Mortgage & Protection news

The newsletter from Elsby Associates Limited

elsby associates

Seek advice ...then relax

With ongoing changes across the political and economic spectrum, plus the rules and regulations applicable to funding needs, it's no surprise that you may feel you need advice.

» In this respect, we can help to make sense of the issues surrounding Brexit, interest rates, inflation and so on; and how this may impact upon both your ability to borrow, and what you can secure.

As you may know, we provide advice across a wide range of needs for both home-owners (existing and potential) and landlords, and along the way would identify the **most suitable deals** for those who may want to:

- move home, or improve the current one.
- buy their first home, or an additional property for second home/rental purposes.
- improve on their current mortgage deal.

Furthermore it's also vital that you consider how you're protecting yourself and your income stream against any unforeseen circumstances that may hit you along the way.

The Positives

Within the protection industry there's been an enormous amount of innovation over the last couple of years, so it's important to chat through the options. In fact, even if you have longstanding policies in place, it may also make sense for us to revisit them to ensure you're still getting the most suitable package that meets your current needs.

Another positive is that despite rises in the Bank of England Base Rate - which influences the cost of mortgage deals - we are still very much in a **low interest rate** environment. For example, going back a decade or so, Base Rate was as high as 5.75%.

This means that there are still some excellent deals on offer, whether you are looking at 2, 3, 5 or even 10-year deal terms.

Interestingly, for borrowers, the increase in competition amongst lenders, along with a rise in the number of higher loan-to-value products, has helped to generate a 29% annual uplift in product availability by the end of 2018. *(Source: Mortgage Brain, December 2018)*

House prices in 2019?

Annual **UK house price growth** ended up at 0.5% for 2018 according to Nationwide. For 2019, the shadow of Brexit continues to have an impact. Rightmove expects a flat market with 0% annual growth - a view echoed by The Royal Institute of Chartered Surveyors. The Halifax predicts growth of 2-4%, with Nationwide going for a low single-digit increase. Obviously, regional variations would apply.

Elsewhere, the October 2018 Budget set out that stamp duty relief for **First-Time Buyers** was extended to those purchasing 'shared ownership' homes up to £500,000 in value. It was also announced that the Help-to-Buy Equity Loan scheme will be extended and a revised scheme from April 2021 will run until March 2023.

Whatever your mortgage or protection requirements may be, please do get in touch to hear more.

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

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

elsby associates
Westmill House, Marsh Parade
Newcastle, Staffordshire ST5 1BT

Tel: 01782 766 662
Email: info@elsbyassociates.co.uk
Twitter: @elsbyassociates
Web: www.elsbyassociates.co.uk

Finding a Way

There are still some decent deals on offer, but mortgage rates seem to be edging slightly upwards, and may continue on that path.* So, is it time to act? *(Source: *Mortgage Brain, November 2018 release)*

With around 5,000 mortgage products out there, meeting a wide range of needs, it can also be a confusing process that highlights the need for advice. So, it's no wonder that **85% of all mortgages continue to go through intermediaries** (such as us).*

*(Source: *iress, 2018 Mortgage Efficiency Survey, October 2018)*

Identifying a route for You

These days there are far stricter rules applied to 'evidencing of income' and 'affordability'. They are in place to ensure that borrowers are stress-tested to see if they can, not only meet the current payments, but are also able to cope should the interest rate rise.

In this respect, different lenders may interpret the rules in different ways, meaning that if you can't get the loan you need from one, you may from another. This is a further reason for securing advice from an adviser who is operating in this marketplace, day-in, day-out. Our involvement may also help to protect your credit score, by not applying to too many different lenders.

You can Relax

We also recognise that most of you will have time-pressed lives. In which case, we'd endeavour to help reduce the hassle of filling out forms and applications. Furthermore, we would hold your hand throughout the process, and try to liaise with the various parties along the way.

We're here to help You

Of course, you can undertake this whole process yourself. For example, if your deal period is coming to an end, then you may consider remortgaging with the same lender, because you feel they delivered the most suitable deal for you last time.

However, in this dynamic mortgage environment, lenders might be chasing market share at different times, so it may not be the best option to limit yourself to what's on offer from just one of them.

That's why it makes sense to ask us to assess the wider marketplace. It is an important process, even if the upshot is that you stay where you are.

