HOME FINANCE NEWS

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IMPROVING NOT MOVING

MORTGAGE APPROVALS - AT DECADE HIGH

THE VALUE OF PROTECTION

IMPROVING NOT MOVING

In the 1980's, a fast-moving property market meant a home move every eight years on average, whereas today the average time a homeowner in the UK stays in their property is 21 years.

Rising house prices, higher stamp duty and the actual cost of moving are some of the factors to be considered when deciding whether to take the next step up the property ladder, with more people now choosing to spend money on improving rather than moving.

Wide variations seen

Regional variations can be seen with some of the most expensive areas of London (Kensington and Chelsea) having an average 35 years between moves compared to only 15 years in parts of Kent (Dartford), South Derbyshire, East Lothian and Salford.

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

JOINT OR SINGLE LIFE COVER?

If you're a couple thinking about taking out life insurance, have you considered whether you should opt for a joint policy or two single policies?

If each of you takes out a policy, the sum assured would pay out separately on the death of each individual. This may be appropriate if each of you requires a different amount of cover, taking into account your own circumstances and dependents' needs. Single policies can also be simpler in the case of separation as both of you can continue your individual policies.

However, you may prefer a joint policy, involving one application and one regular premium. As the policy only pays out once, the cost is normally cheaper than two policies. However, the policy will end on first death.

As with all insurance policies, conditions and exclusions will apply

DECLINE IN LOW-DEPOSIT MORTGAGE DEALS

Following a warning to lenders by the Prudential Regulation Authority (PRA) in May, many mortgage providers appear to be shying away from the riskier 95% loan-to-value (LTV) market by reducing the number of products available in this tier.

Instead, lenders are increasingly focusing on the lower LTV tiers, at 90% LTV or less, considering these to be less risky.

This isn't good news for borrowers who are only able to save a 5% deposit and they may be best continuing to save for a 10% deposit, rather than opting for a deal now, in order to benefit from a greater choice of products and more favourable rates.

If you'd like help investigating the best deals available for your circumstances, please get in touch.

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MORTGAGE APPROVALS - AT DECADE HIGH

The number of home loans approved by the main high street banks in the UK hit its highest level for ten years in July, totalling 95,126 approvals. This is the highest monthly total seen since July 2009, when just under 100,000 applications were given the go-ahead.

What's driving the growth?

The prime drivers of this growth were new home purchases and remortgage approvals. On an annual basis, remortgage approvals were 19.4% higher, mortgage approvals for home purchases were 16.4% and approvals for other secured borrowing 12.7% higher.This peak in activity can be attributed to a range of factors, including the number of competitive rates available on the market and the fact that July was the month when the odds of a no-deal Brexit reduced, incentivising home-seekers and remortgagers into action.

Approval numbers moderating but still healthy

Although August approval figures moderated to 85,931, approvals for both home purchase and remortgage loans were higher than August 2018 statistics. In September, there were 85,880 mortgages approved. Mortgage approvals for home purchase were 13.5% higher and remortgage approvals were 23.4% higher than in September 2018.

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THE VALUE OF PROTECTION

Think about protection insurance as something that safeguards everything that is important in your world: your life, your health, your home and your job. If you have a partner, children or other relatives who depend on you, think about them too.

Figuring out the difference between life insurance, critical illness, income protection and buildings and contents insurance can be challenging, especially when they are wrapped up in the blanket term 'protection'. Although it's easy to presume there is an overlap between each type and that an individual policy for each one is surplus to requirement, they do all play their part in providing you with adequate cover should something unexpected happen.

We'll speak plain English

Don't let the jargon put you off. Understanding what is available and choosing the right amount of cover for you and your family is important. With so many options available, it might be difficult to choose which type of policy is most appropriate for you on your own. Working with us will help you find protection which is affordable and understand the value of each type of insurance, so you are reassured that you are selecting the correct policies to secure your financial future.

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TO BUY OR NOT TO BUY (A FIRST HOME)

It's not easy being a first-time buyer. Higher house prices, property market instability and stricter lending criteria are all combining to make things that much more difficult for today's aspiring homeowners, also known as 'Generation Rent'.

