM Treasury initiative and is designed to increase lending to both individuals and businesses, by incentivising the lenders with lower borrowing rates. The rates offered are influenced by the amount they then lend on.

Around 40 lenders have already signed up and the view of the Bank is that we should see *'more and cheaper credit flowing into the economy than otherwise'*. *(Source: Bank of England, Q4 2012 Bulletin, and April 2013 FLS release)*

A continued price war?

Across the latter part of 2012 and into 2013 we have had a mini price war amongst lenders, with average fixed rates at some of the lowest levels since records began.

(Source: Moneyfacts, May 2013)

Opening up availability

Many of the most competitive products at the back end of 2012 were targeted at those who could provide a large deposit, where the loan-to-value was 60% or less. Of course, this didn't help a sizeable number of potential borrowers who were unable to meet that criteria (including many first-time buyers). However, some of the deals in 2013 have now started to account for those with a smaller deposit.

Mortgage prisoners

According to the Financial Services Authority (FSA), up to 45% of borrowers who have taken out a mortgage since 2005 could be viewed as mortgage prisoners, where this group may be unable to remortgage onto a better deal.

(Source: FSA, MMR Data Pack, October 2012)

The FSA said that lenders should not unfairly penalise mortgage prisoners and make exceptions to the responsible lending rules for customers who need to remortgage, providing there is no increase in the outstanding amount to be repaid (and it makes sense for the borrower).

Impact of the Budget

And more good news. In the March Budget the Chancellor announced that there would be support for homebuyers who may not have a large enough deposit to benefit from the better deals on offer. Broadly, there are two 'Help to Buy' schemes where, if the

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Homeloan Express

PO Box 633
Fareham PO14 9JD

Tel: 01329 829001
Email: paul@homeloan-express.co.uk
Website: www.homeloan-express.co.uk

...and RELAX!

Sourcing information is one thing, making that knowledge apply to your own specific needs is quite another...

With the massive growth of the internet, there are many places where you can find the information you require about your health, car, home, holiday, or even financial needs.

Along the way, some may also decide to handle the whole process themselves. But nothing is ever totally straightforward and when the questions mount up, the problems may begin. And before they know it, it's started to take up much more of their time than expected.

Take advice

That's why people continue to seek the professional input of doctors, lawyers and tradespeople, and the same can be applicable to your borrowing, protection and insurance needs.

Take mortgages, for example. You may know how much you'd like to borrow and believe you can afford the likely monthly payments, but unfortunately lenders continue to be picky.

Interestingly, some recent research has shown that around 29% of UK adults, who have had an unsuccessful mortgage application after initially approaching a bank direct, have then been successful when they turned to the broker community.

(Source: YouGov/Countrywide survey, November 2012)

Our market knowledge

Of course, we don't have a magic wand, but as we operate in this sector day-in, day-out, we know of the key issues, and where to look. Additionally, the marketplace has changed markedly over the last five years or so. For example, interest-only loans are less prevalent, if available at all, and the loan-to-value ratios may not be quite what you enjoyed last time round.

Time saving for you

Once we establish your requirements, we can see what's on offer and help guide you through the process by liaising with the various parties involved. Hopefully, this will greatly reduce the amount of time you may need to devote to your application.

We would also have a better steer on where you may secure an offer, so can limit the number of lenders that need to be approached. For example, each time you apply for credit, this may be recorded on the files held by the credit reference agencies. This could result in a downgraded rating - which may ultimately make the cost of borrowing higher for you.

Not just mortgages...

As you may be aware, we can also cover a number of financial products beyond mortgages and could discuss those wider requirements with you too. So, if you are looking for a specific product or simply wish to have a spring clean of your current arrangements, do get in touch.

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

BUY-to-LET growth

The last year or so has again been a good one for the buy-to-let sector, with most existing landlords expecting the trend to continue in 2013.

