

Mortgage & Protection news

The bulletin from Amiable Financial Services

Helping you
meet your borrowing
and protection requirements

» Much has happened in the mortgage marketplace over the last year or so. Schemes have been launched to assist the homebuyer, and tighter lending rules have been introduced, meaning it may be tougher to get the loan you want. In spite of that, more money will be loaned on mortgages in 2014, than the year before, and 2015 may trump 2014. All of this occurs against the backdrop of a Bank Rate that has sat at 0.5% (at the time of writing) for well over five years.

(Sources: Council of Mortgage Lenders, December 2014 forecasts, Bank of England, January 2015)

Increase on the horizon?

The signals from the Bank of England show that a Bank Rate rise could be on the cards. So if you are thinking about improving (or increasing) your current mortgage deal, looking for a new one to support a home move, securing funding for a buy-to-let property, or simply after a mortgage loan for the first time; then now could be the time to review your situation.

Decent deals on offer

Tighter lending rules introduced in April 2014, may have contributed to a slowdown in quarterly growth. However, demand in Q1 2015 is expected to pick up, possibly as a reflection of the spate of decent deals on offer as competition increases amongst lenders.

(Source: Bank of England, Credit Conditions Survey, Q4 2014)



Relax - leave it to us

Of course the strict lending rules remain, albeit the regulatory body - the Financial Conduct Authority - feels that some lenders may have been over-zealous, in certain circumstances, when applying the new affordability criteria. So do take advice. And whilst we don't have a magic wand, we operate in this marketplace day-in, day-out and once we know your circumstances and requirements, we can then identify the most suitable solution for your needs.

Stamp duty changes

There may also be an extra benefit for you. Stamp duty, for residential properties, has been cut for 98% of homebuyers who pay for it. This was implemented with immediate effect, and the new stamp duty rules now operate on a similar basis to income tax - where each percentage rate charged will

only apply to the part of the property purchase price that falls within that tax band.

The upshot of this is if you're buying a home for less than £937,500, you will pay less stamp duty, or the same. And looking more specifically at the average help-to-buy scheme purchase price of £185,000, there would be a saving of £650 under the new rules. As for the £275,000 cost of the average family home, £4,500 would be saved.

(Source: HM Treasury, Autumn Statement, December 2014)

If you'd like to hear more about this and where we could help with your borrowing needs, along with ways to protect you (and your family), then please get in touch.

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

The Financial Conduct Authority does not regulate most Buy-to-Let mortgages and taxation advice.

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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**.

■ Amiable Financial Services is a trading name of Akinniyi Arikawe, who is authorised and regulated by the Financial Services Authority.

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



to remortgage, there could be good news through the 'transitional arrangements' under the Financial Conduct Authority's rulings. This means that as long as the borrower does not increase the mortgage amount (unless it's for essential repairs) and has a good payment history, an affordability assessment may not be required. Whilst the decision will ultimately sit with the lender, it may enable the borrower to move to a better deal.

Interest-only

According to the Financial Conduct Authority there are around 2.6m interest-only mortgages still in place.

(Source: Financial Conduct Authority, August 2013)

Should those in this group want to remortgage, then they may have to revert to a costlier repayment mortgage, which delivers the discipline of paying off both the interest and part of the capital amount each month. However, the chart below shows that the increased payments may not be as much as possibly thought, particularly if an SVR of 4% (or greater) is being compared to some of the better rates currently on offer.

If you're interested to see how remortgaging may work for you, then do get in touch.

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

The enthusiasm to seek out a new mortgage deal whilst remaining in your home has been fairly subdued of late, but with a Bank Rate increase on the horizon that may change.

» The decision for many is to decide if it makes sense to wait until the increase occurs (and see how things pan out); or opt to act sooner when there's less of a rush and, perhaps, better deals could be on offer.

The additional element to throw into the mix is that many have sat with their existing arrangement, or on their lender's Standard Variable Rate (SVR) for a good few years assuming it might be difficult (or not beneficial) to remortgage. However, with recent house price growth, this could mean that the loan required may now represent a lower percentage of the home's value, enabling them to get access to deals, or to benefit from the better loan-to-value (LTV) ones on offer.

