Summer 2015

Mortgage & Protection news

The newsletter from Moneysprite

moneysprite

Time for ACTION?

» For some, now may be a good 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 lending figures. However, March showed a 7% year-on-year rise, and whilst April is estimated to show a 4% annual drop, the Council of Mortgage Lenders (CML) still feel that we are on the cusp of a modest lending recovery. *(Source: CML, May 2015 release)*

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.

Moneysprite

110 Bishopsgate
London EC2N 4AD

Tel: 0845 450 4660
Email: enquiries@moneysprite.com
Web: www.moneysprite.com

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.

- Moneysprite is a trade name of Money Sprite Ltd which is an appointed representative of Openwork Limited which is authorised and regulated by the Financial Conduct Authority.
- We do not normally charge for mortgage advice but if we do charge it will be a maximum of £995 or 1% of the loan amount, if greater, payable on completion. Typically this will be £750. Plus a non-refundable research fee of £199.

Your home 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.

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

■ 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.

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

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

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)

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.

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

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 230,000 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)

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

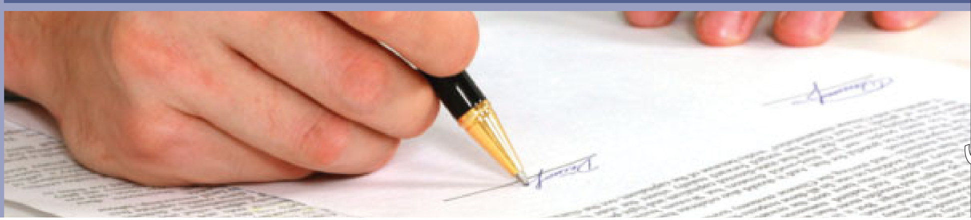
If there isn't a Guardianship arrangement in place to protect your young children - and both parents die - then the children may have to go into care!

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.

■ Will writing is not part of the Openwork offering and is offered in our own right. Openwork Limited accepts no responsibility for this aspect of our business.



Discussing Protection

Many of us will happily insure our mobile, pet, or household appliances, yet often neglect to protect the income stream of the main wage earners who fund this and much more.

» That's why it's important to have adequate protection in place to cover the mortgage, alongside the day-to-day living expenses, should a main wage earner be unable to work due to illness, injury, or worse still, death.

Whilst, across the board, the take-up of protection products still remains fairly low, it does seem that more and more are jumping on board as they recognise the benefits and peace of mind that this can bring. For example, research from Aviva shows that 42% of UK families have **Life Cover** in place (up from 36% in July 2014), 10% have **Income Protection** (up from 7%), and 16% have **Critical Illness** (up from 11%). *(Source: Aviva, Family Finances Report, December 2014)*

■ The product areas

Whilst there are a multitude of plans on offer to meet varying needs and circumstances, let's consider three key areas:

- Protection should you die. This is on offer through various forms of **Life Cover,** or schemes such as **Family Income Benefit.**
- Protection to deliver a regular income should you fall ill, or suffer an injury meaning that you may be off work for a considerable period of time. An **Income Protection** policy is the main option on offer here.
- Protection to pay out a lump-sum should you suffer a serious illness such as a heart attack, cancer or a stroke. In this respect, a **Critical Illness** policy may meet that need.

In all cases you need to be aware that certain restrictions may apply and you must be honest, at the outset, when filling out the forms.

BUT DO THE POLICIES REALLY PAY OUT?

The industry is well aware that a sizeable number of people simply don't believe that most claims are paid. Yet well over 90% of them are met, resulting in an average daily payout of over £8m. The latest annual figures show that there were almost 100,000 successful claims, with an average payout of £31,140.

Broadly, the average individual payouts for the three sectors mentioned above are:
Life Cover = around £28,000
Income Protection = around £12,000
Critical Illness = around £60,000

(Source: Association of British Insurers, 2013 statistics, released May 2014)

■ Product enhancements

The insurers are also constantly fine-tuning and developing their product offerings to ensure that they meet and reflect consumer needs, with the following being examples of this:

Life Cover - some providers recognise that if the planholder takes greater responsibility for their health, then they should be rewarded, as they may be less likely to claim in the immediate future. So initiatives such as discounted health club membership may be on offer. Some also accept that it's not just about the money if there's a claim, but a need to offer bereavement counselling too.

Income Protection - to claim against an income protection policy, some plans pay out if you're unable to undertake your 'own occupation', rather than 'any occupation'. There has been an increasing move towards plans that stipulate this, rather than linking it to being unable to do any job, which makes the offering far clearer for the policyholder, and a payout more likely too.

Critical Illness - an issue with critical illness plans is that often only certain types of a particular illness (such as cancer) are covered. Over the last few years providers have accepted this and increased the range of illnesses covered, which again should provide more comfort for those taking out this type of policy.

Additionally, in some cases, insurers are now offering partial payouts to customers, where a less severe condition could be the subject of a claim for a portion of the sum assured, with some plans then allowing the full cover to remain in place.

These are just a few examples of why it makes sense to take advice to ensure you opt for the best plan(s) that meets your needs - as the options can be quite complex, and it's not just about which is the cheapest.

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

We do not normally charge for mortgage advice but if we do charge it will be a maximum of £995 or 1% of the loan amount, if greater, payable on completion. Typically this will be £750. Plus a non-refundable research fee of £199.

Published by BlueStone Publishing.
Email: info@bluestonepublishing.co.uk

■ 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: 0845 450 4660 Email: enquiries@moneysprite.com Web: www.moneysprite.com