

# NEWSLETTER

MORTGAGES & PROTECTION

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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# Considerations for first-time buyers

Being a first-time buyer can be daunting. Not only are you about to make one of the biggest financial decisions in your life, but you'll probably also have family members and friends offering their ideas on the right house, mortgage, lender conveyancer and even removal company for you.

We've put together some ideas to try and take away some of the stress and confusion and give you confidence to move through the home buying process as smoothly as possible.

## Get the right advice

Of course we're going to say that - it's what we do! We'll review your circumstances and look at your income, debt, day-to-day outgoings, employment and the size of your deposit, to assess what you can afford to borrow now and in the future. We'll talk you through the types of mortgage we think are right for you and the lenders who offer them.

## Save as much as possible

Buying a house is going to be expensive so it's important to save, save, save and save some more to get yourself in the best position possible.

Many lenders will accept a minimum deposit of 5% of the cost of the house you're buying, but aim higher. The bigger your deposit the smaller the mortgage (and monthly mortgage payments) making you more attractive to a lender.

**Talk to us and we can help with practical financial advice on your first and future home purchases.**

## Know your budget

Your hard-saved deposit and monthly mortgage repayments aren't the only expenses you need to be mindful of when buying your first home:

Some lenders will charge for a **valuation fee** to help them establish how much they are prepared to lend you.

You'll also need to factor in the cost of a **survey** (depending on the type of property you're buying and the lender you choose to go with you might need a basic mortgage valuation, a homebuyer's report or a full structural survey).

In Scotland you also need to budget for **Land and Buildings Transaction Tax** and in Wales you'll need to budget for **Land Transaction Tax**. If you live in England or Northern Ireland, you won't pay any **Stamp Duty Land Tax** on properties worth up to £300,000.

You'll also need to pay your **solicitor** or **conveyancer** for any legal work and local searches they do on your behalf.

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





# The world is changing – so should your insurance

The world is changing rapidly in a way that nobody could ever have expected, meaning your personal and financial circumstances are likely to have changed. It is important to regularly review all aspects of your finances and that includes reviewing your protection insurance, to make sure your policy provides adequate cover for your changing needs.

## Underinsured

If you don't regularly review and update your policy, any pay-out you do receive from your claim may not be enough to cover you and your family's needs if you were to die or if you are unable to work due to illness.

Say you took out a life insurance policy covering you for a certain amount. After several years, you may have children, resulting in a move to a larger house. If you take a larger mortgage; your monthly outgoings would increase, and you would have bigger bills to pay. Therefore, the lump sum paid out to your family upon your death would no longer be sufficient to sustain their lifestyle and might leave them facing financial hardship.

## New policies offer better protection

Like any industry, the insurance industry has evolved over time. Modern policies can offer you better protection and more extensive cover.

When comparing a critical illness policy sold in 2007 with one sold in 2017, the more modern policy may have better claims wording, provision for part-payment and other advantages.

If you have simply been paying your premiums on the same policy for years, it is likely that, as well as facing the risk of being underinsured, you also won't be benefiting from the kind of comprehensive cover offered by today's policies.

## Let us protect you

With so many different types of protection insurance on the market, it's not surprising that many people just stick with the cover they have. It may not be the best cover for them. We can assist you in finding the very best policies for your circumstances, so you have the peace of mind that you, and your family, will be protected should the worst happen.

Please note: Older policies may cover illnesses which modern policies do not. Premiums may be cheaper due to the age of the policy. Certain cover may be excluded on a new policy due to pre-existing conditions.

Always get professional advice when reviewing your insurance policies.

*As with all insurance policies, conditions and exclusions will apply*



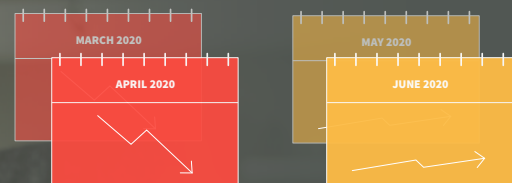
# Mortgage affordability in a post-COVID world

Back in March, the Bank of England slashed interest rates to an all-time low of 0.1%, in a bid to alleviate the severe economic pressure caused by coronavirus. As the base rate cut fed through to mortgage rates and with the continuing pressure of a closed mortgage market, lenders responded by withdrawing mortgage offers, increasing rates and pulling products from the market.