Not only have the problems faced by first-time buyers helped to fuel demand, but there also continues to be a lack of available housing. For example, the Joseph Rowntree Foundation set out that 750,000 new homes are required by 2015 to meet demand; a figure that they feel will be missed by a long way. *(Source: Sept. 2012 press release)*

More Landlords

So it's not surprising that 41% of existing landlords believe tenant demand will rise in 2013, with just 6% feeling that it will go the other way*, which is good news for the new landlords that are likely to be entering this sector. *(Source: *Paragon, Q4 2012 survey)*

How we can help

If you need to raise funds for your buy-to-let purchase(s), then do talk to us. Additionally, we can assist with your insurance requirements too. This area can be quite complicated as some policies may be fairly selective about the type of tenant it covers, or have different terms when the property is vacant. Furthermore, there are more specialised policies such as 'rent guarantee insurance', which could be combined with legal expenses cover, should there be a dispute with a tenant.

Do get in touch to find out more.

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 legal and taxation advice, and most Buy-to-Let mortgages.
As with all insurance policies, terms, conditions and exclusions will apply.

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

If you fall

Would you be able to manage financially if you were off work for a period of time, due to illness or accidental injury - or even redundancy?

One way of protecting yourself is to take out an **Income Protection** policy. This product is designed to pay out a tax-free monthly sum in the event that you are unable to work due to illness or accidental injury, or (if you have the additional cover) become unemployed. It usually pays out until you return to work, or retire (or in the case of the unemployment bolt-on, it's generally up to 12 months).

You decide how much cover you require (up to a maximum amount) in order to continue paying your bills, and do factor into any planning what you may initially receive from your employer, along with any limited support from the State. This may then dictate when you'd like the cover to kick-in (the deferred period), which will have an impact on the premium charged.

It's not suitable for all

Be warned, if you know or suspect that you are going to be made redundant (and take out this cover as a bolt-on), this would then invalidate any claims you subsequently make. The same may also apply to any pre-existing medical conditions or illnesses.

And you may also face problems in taking out this policy if you are self-employed, a temporary or contract worker, have been with your current employer less than six months, or are over 65.

As it's a complex product, it's essential that you take advice.

As with all insurance policies, terms, conditions and exclusions will apply.

Preparation is key...

The mortgage marketplace is changing - so how will it affect you?

The Financial Services Authority (which was replaced by the Financial Conduct Authority in April 2013) not only introduced new rules from 31 December 2012 for the pensions and investments marketplace, but also the mortgage sector will see new regulations from April 2014.

This may seem a long way off - but one initiative has already been introduced (with regard to how lenders should treat fairly their 'mortgage prisoner' borrowers) and other planned changes may well influence how lenders act in the run up to April 2014.

So it's well worth talking to us to get a feel now for how it may affect you and your borrowing needs. Particularly as the regulator has put 'advice' at the heart of its proposals and expects that advised sales will make up the vast majority of mortgages after implementation. And, of course, with advice comes a greater degree of protection for the consumer, which would be less evident if you opted for a non-advised execution-only approach.

Product changes

Some ways to borrow will also largely disappear, if they've not already done so - such as self-certification. And other elements, like interest-only will remain, but with stricter affordability rules, where lenders will have to assess if a suitable repayment strategy is in place. Although, the ultimate responsibility for repayment will sit with the borrower.

Additionally, other elements will come into play, such as no age restrictions for lending into retirement. And elsewhere, high net worth clients will benefit from less stringent affordability checks.

Do get in touch to find out more.

Options for the First-Timer

Will the marketplace in 2013 be kinder to the first-time buyer?

Over the last few years, first-time buyers have largely been 'locked out' of the market by growing deposit requirements, a lack of affordable housing and very picky lenders.

It's no wonder that according to the Council of Mortgage Lenders, around two-thirds of them in recent years had to turn to the Bank of Mum & Dad (or grandparents) to secure additional financial support.

However, there is a feeling that the marketplace may be better for this group in 2013. On top of the various ongoing government/local authority initiatives to help new property owners across the UK, there's the continuation of the price war amongst lenders. And this is set against the backdrop of largely flat property prices.

Additionally, the impact of the Funding for Lending scheme is expected to start filtering through to mortgage products that require a smaller deposit of, say 10-15%.

If you, or a family member, are looking to purchase your first property, then help may be at hand. However, all options should be considered - and that's where we can assist, as we understandably have a good feel for the best way forward to identify the deals that are out there.

