MORTGAGE MATTERS
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Journey With Us

MORTGAGE MARKET UPDATE

After a strong showing in 2015, the signs indicate that the UK property market has yet to run out of steam in 2016.

The highly-publicised launch in December of the Help to Buy Individual Savings Account, with its attractive incentives and the increased provisions for London buyers under the government's Help to Buy scheme are just two of the many factors creating further demand and upward price pressure in a market where first-time buyer properties remain in short supply.

In a report issued in December by property website Rightmove, they predict that new seller asking prices will rise by 6% in 2016. They believe that this may be the year when many young urban professionals finally leave London and head to buoyant cities like Manchester, Leeds, Cardiff and Edinburgh. Although these areas are becoming more expensive, by comparison with the London property market they may seem more affordable.

Buy-to-Let surcharge looms

Following the announcement of the stamp duty surcharge, would-be landlords will be trying hard to secure suitable properties and complete the purchase before the April 2016 deadline. First-time sellers may find that there is a surge in interest in their properties from potential investors.

On the other side of the coin, some landlords will be worried about the upcoming changes to mortgage interest tax relief and may consider this is the right time to sell up.

The Council of Mortgage Lenders (CML) in their December 2015 market commentary reported that they expect to see further remortgaging activity, whilst interest rates remain low and lenders continue to compete against each other for business with attractive fixed-rate deals. Second and subsequent buyers are expected to be in the market, as they are able to secure better deals as a result of rising house prices improving their equity positions.

2015-16 ISAs
COUNTDOWN TO THE END OF THE YEAR

As we approach the end of the 2015-2016 financial year, you still have time to make contributions up to the maximum allowable limit.

ISA type	Maximum contribution per person per year
CASH and/or STOCKS & SHARES ISA	£15,240
JUNIOR ISA	£4,080
HELP TO BUY ISA	£2,400* +£1,000 one-off contribution when the account is opened

*If you have contributed to a Cash ISA within the 2015-2016 tax year, you won't be able to open a Help to Buy ISA until April 2016 as you can only pay into one Cash ISA per tax year.

Can I get a mortgage?

Following a lull in the market in April 2014, caused by the introduction of stricter lending criteria introduced under the terms of the Mortgage Market Review, the level of transactions in the mortgage market has risen back to previous levels.

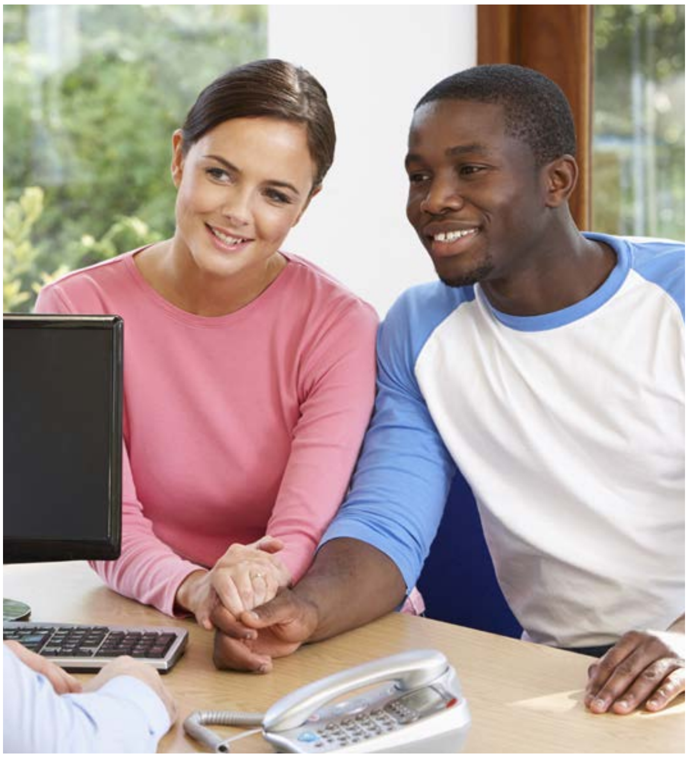
However, lenders still require to see that your finances are in order and well-managed. You can expect to face a lengthy set of application questions and should be prepared to answer some probing questions.

Interest rates

Following the recent rise in interest rates in the US, attention has been focused on the likelihood of a UK rate rise in 2016. It is certainly worth reviewing your mortgage if your current deal is coming to an end, or if you want to fix your mortgage interest rate now ahead of any potential rate rise announcements. Your adviser will be well equipped to review your current deal and inform you if there's a better deal on offer, either from your current lender or from another provider.

HOME INSURANCE – FAQs

Buildings insurance is a straightforward product and usually considered essential if you have a mortgage. Your lender is likely to insist you have cover in place to protect their financial interest in your property. Here are some questions clients often ask when purchasing a policy.



How do I calculate the rebuild cost of my home?