In the first instance, to get a feel for payments against the interest rate you're currently on vs. what you believe could be on offer; do check out the mortgage calculator to see how this may pan out.

Please get in touch if you would like to hear more.

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

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

Mortgage Calculator

- could it work for you?

Monthly payments for a mortgage per £1,000 borrowed over 25 years

Interest rate %	Interest-only* £	Repayment £
0.25	0.21	3.44
0.50	0.42	3.55
1.00	0.83	3.77
1.50	1.25	4.00
2.00	1.67	4.24
2.50	2.08	4.49
3.00	2.50	4.74
3.50	2.92	5.01
4.00	3.33	5.28
4.50	3.75	5.56
5.00	4.17	5.85
5.50	4.58	6.14
6.00	5.00	6.44
6.50	5.42	6.75
7.00	5.83	7.07

Here's how to use the mortgage payments calculator: A £100,000 mortgage over 25 years, charged at a 2% interest rate would cost 100 x £4.24 (for Repayment) = £424 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.

Want to move off your SVR?

To put current rates into perspective, there's a 2.38% difference, for example, between the average Fixed Rate two-year deal (2.52%) and the average Standard Variable Rate (SVR) at 4.90%. *(Source: Moneyfacts, January 2019 analysis)*

While you may have good reason to be sitting on your lender's (generally more expensive) SVR, do talk to us if you'd like to consider a more suitable deal.

For example, you may have come off your deal period, but are worried that you may not qualify for a new one.

If you find yourself in this position, then you're not alone, as at least 1.8m borrowers are currently on their SVR. *(Source: UK Finance)*

Interestingly, about 150,000 of them are viewed by the industry as **Mortgage Prisoners** - borrowers who are 'stuck' on their existing deal. However, recent developments mean that some of those, who sit with active lenders, are now being looked upon more favourably.

This slight relaxation of the lending criteria may possibly result in some lenders being more amenable to others on an SVR, so it's well worth having the conversation with us.

From feeling fine... to Breadline

1 in 4 Brits say they'd face financial ruin if they were out of work for only 4 weeks.

(Source: Drewberry, Protection Insurance Survey 2018)

The good news is that there are **Protection products** out there to deliver a degree of financial support (and comfort) should the unexpected occur, and you're unable to work due to ill-health, injury, or worse still, death.

Understandably, these are not topics that most people are keen to consider or discuss. And if they do, then protection plans can often be a reluctant purchase, where you're expected to commit money to something you hope will either never happen, or would not occur for many, many years.

Yet, sadly it does. According to research from Drewberry, **1 in 8 of all current healthy 35-year-olds will die before the age of 65!**

(Source: Drewberry, Protection Insurance Survey 2018)

As worrying as that figure may be, it is probably more likely that they would face long-term ill-health, injury or a serious illness across the same period. However, if a suitable policy is in place, it may ensure the bereaved family keeps a roof over their head, or that the planholder is able to fully focus their energies on recovery.

What's on Offer?

There isn't really a one-size fits all type of product offering, but broadly there are three main areas to consider:

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

Of course, it's far more complex than that, when you're faced with a multitude of insurers, with varying plans, numerous options and added-value benefits. Also, do consider what your employer provides, and how extensive (or limited) that may be.

Consumer take-up Concerns

"It's too expensive"

Let's consider an Income Protection plan. In general, if you meet the conditions when off work through illness or injury, this will pay out until you're well enough to return to work; have retired; the policy ends; or upon your death. Whichever happens first.

To keep a control on costs, let's look at a limited payment term plan that pays out for up to two years, if unable to work due to illness or injury. Analysis by Zurich, an insurer, set out that Income Protection cover for a 35-year-old professional earning the average salary of £27,000, and wanting to protect 50% of their net income may only cost the equivalent of **one takeaway coffee a week** across the course of each month.

(Source: Zurich, Cost of Resilience report, August 2018)

Of course, premiums will be dependent on your own set of circumstances.

"They rarely pay out"

In fact, the opposite is true, as **97.8% of all claims were paid out** in 2017, amounting to an average payout of almost £14m a day. The highest percentage payout is applicable to Life cover (99.5%), but even with Income Protection (87.2%), and Critical Illness (92.2%), the vast majority of claims are settled.

(Source: Association of British Insurers, April 2018 release)

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

PROTECTION SHORTS...