## Between March and May:

- 2,656 mortgage products were withdrawn, many of which were high loan-to-value (LTV) deals (i.e. those requiring a smaller deposit).
- 396 two-year fixed and 374 five-year fixed deals at 90% and 95% LTVs were pulled from the market

## 2020: A steep downturn, followed by a cautious return?



## Lenders make a cautious return

As certain social distancing restrictions began to be lifted in May and the property market reopened for business, lenders began relaunching higher LTV deals and products aimed specifically at first-time buyers, such as Help to Buy loans.

With the property market still in the early stages of recovery, it's worth being pro-active and following some of these tips to maximise your chances of mortgage approval:

- **Save as much as you can** – while many people are experiencing financial difficulties during the pandemic, many of us are also spending a great deal less than usual. Getting your deposit as high as possible will increase your chances of mortgage success.
- **Clear your debt** – when considering your application, lenders will look at any outstanding debt. Clearing as much debt as possible, as well as closing any unused accounts, will increase lenders' confidence in your ability to repay your mortgage.
- **Understand your credit score** – the better your credit rating, the higher the likelihood you'll be accepted for the best mortgage deals. Understanding your credit rating and how to improve it is key to moving forward with a successful mortgage application.
- **Keep excellent records of self-employed earnings** – providers can be more nervous about lending to self-employed people, so having excellent records of your earnings over the past two or three years (depending on the lender) can really improve your chances.

## Consult the experts

We're on hand to make sure you get a great deal for your circumstances, and one that gives you the highest chance of success. Whether you're a first-time buyer or a second stepper, we're here to guide you through this difficult period.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**



# Income Protection claims

You might believe you'd be more likely to call on your income protection policy later in your working life, but data from protection insurer, The Exeter, show their *average claimant was 40, and on certain products, just 33.*

Income protection is designed to pay an income if you're unable to work as a result of an accident, illness, or, with some policies, unemployment. The benefit usually kicks in after what's called a deferred period and can last until you're able to return to work or you retire.

## Cover for physical, and non-physical conditions

Every year, one million workers will have to stop work due to prolonged sickness or injury, but the number having to take a break because of mental health issues is sadly growing. As well as revealing the surprisingly young age of some of their claimants, The Exeter said that mental health-related issues were accounting for a growing number of its claims; reaching 10% in 2018.

The Association of British Insurers (ABI) had previously reported that mental health was the most common cause of claim on income protection policies in 2017; perhaps unsurprising given that one in four of us in the UK will be affected by a mental health problem in any given year.

Whether your reason for claiming on your income protection policy is physical or mental, having cover in the first place is crucial – especially if you have a mortgage or people who rely on your income.

## Income protection tips

Check if your employer provides cover as part of your employee benefits. If so, how much do they provide and for how long?

If you need to take out separate cover, don't leave it too long; the younger you are, the cheaper the policy.

Make sure the cover you take out complements your existing cover. For instance, if your work policy ends after six months, choose a six-month deferred period.

If you're self-employed, you might consider a shorter deferred period since you'll have no employer's cover. You might have savings that could see you through the first few weeks or months of being unable to work.

**If you'd like to find out more about the features and benefits of income protection, please get in touch.**

# Our expert advice can help reduce your mortgage stress

Moving home is known to be one of life's most stressful events. In fact, a survey earlier this year, found the process can cause us more stress than other major life events such as having a baby, getting married, starting a new job or getting divorced.

## Sorting out your finances

The biggest cause of worry for many is arranging finance for the move. First-time buyers need to save up funds for a deposit, as well as finding the right mortgage and an affordable property. Low- deposit mortgages and saving schemes, like the Help to Buy ISA (which closed to new accounts on 30 November 2019), appear to have helped with the challenge of saving a deposit to some extent. It pays to save a large deposit as in most cases, the bigger the deposit you can put down, the lower your interest rate is likely to be.

