

HOME FINANCE NEWS

**5 WAYS TO MAXIMISE YOUR
MORTGAGE BORROWING**

**RETIREMENT MORTGAGES
EXPLAINED**

**LIFE COVER DONT BE PUT OFF
BY JARGON**

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BREXIT DELAY SEES PROPERTY LISTINGS RISE

In a sign that homeowners and home buyers remain keen to press ahead and realise their property ambitions despite continuing Brexit uncertainty, the postponement of Brexit in April saw the number of property listings rise dramatically.

The Property Supply Index, which analyses the number of new properties listed each month by estate agents across the UK, reported that once the revised date for Brexit was announced, the number of properties listed rose by 0.8% during the remainder of the month, and in May, property listings rose 9.2%.

London market remains quieter

The picture in the capital remains mixed. Although new listings were down 1.4% in April compared to March, in four out of 10 boroughs, the number of properties coming onto the market increased. Outside London, the month on month figures show that some major towns experienced particularly sharp rises. Stevenage saw an increase of 69.4%, whilst in Salford the figure was 43.8%.

Many predict that once there's more certainty about Brexit, pent-up demand is likely to resurface and re-energise the market. Growing families will want larger homes, people will need to move to take up new jobs, and major life events such as divorce, remarriage and downsizing at retirement, will continue to create a market in buying and selling homes.



5 WAYS TO MAXIMISE YOUR MORTGAGE BORROWING

When you apply for a mortgage, lenders will assess your finances and your ability to make repayments on your loan. So, it pays to do your homework in advance.

Review your outgoings

One of the things a lender looks at closely is the amount of debt you currently have. It makes sense to use any savings you have to pay down loans and credit card borrowings but be sure to leave yourself enough saved to cover emergencies.

Check your credit rating

A good credit rating can help you secure a better mortgage deal, with a lower interest rate. Simple tips that will improve your credit rating include being on the electoral roll, paying utility bills on time and paying off your credit card balance in full each month.

Close accounts you don't need

If you have accounts, memberships or subscriptions that you no longer use, it makes sense to close them down.

Ask the family

Increasingly, parents and grandparents are helping out, they may be able to give or lend you some money, or act as a guarantor for your mortgage.

Get some good advice

A mortgage is more than just a sizeable loan - it's about getting the most suitable deal for your money too. The good news is that we're on hand to help.

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

RETIREMENT MORTGAGES EXPLAINED

In the past, getting a mortgage in later life wasn't easy. The good news for older borrowers is that lenders are now much more flexible than they once were. Many have launched deals specifically aimed at retirees, recognising that traditional mortgage products may not meet the needs of this sizeable and growing market.

An alternative to a standard interest-only mortgage

A retirement interest-only mortgage is a loan secured against your property that can help fund your retirement lifestyle. This could include topping up pension income, repaying debts, carrying out home improvements or making lifetime gifts of money to children. It can also help existing interest-only mortgage holders find ongoing mortgage finance, as it is designed specifically to meet the needs of those aged over 55, the over 60s and pensioners, and can be easier to qualify for than a typical interest-only mortgage.

Whilst broadly similar to a standard interest-only mortgage, there are a couple of key differences. Firstly, the amount borrowed doesn't have to be repaid until you die, or you move permanently into long-term care. Secondly, you will need to prove that you can comfortably afford the monthly interest repayments on your loan during your retirement years.

The amount you will be able to borrow will be based on an affordability assessment carried out by your lender. They will look closely at your income and outgoings and make sure that you will be able to continue to make monthly repayments when you are no longer employed, and your only sources of income are likely to be from pensions, savings and investments.

Advantages

For many people approaching retirement, this type of mortgage works well as the loan term isn't fixed, and there is no need to demonstrate how the mortgage will be repaid, as repayment will come from the eventual sale of the property.

Also, in contrast to equity release, there is no roll-up of interest, meaning that it's more likely that there will be something left following the sale to pass on as an inheritance. Some retirement interest-only mortgages allow borrowers to repay some of the capital as well as the interest on their loan. This will reduce the amount of the loan outstanding, meaning that you will have more equity to pass on.