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

Protection Spring Clean

Do you have adequate protection cover?

» In the same way that you'll insure your home, car, pet and mobile, make sure you've applied the same principles to you and your immediate family and perhaps have a chat with us to find out more. We would consider existing policies, assess any cover you may have from your employer, as well as what the State may (or may not) provide, and then go on from there.

There are numerous protection products out there to help provide cover should you lose your job, suffer an accident, or have a long-term or life-threatening illness. Of course, you may recover from all of the above, return to work and get your finances back on track. But what if you die? There's no second chance!

Whilst medical know-how means that we're now living longer in general, the worst could still happen at any time, with an average of almost 50 adults, aged 18-44, dying every day!

(Source: Office for National Statistics, 2011 UK figures)

That's why it's vital that you (and your partner) have some **life cover** in place, in order to protect the ones that may be left behind, and it may be cheaper than you think. For example, if you were a 39 year-old, non-smoking adult, looking for £100,000 of life cover, over a 20 year term, then the average market rate is £10.96/month. And if you started the same policy at age 29 - the average price would be £6.76/month - probably less than the cost of one take-away meal a month! *(Source: Moneyfacts, average premiums, Jan. 2013)*

Trusts

And once you do set up life cover, consider placing the policy in trust, as it may help ensure that the proceeds are paid out speedily to the beneficiaries. Or, it could potentially enable you to ring-fence any payouts to help reduce a future Inheritance Tax liability.

Do talk to us to find out more.

As with all insurance policies, terms, conditions and exclusions will apply.

Any premium quoted is an estimate only and that the actual premium will depend on individual circumstances.

The Financial Conduct Authority does not regulate Taxation or Trust advice.

IF YOU HAVE CHILDREN...

Family Income Benefit is an alternative (or additional) type of life cover, and may be worth considering, if you have young children.

Whilst there may be some life cover to help pay off the mortgage, what about providing for everyday items such as food, clothing, utility bills and fuel or other expenses such as holidays?

Rather than delivering a lump-sum should you die, Family Income Benefit provides a regular, tax-free, monthly (or annual) payment for your dependants - from the time of the claim to the end of the plan term.

And that's why it's well suited to those with young families, as the idea is that it should be arranged to pay out until the children have grown up, so it's often taken out over a 10 to 20 year term, or whatever is appropriate in your circumstances.

Extend yourself!

Did you know that adding an extension to your home may increase its value by almost a quarter, according to research by Nationwide?

(Source: Nationwide press release, September 2012)

» If you've been holding back over the last couple of years from undertaking major tasks around the home, then perhaps now's the time to act, particularly as there are some decent loan deals on offer. Additionally, if you live in England, then there's the added bonus that there may be some relaxation of the current planning laws (see the box below).

Build vs. move costs

According to Nationwide, the price for building an extension can cost, on average, around £1,000 per sq metre (albeit there will be regional variations). This would then equate, for example, to around £30,000 for a 6m x 5m single-storey extension.

For some people this may prove to be the best solution, against the cost of moving, particularly if you live in the more expensive parts of the country. Take London, for example, where moving from a three-bedroom to a four-bedroom property carries a £90,000 premium, on average, meaning that extending may well be a better solution for the growing family. Although, it's quite possible that the sums are likely to work in your favour, wherever you reside.

Financial benefits

Nationwide's House Price Index Special Report, also shows that this activity may increase the value of your existing property. This is how it may add value for the average three-bedroom house:

- Building a 30 sq m extension to create a double bedroom and en-suite bathroom could add 23%.

- Adding a 13 sq m double bedroom can push up the value by 12%.

- Creating an extra bathroom could add 6%.

The next step

If you think that building an extension best meets your needs, but you require funding to make it happen, then do get in touch and we'll run through the various options.

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

PLANNING PROPOSALS FOR ENGLAND

The Government is currently in consultation about relaxing some planning laws in England. The proposals are intended to cover commercial, as well as residential properties in 'non-protected' areas.

If the proposals proceed, then this may enable you to avoid the, often time-consuming, planning process and possibly save around £2,500 in planning and professional fees.

