Spring 2020

Mortgage & Protection news

From Mortgage Medics Limited

Time for ACTION...

Overall, the certainty of the election result is likely to be welcomed by the financial markets, and may herald a return of homeowner, business and investor confidence in 2020.

» Prior to the general election, a report conveyed that persistent economic and political uncertainty was continuing to deter both house buyers and sellers. Albeit it also expected house prices to pick up over the next 12 months. *(Source: RICS, December 2019)*

Whatever you may think of the election result, we now have some clarity around Brexit and the political direction being taken. From here, many people may simply want to get on with their lives and implement the property and mortgage plans they've possibly been holding back on, whether that's for:

- a **house move.**
- improving the **current property.**
- buying a **first home.**
- purchasing an **additional property.**
- expanding the portfolio as a **landlord.**

Alternatively, you may be coming towards the end of your current 'deal period', have been sitting for far too long on your lender's Standard Variable Rate (SVR), need to raise further funds, or are keen to move to a better deal.

With regard to the latter points, this is reinforced by the industry regulator, who estimated that 800,000 borrowers could switch their mortgage and make an average saving of £1,000 a year across the introductory rate period. *(Source: Financial Conduct Authority, Mortgages Market Study, March 2019)*

Whatever your plans, you are probably aware that we're still in a scenario where there are excellent mortgage deals on offer.

Of course, whilst the lenders are keen to do business, you still need to meet their stringent lending criteria, and that's why it's vital that you take advice. Particularly as it can be a confusing process, with so many product options and deal rates out there.

The Mortgage marketplace

Whilst the political uncertainty may have impacted on the property market, the mortgage loans sector has been in relatively good health. **Remortgages** are thriving as people look to lock into the lowest rates possible. The interest in remortgaging may come as no surprise when you consider that households now only move once every 20 years, up from every eight years in the 1980s.

Elsewhere, **First-Time Buyers** are at their highest share of housing sales since 2007, accounting for more than one in three sales (36%) and 50% of mortgages for home purchase. *(Source: UK Finance, December 2019 report)*

Don't forget Protection cover

Whether you're still living at home, renting, or a homeowner, it makes sense to have insurance cover in place to protect your life and/or loss of an income stream.

Talk to us to hear more about this, and how we could help with any mortgage needs.

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

Mortgage Medics

Brighton 01273 878760
Hove 01273 329509
Woking 01483 212622

info@mortgage-medics.com
www.mortgage-medics.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.**

Your biggest expense

With Property Debt accounting for over 90% of total UK household liabilities, it probably makes sense to seek advice.

(Source: Office for National Statistics, Household Debt Survey, December 2019)

For many of our needs we happily purchase online, but with the myriad of mortgage products out there, and the fact that it is such a sizeable and complex purchase, why wouldn't you seek professional help?

To reinforce this point, industry data shows that intermediaries (such as us) originate three-quarters of all 'residential mortgages' (by value), up from less than half in the 2009-12 period. With regard to landlord 'buy-to-let mortgage' business, this figure increases to almost 90%.

(Source: UK Finance, December 2019 report)

Work through the choices

We endeavour to deliver a human face to help make sense of the most suitable options on offer for you.

For example, the vast majority now opt for a fixed rate mortgage, but a tracker rate may be better for your needs. Securing the introductory mortgage rate for five years, is now more popular than the two-year deals, but again, flexibility offered by a two-year one may be more suitable.

In terms of the overall length of the mortgage, in the past, 25 years was the standard length. However, to reflect the development of mortgage terms running into our 60s and beyond, the 30 and 40-year terms are becoming more popular - delivering a cheaper monthly cost, albeit more expensive overall.

We're there for You

Additionally, we recognise that most of you have time-pressed lives. We will endeavour to reduce the hassle of filling out forms and applications.

We'll help navigate you through the raft of tighter rules, which now apply to 'evidencing of income' and 'affordability' measures.

We also take a view of the wider marketplace rather than just what's on offer from one high street lender.

Plus, we can highlight the insurance you should consider to cover the mortgage debt and your income stream(s).

So, irrespective of whether you're new to property buying, or an old hand, we have experience of dealing with all types of clients, enabling us to work towards identifying the most suitable product for you.

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.

Mortgage Calculator

Monthly payments for a mortgage per £1,000 borrowed over 30 years

Interest rate %	Interest-only* £	Repayment £
0.25	0.21	2.88
0.50	0.42	2.99
1.00	0.83	3.22
1.50	1.25	3.45
2.00	1.67	3.70
2.50	2.08	3.95
3.00	2.50	4.22
3.50	2.92	4.49
4.00	3.33	4.77
4.50	3.75	5.07
5.00	4.17	5.37
5.50	4.58	5.68
6.00	5.00	6.00
6.50	5.42	6.32
7.00	5.83	6.65

Here's how to use the mortgage payments calculator: A £100,000 mortgage over 30 years, charged at a 2% interest rate would cost 100 x £3.70 (for Repayment) = £370 per month.

