

# ESSENTIALLY **MORTGAGES**

Q3 2018 ISSUE 9

**HOW TO BE A  
WINNER IN A SLOWER  
HOUSING MARKET**

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5% DEPOSIT  
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INTEREST-ONLY  
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CAN HELP



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## HOW TO BE A WINNER IN A SLOWER HOUSING MARKET

With mixed signals coming from the housing sector, and signs of a slowdown evident particularly in the London area, knowing how to read and react to property market conditions can help you achieve your property goals.

### **If you're buying**

Start the ball rolling as soon as possible; having a mortgage agreed in principle will put you in a better negotiating position with a seller.

When you've identified the area where you want to live, do your research. Identify the streets that you'd be happy to consider buying in. Then, get to know a good local agent and let them know what you're looking for, what your budget is, and how you're placed if you have a property to sell.

If you develop a good rapport, they will keep you in mind when suitable properties come to the market. If you get to know them, you'll be able to ask them searching questions about any property you want to make an offer on. Are the vendors in a hurry to move? Will they be prepared to budge on price?

Nothing is certain in a property transaction until contracts have been exchanged. Once you've made an offer on a property, it can pay to be on good terms with your seller. This can help prevent gazumping, and can pave the way for successful negotiations on things like moving dates too.

### **If you're selling**

Getting the price right is crucial. If you overprice and the market falls, you may find you're waiting longer than you'd like to make a sale. Pitching your property

at a realistic figure can mean that you get several buyers interested and end up selling for the right price.

All those makeover shows got it right; a well-presented property will be much more attractive to buyers. So make sure your house and garden are tidy, the windows are clean, and the house smells fresh. Get good professional photographs taken, and if you're selling a family home, don't forget to include shots of the garden as this can often be a major selling point.

It can pay to be honest about any work that needs doing on your home. If the property requires updating, then it's fine to market it as unmodernised. Buyers are often looking for properties they can put their own stamp on.

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## NUMBERS RENTING IN MIDDLE-AGE DOUBLES

In the last few years, many middle-aged workers have found themselves unable to afford to get onto the housing ladder, or are renting as a result of a relationship breakdown.

The proportion of those aged 35 to 44 who rent privately doubled from 13% to 26% between 2006-7 and 2016-17. Amongst 45 to 54-year-olds, the proportion increased from 8% to 14%. The proportion of 35 to 54-year-olds who have a mortgage has fallen below half<sup>1</sup>.

### What the future holds

Over the next 15 years, the number of people renting their home from a private landlord is expected to double to more than nine million. Concerns have been expressed as to how these people will manage in retirement, as their rent is likely to represent a major monthly outgoing. Research shows that retirees in London currently spend 66% of their income on rent; by 2032, this figure may well rise to 80%.

Whilst many people may be happy to rent in retirement, many will worry about the security of renting as they get older<sup>2</sup>.

<sup>1</sup> Family Resources Survey, Department for Work and Pensions, 2018

<sup>2</sup> Scottish Widows, 2017



## PLANNING AN EXTENSION? DON'T FORGET TO GET INSURANCE

With house prices remaining high, many people are choosing to stay put and extend their existing home rather than looking for a bigger property elsewhere. Getting an extra bedroom or more living space in your present home saves all the stress and upheaval associated with moving, and you get to stay in a neighbourhood you know and like. With planning regulations having been relaxed, adding an extension can be relatively straightforward, provided that what's proposed is within local planning guidelines and fulfils building regulations.

However, it's important to be aware that the extra space and everything that's in it needs to be properly protected under your insurance policy. Carrying out renovations or building an extension could affect the rebuild cost of your home, and also the number of bedrooms or bathrooms included in your cover.

Insurers urge anyone undertaking building work to let them know the moment the work begins. And although they may increase your premiums if they think there is an increased risk of damage during the build, or burglars might be able to take advantage of the situation, you will have the peace of mind of knowing that in the event of needing to make a claim, you are properly insured. If the unexpected happens, such as a collapsed wall, a serious fire or theft, and you failed to inform them about the building work, you may find that they won't pay your claim.

Once the work is complete, you may find you acquire more possessions as a result of having more space. If that's the case, don't forget to review your contents insurance too.

# WHAT TO DO WHEN YOUR FIXED-RATE MORTGAGE DEAL COMES TO AN END



**IF THE FIXED-RATE PERIOD ON YOUR MORTGAGE IS ABOUT TO END, THIS IS WHEN TAKING PROFESSIONAL ADVICE WILL HELP YOU MAKE THE RIGHT CHOICE FOR YOUR CIRCUMSTANCES.**

A fixed-rate deal means that the interest rate and your monthly mortgage repayment remains unchanged for an agreed number of years. If the fixed-rate period on your mortgage is about to end, this is when taking professional advice will help you make the right choice for your circumstances.