And there are plenty of reasons why it may make sense to remortgage, such as:

- Coming to the end of the current deal.
- Wanting to raise extra money to help

fund much-needed home renovations.

- Looking for a more suitable deal than an existing SVR arrangement.

With those issues in mind, interestingly (as reflected in a Bank of England report), the price war across the last quarter of 2014 is expected to continue into Q1 2015, as lenders fight for market share.

(Source: Bank of England, Credit Conditions Survey, Q4 2014)

Some possible benefits for you

If the current monthly payments are affordable then one route to adopt (if you secure a better interest rate deal) is to try to maintain your existing payments, enabling you to pay off your mortgage earlier than planned. Alternatively, you could use the money you've saved to invest elsewhere.

Or perhaps put an amount towards the cost of insurance policies that help protect both you and your family against the unexpected.

Even if you feel you may struggle

The TYPICAL borrower

Opting for the security of a fixed rate mortgage seems to be the route that many are taking these days. Back in 2010 fixed rate deals accounted for 50% of all mortgage loans, by volume. In 2014 (up to October) around 90% are fixed.

And, pretty much all deals (almost 95%) are on a repayment basis - where both the capital and interest are being repaid.

As for the purpose of the loan, the vast majority in the first ten months of 2014 (69%) have used it for house purchase, resulting in remortgaging accounting for 31% of new loans.

A far cry from 2008, when the share was largely reversed, where 63% of all loans were applicable to remortgaging.

(Source: Council of Mortgage Lenders, data to Oct. 2014)

Mortgage Calculator

Here's how to use the mortgage payments calculator: A £100,000 mortgage over 25 years, charged at a 2.5% interest rate would cost 100 x £4.49 (for Repayment) = £449 per month.

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

Interest rate %	Interest-only* £	Repayment £
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

* 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.

BUY-to-LET LANDLORD

With around 1.6m Buy-to-Let mortgages in place - an increase of almost 100,000 in the past year - this sector now accounts for over one in seven of all outstanding mortgage loans!

(Source: Council of Mortgage Lenders, Q3, 2014 figures)



» Buy-to-Let, which suffered badly at the outset of the financial collapse back in 2007/8, continues its recovery. So what does this marketplace offer the budding landlord or even an existing one that wishes to increase their portfolio?

A number of factors may currently work to the landlord's advantage, particularly if they are confident that renter demand will remain and that house prices (albeit slightly tempered of late) will continue rising.

The UK stock market - where there was much talk of the FTSE100 hitting 7000, has seen its value drop in recent times and has now recovered slightly to sit at around 6500.* Elsewhere, the return on savings remains low. So it's understandable that some would rather take control of their money and see if they can get a better return from the Private Rented Sector (PRS).

(Source: *FTSE100, 31 December 2014)

Additionally, the planned relaxation on how the 55+s can access some, or all of their pension fund from April 2015 may mean, for example, that part of those funds might be used as a deposit to help facilitate activity in the buy-to-let marketplace.

Into the future, this sector is expected to continue expanding, with projections that the PRS will grow to 35% of all homes by 2032, partly assisted by some of the following factors:

- Not enough homes are being built to satisfy the demands of a growing population.
- The continuing difficulties some renters have in trying to save up for a house purchase deposit.
- Flexibility offered by renting.

(Sources: 2032 projection: Intermediary Mortgage Lenders Association, May 2014; Population: Office for National Statistics; Housing supply: Home Builders Federation, March 2014; Saving for a deposit: Scottish Widows, Savings Report, released April 2014)

Do your research

Of course, there's no guarantee that you'll be successful, or have continued success, so it's important that you always do your homework, and here are a few tips that may help the budding landlord, in particular.

Tip 1 - Differentiate between your own 'residential home' and an 'investment property'. You can fall in love (or enjoy a labour of love) with the former, but the latter should be a commercial decision.

Tip 2 - Speak to letting agents about areas that are good for renting and how much rent you can expect. And decide who you want to target; such as young professionals, students, or families.

Tip 3 - Do the maths. Once you've located a suitable area, work out how much you will need to borrow, and what you expect to get back. Most lenders will want to see a rental income of at least 125-130% of your monthly mortgage repayments.