* Excludes any payments to a separate savings scheme, to help pay off the capital amount borrowed.

This calculator only provides a guide to monthly payments and does not guarantee eligibility for a mortgage.
The actual amounts that you may have to pay may be more or less than the figures shown.
Please contact us for a personalised illustration.

Credit Rating - check yours

Quite apart from not being able to vote, if you're not on the Electoral Register it may result in a lower personal credit rating score.

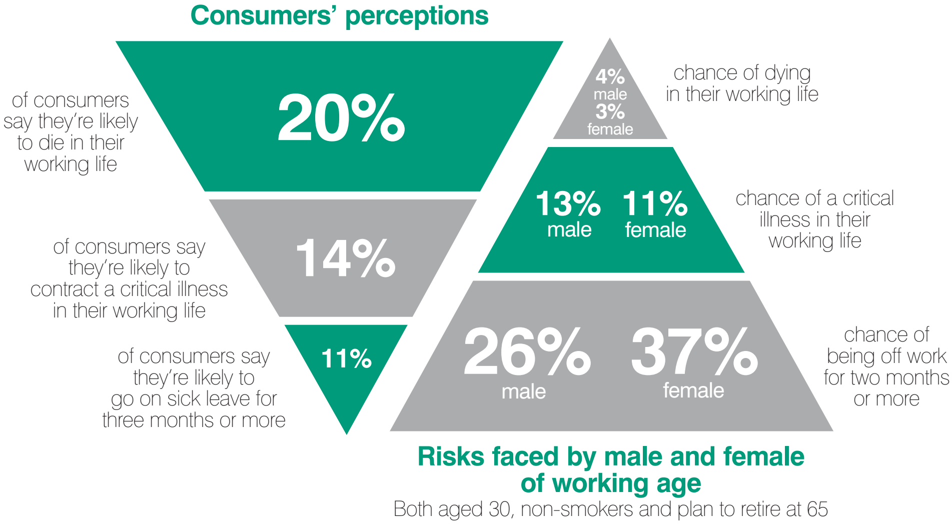
The role of a credit score is to try to predict your future behaviour, which means that people who have a poor score may suffer, as can those who have no credit history at all!

So do check your rating at one (or some) of the following:

Checkmyfile - Tel: 0800 086 9360
www.checkmyfile.com
Experian - Tel: 0800 013 88 88
www.experian.co.uk
Equifax - Tel: 0800 014 2955
www.equifax.co.uk
TransUnion - Tel: 0330 024 7574
www.transunion.co.uk

As every lender has its own 'perfect customer' profile, a rejection from one isn't necessarily a rejection from all. By talking to us we'll have a better feel for items which may score you down and where you might get a more favourable response for credit.

Protection myths



(Source: Royal London, State of the Protection Nation, June 2019, referencing Pacific Life Re research)

We largely view 'death' as the most likely 'bad' health event that could affect us across our working lives. Yet, from the right hand chart above, you'll see that, in reality, you're far more likely to survive, and face a serious illness, or be off work for a lengthy period.

» That said, this doesn't mean that you should disregard taking out life cover, as research shows that, on average, around 272 UK adults, aged 18-65 die each day.

(Source: Office for National Statistics, 2018 data, Jan. 2020)

But possibly of greater importance is to consider further protection that's designed to lessen any loss of income should you face a serious illness, or be off work for a lengthy period.

There are two product offerings that can help protect you in these circumstances:

- **Critical Illness Cover -** pays out a lump sum when you have a specified critical illness.
- **Income Protection -** pays you a percentage of your monthly income when you can't work due to illness or injury.

Do they pay out?

Many assume that the plans don't pay up, yet a massive 97.6% of all claims were paid out in 2018, equating to £14.5m a day! *(Source: Association of British Insurers, 2018 data, May 2019 release)*

Do I even need it?

This is a possible further misconception, particularly as you may feel that it's difficult to contemplate needing a protection policy, until ***you really need it!***

Additionally, some will think that their employer will provide all of the support needed. This may be true, but do check your contract to establish the level of financial help you'd get, and (if it's not for death in service) for how long. Balance this with the care you receive from the NHS, and the limited financial support from benefits such as Statutory Sick Pay and Universal Credit.

Mental Health issues

In recent years there has been a far greater understanding of the need to deliver real and financial support to those insured who may suffer a mental health issue. Also, those that have previously faced this might feel that they would then be excluded from taking out future cover, such as Income Protection. However, some insurers may now take a more considered approach, rather than the standard 'accept' or 'decline' decision-making.