Getting the best advice

Brexit continues to cast its shadow over the UK, affecting the housing market. With the details of the final deal still unknown, there's evidence that some buyers and sellers are keeping their plans on hold. Over the past three years, there has been a general slowdown in UK house price growth, partly driven by a reduction in market activity in the south and east of England.

Official data shows that average UK house prices increased by 1.2% in the year to May, down from a 1.4% rise in the 12 months to April 2019, with property prices continuing to fall in London. In May the average house in the UK cost £229,431.

Regional optimism

Despite continuing market uncertainty, research from online property portal Zoopla suggest that most homeowners expect house prices to rise in the next six months, although the view varies across the regions. Optimism is at its highest in Yorkshire, Humber and parts of the North West, where 91% of respondents expected house price rises during the rest of the year. The Scots were particularly upbeat, expecting prices to rise by around 5.5%.

The price gap widens

In a slowing market, buyers are negotiating to get a good deal. In the first three months of 2019, the selling price for homes was, on average, 3.9% lower than the original asking price, according to Zoopla's Cities House Price Index. However, Edinburgh and Glasgow are just two property hotspots where average selling prices remain above the original asking prices. In Edinburgh, properties were reported as selling for 6.3% more than their list price, whilst in Glasgow the figure was 5.2%.

First-time buyers

This group is integral to the overall buoyancy of the housing market, accounting for one in three sales. The Zoopla research shows that the average income needed by a first-time buyer in order to purchase a property in one of the UK's major cities has risen by 9% over the last three years, now standing at £54,400, with the typical deposit needed now more than £38,000.

However, there's good news for buyers in the UK's three most expensive cities, London, Oxford and Cambridge. The level of income required has dropped by 5% since 2016. For example, three years ago buyers in London would have needed an average income of £87,250. Today that figure is likely to be nearer to £84,000.

The general outlook

THE HOUSING MARKET - AN UPDATE
Narrowly defined, the housing market is concerned with a relatively small number of people who are looking to buy or sell a property. It is not just those who are looking to buy or sell a property who will still want larger homes, people will need to move to take up new jobs. In addition, major life events such as divorce, remarriage and downsizing at retirement will continue to create a market in buying and selling homes.



HELPING YOUR FAMILY BUY A HOME

The Bank of Mum and Dad or Granny and Grandad, continues to play a vital role in helping the younger generation enter the housing market. This help can be in the form of a financial gift, a loan, acting as a guarantor or becoming a joint mortgagee.

Advice makes sense

If you are thinking about helping a family member, it makes sense to get financial advice. It's important to ensure your own financial needs for the future are fully catered for before helping others. Most lenders will accept a deposit that has been gifted, but you may need to confirm in writing that it is a true gift. For affordability calculations they will want to know that the money isn't a loan that will require regular repayments, and they will also want to be sure that if the worst came to the worst and they needed to repossess the house, you don't have an interest in the property.

Inheritance Tax

Whilst you can make use of the various annual exemptions available to you, you may need to take professional advice on the Inheritance Tax implications of giving a sizeable sum of money away. If the person gifting the money were to die within seven years, the gift could be classed as part of their estate for Inheritance Tax purposes.

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



LIFE COVER DONT BE PUT OFF BY JARGON

'Protection' is a term often used to describe a wide range of insurance products. Under this heading you'll find all the building blocks you need to ensure that you are adequately covered, including life insurance, critical illness cover, income protection insurance, and of course, buildings and contents insurance.

A wide variety of cover to meet your needs

Recent research shows many people don't automatically associate the term 'protection' with life insurance or critical illness cover, meaning that they can overlook these important types of policy. However, if your children, partner or other relatives depend on your income to cover the cost of paying the mortgage and other living expenses, then it makes good financial sense to think about the protection that life and critical illness cover can provide.

Don't be put off by the jargon; getting the right cover in place is an important step in protecting you and your family from life's unexpected and challenging events. Working with us will ensure that you have the right policies in place to meet your needs, and what's more we will be able to explain everything in plain English.

As with all insurance policies, conditions and exclusions will apply



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