It's for Tenants too

A key time when people consider taking out a protection plan is at the time of a house purchase or remortgage. Yet protection is equally important for those renting, particularly as some landlords may be even less understanding than lenders!

Added-Value Benefits

The benefits now available across a wide range of Protection product offerings, can deliver tangible support - even if you never actually claim. This could cover areas such as remote GP services, telephone counselling, through to wearable tech to monitor your activity.

Place it in a Trust

A Trust is a legal arrangement that can help ensure that **life policies,** for example, are paid out speedily to the beneficiaries. This would mean that there's one less issue to worry about at a difficult time for the family. It may also assist with any inheritance tax planning, if relevant.

More recently, this process has become easier to undertake, with some insurers having online trust planning in place.

Not all protection policies should be written in Trust, so do take advice. The Financial Conduct Authority does not regulate Trust or Taxation advice.

Ongoing Support

While the **First-Time Buyer** still faces sizeable issues - such as raising a deposit and meeting the strict borrowing criteria - much is being done by the government (and possibly family and friends) to help them on the way.

» There's a lot of assistance out there for **First-Time Buyers,** in addition to the government's desire and support to get more homes built across the UK.

Also, let's not forget that for some, there's support from the Bank of Mum & Dad (plus Grandparents and friends). According to Legal & General, this would equate to the Bank of Mum & Dad being a £5.7bn a year mortgage lender! Over a quarter of all buyers (27%) - as it's not just restricted to first-timers - are likely to receive help from friends or family in 2018, purchasing almost 317,000 homes! *(Source: Legal & General, Bank of Mum & Dad report 2018)*

Where we can help You

Whether you're fortunate enough to receive support, or are on your own, it's vital that you take professional advice.

We would help navigate you through the affordability, evidencing of income and credit rating hoops, and in the process hopefully identify some of the decent deals that are still on offer.

A further reason to tread this path is the fact that across the UK, the **cost of a mortgage on a comparable home is cheaper than renting in the same region.** *(Source: Santander UK, June 2018)*

Credit Rating

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. We can talk through the steps you could take to help improve your rating, and to make yourself more appealing to the lenders. Surprisingly though, rental payment history (particularly for those not in social housing) isn't necessarily reflected in people's credit reports. However, there now seems to be greater enthusiasm from the credit agencies and from those that use their service to include this information. This is likely to benefit some first-time buyers, as their credit score may improve as a result.

Stamp Duty

This tax can amount to a hefty sum, so in England and Northern Ireland, there's tax relief for first-time buyers (now also including those in shared ownership) up to a purchase value of £500,000. This means that no stamp duty tax would be paid up to £300,000 - and 5% on any applicable portion between £300,001 - £500,000. A similar scheme operates in Scotland.

GOVERNMENT **HELP**

(This relates to the situation for England, but similar schemes also operate throughout the UK. Various rules will apply to all schemes)

HELP-TO-BUY: SHARED OWNERSHIP SCHEME

■ If the borrower is a first-time buyer; or used to own a home, but can't afford one now; or is an existing shared owner; then this scheme may offer the chance to buy a share of the home (between 25%-75%) and pay rent on the remaining proportion.

■ Then down the line, the borrower could purchase a bigger share of the property.

HELP-TO-BUY: EQUITY LOAN SCHEME

■ In this scenario the government lends the borrower up to 20% (up to 40% for London) of the cost of a newly-built home (up to £600,000 in value). This is not just designed for first-time buyers.

■ For example, the borrower may only need a 5% cash deposit, and a 75% LTV mortgage (55% in London) to make up the rest.

■ It needs to be the only property you own, and can't be sub-let or rented out.

■ The borrower won't be charged fees on the government loan figure for the first five years of owning the home.

■ The government would then get the percentage it loaned of the future market value (or after 25 years, if not sold before then).

Please talk to us to see if we can help you (or a family member) step onto the property-owning ladder.

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

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

This firm usually charges a fee for mortgage advice. The amount of the fee will depend upon your circumstances and will be discussed and agreed with you at the earliest opportunity.

■ The contents of this newsletter are believed to be correct at the date of publication (January 2019).
■ 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.
■ **Please inform us if you no longer wish to receive this newsletter.**

■ 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: 01782 766 662 Email: info@elsbyassociates.co.uk
Twitter: @elsbyassociates Web: www.elsbyassociates.co.uk