ONS data shows the age at which more than 50% of people own a home now stands at 36, up 10 years since 1997. Buying later, however, means that more people now face paying their mortgage into retirement. And, with a recent study showing that today's young adults are only half as likely to own their own home as those born 20 years ago, it's little wonder that many despair of ever getting their foot on the property ladder.

A silver lining

However, recent figures show that things could be looking up. August data from UK Finance suggests that now may be a good time for first-time buyers to take the plunge. The number of mortgages (35,010) handed out to this group in August was up by 0.7% on the same month last year, the highest figure since August 2007, at the beginning of the financial crisis.

Help (to Buy) is at hand

Many young people think they'll be saving for years before home ownership is a possibility. But they may not have to: help is out there for first-time buyers which aims to close the affordability gap.

Although the government's Help to Buy: ISA scheme is due to close to new savers on 30 November, the Help to Buy: Equity Loan will remain available until March 2021. With an Equity Loan, the government lends up to 20% of the cost of your home, meaning that you only need a 5% cash deposit and a 75% mortgage to make up the remainder. The government has also announced a new Help to Buy scheme to run between April 2021 and March 2023. This scheme will also include regional property price caps, ensuring access to those who need it most.

Meanwhile, Shared Ownership offers first-time buyers who can't afford to purchase outright, the opportunity to buy a share of a property (between 25% and 75%). Owners then pay rent on the remaining share, with the chance to purchase more of the property at a later date via a process called 'staircasing'.

The rise of the 40-year mortgage

More lenders now offer longer mortgage terms (up to 40 years) to cater to prospective buyers who are finding it difficult to meet the affordability criteria for a standard mortgage. While this has the benefit of reduced monthly payments, the downside is that you'll pay more interest than someone with a 25 to 30-year mortgage.

Don't go it alone

Buying your first home can be stressful, and there's so much information out there that it can feel overwhelming. If you're unsure about the various schemes available or which mortgage term best suits your needs, then just get in touch.

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PROTECTING YOU AND YOUR FAMILY

Losing your partner at any stage in life can be devastating, particularly so, when children are involved. Statistics are quite startling. In the UK, every 22 minutes a parent of children under the age of 18 dies. This equates to 23,600 a year, with around 111 children being bereaved of a parent every day.

Don't put your head in the sand

Family life brings responsibilities. Ensuring your dependants are provided for in case you die should be a top priority, but is this message getting through? With less than a third of people in the UK (30%) having life insurance, which equates to 8.1 million households, it looks like the message isn't spreading to everyone. Worryingly, this is significantly less than the country's 11.1 million mortgaged properties.

When you have young children, that creates additional practical and emotional problems. In addition to dealing with grief, the financial pressures of raising a family can be overwhelming and include the mortgage, bills, cost of food, car and a whole new raft of childcare costs that will now have to come from just one wage. The death of a non-working partner has its own financial impact. Younger couples in particular need to think clearly about the financial realities they might face following the death of a loved one.

Keep things simple

Many products are available but a simple level-term policy, where a pre-decided lump sum is paid out should you die within a stated period, is among the simplest to arrange and usually inexpensive.

As a rule of thumb, life cover should generally provide ten times the main breadwinner's income. The amount should cover any outstanding debts, including mortgage, regular outgoings, potential university fees and so on. The term should reflect the needs of your dependants. Children will probably need support until they leave education and a partner may need it until pensionable age.

Choosing joint or single cover

A joint policy will cover you and your partner, paying out on the first death within the term. Alternatively, you can have separate single-life policies: a little more expensive but potentially two payments. A young, fit individual should find life cover affordable. Premiums rise with age, unhealthy habits (such as smoking) and other factors that affect your life expectancy. Be open about your lifestyle, especially if you have existing medical issues. Your adviser can help find an affordable policy for most circumstances.

Review and relax

A review with your adviser will help to ensure that you have the right cover in place for your financial circumstances, giving you the peace of mind that you've got things covered.

As with all insurance policies, conditions and exclusions will apply

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