### **Reviewing your options**

When a fixed-rate mortgage deal ends, you basically have four options:

- Do nothing
- Get another fixed-rate deal from your lender
- Get a different type of mortgage with your current lender
- Get a new mortgage with a different lender.

### **Shopping around pays**

If you're in this position, you should get all your mortgage paperwork together, so that you can see what you're paying now, and also look to see what exit fees there might be for moving to a new deal.

We'll review your current mortgage, and explain what alternatives might be available to you, so you can decide if remortgaging will be of benefit. If you decide to remortgage, there will be costs involved, and we'll outline what these are and how much they are likely to be. We'll also be able to suggest which lenders will be most likely to approve your application, removing the risk that you will damage your credit history by getting multiple applications rejected.

There's plenty to consider when you're deciding what to do when your mortgage deal ends, so it's not surprising that so many people now choose to work with a professional mortgage adviser.

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## THE HOMES MOST IN DEMAND IN THE UK

When it comes to choosing a home, three-bedroom properties are much sought after across the country, both for growing families and downsizers who want extra space when the family comes to stay.

However, the detached home comes high on the nation's list of housing aspirations. According to housing portal Zoopla, when it comes to looking online for property, the most popular search terms include 'detached', 'garage' and 'bungalow'.

In almost all areas of the country detached homes have grown most in value compared with other housing types. Property analysts think this could be due in part to their location; there are more detached properties outside of London and the main commuter towns.

With many older people preferring to continue living at home rather than going into residential care, it's unsurprising that bungalows are proving popular.

## INTEREST-ONLY MORTGAGES – HOW ADVICE CAN HELP

Interest-only mortgage holders only pay the interest on the loan each month and don't repay any of the capital.

This type of mortgage has often hit the news headlines, as some mortgage borrowers took on this type of cheaper mortgage before the stricter rules on mortgage eligibility came into force, and didn't always have the right plans in place to ensure they could repay the capital amount when it became due at the end of the mortgage term. The Financial Conduct Authority estimate that around 600,000 people have interest-only mortgages that are set to mature by 2020.

So, if you're facing a possible shortfall in the amount of capital you'll need to repay your mortgage, then professional advice is essential. There are various ways to approach the problem, including transferring to a different type of mortgage, using a pension lump-sum, or releasing equity. Lenders are increasingly aware that some

people with interest-only mortgages are likely to face difficulties in the future, and are developing products to avoid the risk of borrowers defaulting and the need to sell.

### **Lenders re-entering the market**

Several lenders are now re-entering the market, taking the view that there is nothing wrong with interest-only mortgages as long as the borrower meets all the affordability criteria and has a sound repayment plan in place.

Lenders will consider repayment proposals including the sale of assets, the sale of a second home or commercial property and land, pension lump sums, stock and shares or ISA investments. Some will also include downsizing at retirement.

Whatever your need for mortgage finance, getting advice will ensure you get the most appropriate deal for your circumstance.

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***Think carefully before securing other debts against your home. Equity released from your home will be secured against it.***



# HOW TO REMORTGAGE

Here are the steps that you'll need to take to remortgage your home. If it all seems daunting, don't worry we can help you navigate your way through the process.

Most people remortgage in order to cut costs, because their current deal has come to an end, or to switch from their lender's standard variable to a fixed or capped rate deal.

## Getting the process underway

You'll need to get a redemption statement from your current lender. This will show the amount outstanding and should note the fees and costs you'll be required to pay to move it.



We constantly research the market and can recommend suitable mortgage deals for you, including any penalties and fees you'll be liable to when you switch. Together, we can decide which mortgage would be right for you, prepare the necessary application and submit it to the lender on your behalf.

The lender may want to carry out credit checks, and request proof of earnings, so it makes sense to ensure you have your bank statements and payslips ready for inspection. Your lender will also want to carry out a valuation. If all goes well, they will issue a formal mortgage offer, and provide the full terms and conditions of the loan.

You'll need to instruct a solicitor to undertake the legal side of the transaction. They will handle the paperwork, deal with the title deeds, carry out the necessary searches and deal with the transfer of funds once the remortgage is complete. The whole process can take from four to eight weeks.

If you're looking for some straightforward help and advice, why not get in touch?