As well as saving for a deposit and budgeting for costs like legal fees and surveys, you should review your income and outgoings; any lender considering your mortgage application will expect you to be on top of your bills and to be able to afford your monthly mortgage payments.

## A challenging process?

Research from Aldermore's First Time Buyer Index reveals prospective first-time buyers view buying a home as challenging, with over a quarter (29%) saying getting on the property ladder is 'very difficult'. This research also showed nearly two thirds (61%) of recent first-time buyers found the house buying process 'confusing' and two in five (39%) say the stress of it actually made them feel ill.

## Understanding the mortgage process

With such a vast number of mortgage deals available, it can be difficult to know which one is right for you.

Whether you are a first-time buyer, moving home, remortgaging or looking to release equity from your property we can help. Our qualified mortgage advisers have access to a wide range of mortgage deals and can help you understand all aspects of the home buying process.



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# Stay protected

The coronavirus outbreak has impacted everyone across the globe, leaving many individuals and families in a precarious financial position. The crisis has shown that financial hardship can strike when we least expect it, demonstrating the importance of protection cover.

As people's anxiety about their financial future intensifies, it's likely that many people will be considering how they can reduce their outgoings. Income protection or critical insurance may be top of the list to cancel if they can be perceived to be unnecessary expenses.

In reality, critical illness and income protection policies can protect your income or support your family, if you lose your jobs or become ill for an extended period of time, so should certainly not be on the list of expenditure to cut.

## A financial lifeline

Never have we been so starkly reminded of the need for the safety net of protection cover. A recent YouGov survey about the pandemic revealed that nearly a third (32%) of Brits currently fear for their future. Cover such as life insurance, critical illness cover and income protection can help lessen the blow of unexpected events.

## Don't act in haste

Covid-19 is resulting in financial difficulty for many and may lead to people to consider cancelling their protection insurance direct debits. Please don't act in haste, talk to us, we can offer support and guidance if for any reason, you are, or you think you will be, in financial difficulty.

## It's good to talk it through

Rest assured, what is certain is that we are here to help. If you have any questions about your protection policies or requirements, whether this be existing policies, or you are considering new ones – please get in touch, we have our finger on the pulse in this fast-changing environment and can assist you to navigate the challenges ahead.

**As with all insurance policies, conditions and exclusions will apply**





Now could be

a good time

to remortgage



Mortgage rates are now at record low levels, following two Bank of England rate cuts in March to bring the base rate down to 0.1%.

Borrowers on a tracker, discounted or variable rate mortgage may have already benefited from this rate drop, but those borrowers whose mortgage deal is nearing its end, or those currently on an uncompetitive standard variable rate (SVR), should review their situation as there are some very competitive products on the market, with potential savings to be had.

### Remortgaging explained

A remortgage is where you take out a new mortgage on a property you already own - either to replace your existing mortgage, or to borrow more money against your property. You should consider remortgaging if:

- Your current deal is about to end
- You are looking for a better rate
- You want to overpay, but can't do this on your current mortgage
- You want to borrow more
- Your home has increased in value and your loan-to-value ratio means you can get a better deal.

### Lenders have adapted

Due to uncertainty, many lenders initially reacted to the coronavirus crisis by restricting the products available, (particularly to those borrowers with a high loan-to-value ratio) and remortgage applications faced operational constraints such as an inability to do physical valuations. However, optimism has started to return, with lenders reintroducing a wider range of products and adjusting their processes to overcome problems, for example by using automated 'drive-by' valuations.

### Don't delay

In such a fast-changing environment, those who are considering remortgaging over the next few months would be well advised to assess their options now. Remortgaging can take around eight weeks, so it's best to set the wheels in motion sooner rather than later.

### Advice is essential

There are pros and cons to remortgaging and it won't be right for everyone. The market is more complex right now and getting good advice is vital. We have expert insight and knowledge of the market. As well giving you advice on whether a remortgage is suitable, we will explain the costs, outline potential implications and guide you through the mechanics of remortgaging.

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