Added-value benefits

The insurance industry recognises that a payout upon claiming may be the initial driver in setting up a policy. But it's also aware that there is a real benefit - for both parties - if a relationship is maintained throughout the policy term, as reflected by the following examples:

- Incentives to keep healthy.
- Specialist support - such as GP/nurse helplines, telephone counselling, carer support services, consumer rights, early intervention and rehabilitation services.

With such a wide range of options on offer, do talk to us, and you may also be pleasantly surprised at how little a plan might cost.

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

Standard Variable Rate

There are at least 1.4m mortgage borrowers on their lender's Standard Variable Rate (SVR).*

This is a sizeable chunk of all mortgage borrowers and with the average SVR sitting at 4.90%, this group would be on an interest rate that's around twice the average 2-year fixed deal cost.**

Using the chart on page 2, those on an SVR (if it's a £100,000 mortgage, for example) might be able to remortgage and pay around £1,700 a year less (circa 5% rate vs. circa 2.5%).

*(Sources: *UK Finance, June 2019 data; **Moneyfacts, December 2019)*

Circumstances have changed

Some may feel they can't remortgage because they won't meet the stricter affordability and evidencing of income criteria. This might be true, but why not have a chat, as there may be a solution.

Mortgage Prisoners

This broadly amounts to 150,000 borrowers, most of whom are stuck with a lender that no longer lends. However, the Financial Conduct Authority (FCA) has introduced new guidelines, which may overcome this problem, so do talk to us to hear more. *(Source: FCA, Nov. 2019)*

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.

New Kids on the Block

If you're unsure about becoming a **First-Time Buyer** - research shows that the average homeowner could be better off by £352,500 over the next 30 years, compared to the average private renter!

(Source: Intermediary Mortgage Lenders Association, October 2019)

That figure is comprised of the £133,700 the average homeowner could expect to save when paying for a mortgage rather than rent over that period, plus the additional £218,800 of equity gained from paying off that mortgage.

It doesn't include any possible house price inflation over the 30-year period. Historically though, house prices have risen at an average of around 4.3% a year over the last 30 years, although growth is far more subdued at the moment, at about 1.9% nationally, over the year. *(Sources: Nationwide, House Prices, to Q4 2019, and January 2020)*

Getting the Deposit together

So what's stopping all renters jumping on board? Some will prefer the flexibility renting provides at this period in their life. Others will be concerned that they may not meet the more stringent controls that are now in place for mortgage lending (do talk to us if that's your concern). But possibly the biggest stumbling block is the struggle to get together the deposit.

Fortunately, the government and marketplace recognise this and there are Help-to-Buy (or similar) schemes on offer, alongside normal lender products, that only require a **5% deposit.**

Additionally, if you have just a 5% deposit, and opt for a Help-to-Buy (or similar) scheme, generally for new-build properties, then the government would loan an extra percentage enabling you to access the better Loan-to-Value (LTV) deals on offer. Broadly, the lower the percentage of funds you require from the lender, the lower the interest rate may be.

As part of that process you may also look to what's known as the **Bank of Mum & Dad** to help get some, or all, of that deposit together. In 2019, the average contribution from mum, dad, other family members and friends amounted to a sizeable £24,100, assisting almost 260,000 property purchases.

(Source: Legal & General, Bank of Mum & Dad, 2019 report)

Some parents might be wary of providing a deposit for a child who may be moving in with a partner, should they break up down the line. To counter this concern there are other ways that financial support could be provided, such acting as a guarantor, which might provide some ring-fencing.

Outside of this, options such as **shared ownership** might also be worth investigating, which could help reduce the upfront costs.

Our offering

The irony for many will be that they could be paying more on monthly rent, than they would for a mortgage, proving they can afford the payments - but unfortunately, it's not as simple as that!

To take the first step onto the property ladder, it makes sense to have a conversation with us as early as possible in the decision-making process. We would help navigate you through the affordability, evidencing of income and credit rating hoops, and identify some of the decent deals that are on offer.

STAMP DUTY BENEFITS

First-time buyers in England and Northern Ireland continue to enjoy a lower stamp duty cost if the purchase price is £500,000 or less.* If it's £500,001+, then you still operate under the standard residential stamp duty rules:

Stamp duty is charged on the proportion of the price that sits in a band

Purchase price band	Standard rates for a residential property	First-Time buyers
Up to £125,000	0%	**0%**
£125,001 - £250,000	2%	**0%**
£250,001 - £300,000	5%	**0%**
£300,001 - £500,000	5%	**5%**
£500,001 - £925,000	5%	**5%**
£925,001 - £1.5m	10%	**10%**
Above £1.5m	12%	**12%**

** Different rules apply to Scotland and Wales.*

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

■ **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: Brighton - 01273 878760; Hove - 01273 329509; Woking - 01483 212622**
info@mortgage-medics.com www.mortgage-medics.com