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## 5% DEPOSIT MORTGAGES MAKE A COMEBACK

The housing market is looking more positive for borrowers, especially first-time buyers, looking to purchase with a smaller deposit. More lenders now offer 95% loan-to-value mortgages.

Following the financial crash, lenders took a more rigorous approach to mortgage lending, and were required to introduce strict affordability checks on potential borrowers. As a result, they tended to offer loans to those with larger deposits.

However, rising house prices have often meant that many people, especially those new to the housing market, can find it hard to save for a deposit. Whilst the lowest mortgage interest rates are still usually reserved for borrowers who can put down larger deposits, there are a number of competitive deals on offer for buyers who only have a 5% deposit.

For most of us, our mortgage is the biggest financial commitment we make, so it pays to take advice. There are currently many 95% mortgage deals available in the market, and we can help you pick the one that's right for you.

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## MORTGAGE PROTECTION – KEEPING THE ROOF OVER YOUR FAMILY’S HEADS

Most of us have things on our ‘to do’ list that never quite get done. Recent research from Royal London shows that 20% of full-time working people recognise they need income protection, but haven’t got around to taking out a policy. Added to that, the same report shows that 42% of people with a mortgage don’t have life cover in place either<sup>1</sup>.

If you need convincing that you really should put some type of protection in place, ask yourself this question – if you were unable to work because of an accident or illness, or worse still to die, how much money would your family have to live on? Your salary would stop, but the household bills would keep coming in. A payout from

a policy could make a big difference to how your family would be able to cope financially at a difficult time, and help keep a roof over their heads.

### **Policies that match your needs**

When people think about protection insurance, they typically think about a traditional life policy that can protect for a specified number of years or for a whole lifetime, and pays out a lump sum on the death of the policyholder. But nowadays there are many other types of policy that can also have a major part to play in protecting your family against risks like accident, illness and unemployment.

If you’ve been put off buying cover because there are many different types available, we can recommend a cost-effective policy that would protect you and your family’s lifestyle if the unexpected were to happen.

<sup>1</sup> Royal London, 2018

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## HAS THE HOUSING MARKET REACHED A TIPPING POINT?

It's been widely recognised for some time that we're experiencing a chronic housing shortage that's driving up prices and causing problems for buyers and sellers on every rung of the ladder.

Rising house prices have meant that first-time buyers have found it hard to save enough to get on the ladder, second steppers can't find the property they want at a price they can afford, and would-be downsizers are facing a dearth of suitable retirement properties designed with their needs in mind. The government has rightly referred to the housing market as 'broken', and pledged to fix it.

### Government initiatives

The government has pledged to increase the housing stock by a million new units by 2020. This means meeting an annual target of around 300,000 homes a year. To put this number in perspective, it's roughly equivalent to building a city the size of Leeds each year.

Although the finger has often been pointed at council planning departments for causing delays, this seems to be wide of the mark. Research shows that councils are approving

nine in every 10 planning applications. In 2016-17, permission was granted for 321,202 new homes – up from 204,989 in 2015-16. A study carried out at the beginning of this year shows that more than 423,000 homes with planning permission were waiting to be built, with the backlog having grown by almost 16% in the last year.

Research shows that it now takes an average of 40 months from the receipt of planning permission for building work to be completed, an increase of eight months over the figure for 2013-14. This could in part be caused by the shortage of skilled labour in the construction industry, a situation which could worsen as a result of Brexit. The Local Government Association, which represents 370 councils in England and Wales, has called upon councils to be given greater powers to act on unbuilt sites that have planning permission, in order to increase supply.

### Stability may be making a return

On a brighter note, data from the Royal Institution of Chartered Surveyors indicates that balance could be returning to the UK housing market. It reports no change in house prices in May after a slight fall in April, although there were regional differences, and notes that more properties are coming on to the market.



## LONGER-TERM MORTGAGES – A TREND FOR THE FUTURE?

Traditionally, mortgages were almost always for 25 years, but over the last decade this has started to change.

Figures from the Bank of England show that 16% of new mortgage loans granted are for terms of 35 years or longer. Amongst first-time buyers, more than 28% of loans were for 35 years or more.

Taking out a mortgage for a longer term can lower the monthly repayment and so make a mortgage more affordable. However, borrowers are likely to pay more in interest charges as they are borrowing for longer.

### Considering your options

We can advise you on the best approach to take when deciding the length of mortgage that's right for you. You'll need to think about how old you'll be when the mortgage ends, and what implications that could have for your retirement plans. You may want a deal that will allow you to overpay your mortgage; that way you can reduce the payment term if your finances permit.

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*It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.*