Tip 4 - Plan for void periods, when you will have no income, but still have to meet property-related bills, such as council tax, and repair and maintenance costs.

Tip 5 - Be aware of the landlord insurances required, the regulatory issues (both from the UK and Europe), and the need to check out prospective tenants. Also, decide if you want to handle the process yourself, or appoint a letting agent.

Take advice

You'll also need to be aware of the impact of any Bank Rate rise, alongside political issues, such as the outcome of the General Election in May, and any reforms to immigration rules. This all shows that you need to be disciplined in your approach to buy-to-let.

And together with any discussions you may have with your accountant or solicitor, we can help you to assess your long and short-term plans, when looking at the buy-to-let mortgage deals, together with the necessary insurance cover. So please get in touch.

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage. The value of your Buy-to-Let property and income from it can go down as well as up.

You may also require advice on the legal and tax issues. The Financial Conduct Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages. As with all insurance policies, terms, conditions and exclusions will apply.

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

Protect the FAMILY

In spite of healthier lifestyles and improving medical know-how, on average, almost 47 adults, aged 18-44, die every day.

(Source: Office for National Statistics, 2013 figures)

» If the unthinkable happened and the breadwinner died, would the family be able to cope financially, quite apart from the emotional turmoil? It's possible that there may be life cover in place to help pay off the mortgage. But what if the partner left behind has children and needs to provide for everyday items such as food, clothes, utility bills, childcare, or other expenses like holidays and birthdays?

If you think this may not add up to much, then consider the findings from an LV= survey that looked at the cost of raising a child to the age of 21. This stands at over £227,000 - equating to more than £200 per week! It's a pretty sobering figure should an income stream end due to an untimely death.

(Source: LV=, *Cost of a Child report, January 2014*)

Family Income Benefit

If you're a parent with children, then it may make sense to have in place a specific plan to help meet the needs of the children, in addition to any general life cover you may have.

In which case, Family Income Benefit may be one of the better



value protection plans on offer. Rather than delivering a lump-sum should you die, it provides a regular, tax-free, monthly (or annual) payment for the dependants - from the time of the claim to the end of the plan term.

That's why it's well-suited to those with young families, as the idea is that it should be arranged to pay out until the children have grown up, so it's often taken out over a 10 to 20-year term, or whatever is appropriate in your circumstances. Although, please note that this type of policy has no cash-in value at any stage.

How it works

Say you took out a 20-year term, which was set up to pay out £20,000/year and it was claimed against after one year, then the family would receive £20,000/year for the next 19 years, equating to a total payout of £380,000 (if there was no index-linking).

However, if for the same plan, there wasn't a claim until 18 years into the policy term, the total payout would be £40,000. And if, fortunately, there was no claim at all within the 20-year period, then the policy simply runs the whole term without any payout.

Consequently, the resulting lower premium cost (because the potential payout decreases the further through the policy you get), could make the difference between you being able to afford the insurance or not.

Why not talk to us to find out more.

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

How to afford protection cover

You might feel you're already stretched to the limit to find the money to pay for protection.

However, it may be easier than you think when you consider all those little items we may take for granted, like the odd drink or a magazine. In fact, you might be surprised to find out how quickly it all adds up.

Treats	£ Cost/unit (estimated)
Soft drink	1.00
Snack	1.00
Magazine	1.75
Coffee	2.50
Pint of beer or lager	3.50
Glass of wine (175ml)	3.50
Taxi	5.00
Cigarettes (pack of 20)	7.00
Take-away meal	7.00
Total = £32.25	

We don't expect you to give up all of life's little luxuries. But, by keeping an eye on your spending, you could afford to set aside a little extra to improve your financial security.

For example, if you **cut out just one unit each week** of the above items, then you could **save around £140** across a month. And, in many cases, that'll be more than you need to cover the cost of your protection policy.

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

There may be a fee for arranging a mortgage for you. This would typically be 1% of the loan. However, we will discuss your payment options with you and confirm the actual amount payable before we begin to provide our services.

■ The contents of this newsletter are believed to be correct at the date of publication (January 2015).

■ 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.