For residential properties, the intention is to increase the depth allowed for single-storey extensions from 4m to 8m (for detached houses) and from 3m to 6m (for all other houses).

Consultation process

As part of the process, the Government would ensure that the existing limitations and conditions designed to protect the amenity of neighbouring properties would remain. For example, single storey extensions must not exceed 4m in height, and other existing protections, such as the 'right to light' would continue to apply.

The Government has recently amended its initial proposals by giving neighbours the right to be consulted on any building work, to establish if they have any objections.

However, with or without the benefit of the planning rules relaxation, it still shows that it may be a suitable path for some.

Other OPTIONS

Did you know that there are alternative loan options out there, which may meet specific needs - such as Secured Loans and Bridging Loans?

» Many people may have had enough of treading water for the last few years and might now want to undertake some of the bigger tasks around the home. However, this may not require sizeable funds to make remortgaging a worthwhile option

This is where **Secured Loans** - which have made a bit of a comeback recently - could be an option. They are designed for homeowners who can use part of the equity in their property to secure a loan that may sit as a second charge on top of their mortgage (which would probably be with a different lender).

Secured loans may also be an option for the following situations:

- There are a large number of mortgage borrowers who are 'mortgage prisoners', who may still find it difficult to remortgage (particularly if they wanted to increase the amount borrowed).
- Some mortgage borrowers may be sitting on an interest-only product, where remortgaging could require them to revert to a standard repayment loan (which may cost them more each month, even if they secured a better interest rate deal, as part of the capital needs to be paid off too).
- Alternatively, there may be mortgage borrowers who simply don't want to jeopardise the current decent deal they're sitting on.
- And as the secured loan industry tends to have different lending criteria, this may also benefit some (such as the self-employed, or those with a dented credit history), who have struggled to obtain mortgage funding.

Of course, the interest rate on a secured loan tends to be higher than an average mortgage one. So we need to do the maths to see how it equates against the alternatives.

Bridging Loans

Whilst a secured loan could run over something like a 3-25 year period, a bridging loan is a different product entirely. They are designed to be a short-term measure that can help you through an initial period, until alternative financing can be put in place.

Individuals (and businesses) often turn to bridging when they require short-term funds swiftly, and the industry can be highly responsive to those needs. These funds could enable borrowers to secure a property (at auction perhaps), or make enhancements to their current property, while waiting for a loan from their mortgage lender or other source to come through.

Bridging loans will not suit everyone and can be a more expensive form of borrowing. And specialist finance such as this is certainly NOT the right product for those who are in any form of financial distress. On the contrary, it's designed for people who have some element of wealth through property assets and who wish to use a bridging loan to quickly and easily extract liquidity from those assets.

Do get in touch to find out more.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

The Financial Conduct Authority does not regulate most Secured Loans or Bridging Loans.

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borrower was able to raise a 5% deposit, the Government may guarantee an additional deposit of up to 15% or 20% (with certain rules and repayment plans to adhere to). To find out more, do get in touch.

Industry predictions

In 2012, around £143bn was lent on mortgages, which was a slight improvement over the 2011 figure. Partly in view of the initiatives mentioned in this article, this improvement is expected to continue in 2013, where the Council of Mortgage Lenders estimates a gross lending figure of £156bn (an annual increase of around 9%).

And the RICS (the chartered surveyors organisation) feels that in 2013, house prices will rise by 2%, and the cost of renting by 4%.

What it means for you...

With some excellent deals on offer, now is probably a good time to reassess your own borrowing needs. The outcome of our discussions may still be that you remain on your current deal, or perhaps we can find a more suitable option that will allow you to achieve your goals for 2013. Those could be moving to a new home, renovating the existing one, or merely remortgaging to lower your borrowing costs.

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

■ 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: 01329 829001 Email: paul@homeloan-express.co.uk
Web: www.homeloan-express.co.uk

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

A fee of up to 1% payable on completion, a typical fee would be £495. We will also receive a commission from the lender.

■ The contents of this newsletter are believed to be correct at the date of publication (May 2013).

■ 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.