As the term suggests, the 'rebuild cost' is the amount of money you would need to completely rebuild your home from scratch. The cost of rebuilding your home is not the same as its market value and is usually less. That's because the market value takes into account what the plot of land is worth as well as location, local amenities and supply and demand.

Many insurers offer the option of accepting an estimated rebuild value or providing your own figure. If you choose to arrive at your own figure, you can do so with the help of websites such as the Building Cost Information Service or the Association of British Insurers.

If you make any structural alterations to your property, such as an extension or a loft conversion, these are likely to affect the rebuild cost. It is important to check that your buildings insurance cover remains aligned with any work on your property so that you don't run the risk of being under insured.

Will my buildings insurance cover the garage and shed?

If you need cover for buildings other than your home itself, your broker or adviser will be able to find a suitable policy for you. This could include garages, outbuildings, sheds, extensions, conservatories and summer houses. The contents stored in these places would need to be included in your home contents policy.

It is important to check that your buildings insurance cover remains aligned with any work on your property so that you don't run the risk of being under insured.

Policies can also provide cover for patios, drives, gates, fences, walls, swimming pools and tennis courts, within the boundary of your property. As ever, it is paramount to clearly specify what needs to be included under the policy so that you get the right level of cover.

I'm renovating a property, can I get buildings insurance?

If the property is uninhabitable during renovations, then most standard policies will not cover your property as it is not occupied on a permanent basis. Insurers do not generally cover a property if it is left unoccupied for more than 30, or in some instances 60, consecutive days. However, there are insurers who will provide suitable cover for a range of specific risks including storm, flood, fire and theft. Ask your adviser for details.

What about home emergencies?

Home emergencies are usually defined as sudden and unexpected events that in the insurer's opinion require immediate action to prevent further damage to your home and/or make your home safe, secure or habitable. This can include boiler breakdown, burst water pipes, or gas or electrical failures. This is usually an optional extra and is available with many policies.

HELP TO BUY UPDATE

The Help to Buy scheme is part of the government's plan to help first-time buyers, or those with limited equity in their existing properties, to move.

There are two components to the scheme, one is the Equity Loan the other is the Mortgage Guarantee.

Equity Loans

These will be available until 2020, are open to first-time buyers and home movers and are exclusively for new-build homes. The buyer is only required to raise a 5% deposit and the government provides a further loan of up to 20%. This 25% deposit means that lenders participating in the scheme offer more attractive mortgage rates. The government portion is interest-free for the first five years and then charged at 1.75% and rises in subsequent years. If the loan isn't repaid while the borrower lives in the property, the government will reclaim its 20% stake in the property at its then current value. If house prices continue to rise, this could be a hefty amount.

Mortgage Guarantee

This part of the Help to Buy scheme launched in 2013 and is scheduled to end in December 2016. Unlike the Equity Loan, the Mortgage Guarantee element applies to both new build and existing homes. Also applicable to buyers with 5% deposit, the government will act as a guarantor for a further 15%, creating a total effective deposit of 20%. Due to the fact the loan has government backing, the interest rates available should be lower. This is effectively an arrangement between the government and the lender, providing the lender with peace of mind to lend a larger sum.

Building up your deposit

The recently-introduced Help to Buy ISA has been widely publicised and offers savers an excellent way to build up funds for their deposit.

Available since 1 December 2015, savers can pay in an optional initial deposit of £1,000 when the account is first opened; in addition contributions of up to £200 per month can be made. As an extra incentive, the government will pay a bonus of £50 for each £200 of monthly savings contributed.

The minimum needed to qualify for the bonus is £1,600. In order to claim the government's maximum bonus of £3,000, you need to save £12,000.

Help to Buy or ordinary mortgage?

In a nutshell, if you only have a 5% deposit you will need a 95% loan. You might be able to obtain this through a Help to Buy lender, but not all lenders offer them. Whether you will be better off financially with an ordinary mortgage or using the government scheme will depend on your individual circumstances.

Mortgage finance is a competitive market with new deals being announced by lenders on a regular basis. Your adviser will be able to talk you through the options and help you find the best and most appropriate deal.

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LIFE COVER – WHAT THE JARGON MEANS

First things first, it is worth understanding the difference between life assurance and life insurance. You will often see the terms used interchangeably, however they do vary in definition.

Life insurance

Life insurance covers you for a set term of years which you decide on from the outset, often between 10 and 25 years. People taking out life insurance do so for the term of their mortgage, or to provide cover while their family is growing up. Life insurance provides a lump sum or in some cases a regular income, if you die during the term of the policy, but not if you die after the term of the policy has expired.

Life assurance

Life assurance is the term applied to policies that do not have a fixed term. This type of policy covers you until you die, and is often referred to as 'whole of life' cover, and pays out when you die, whether that is weeks or years after you have commenced the policy. Some insurers require you to pay premiums (see below) until the end of your life, but others allow you to stop paying premiums when you reach a certain age. The policy will provide a lump sum when you die.

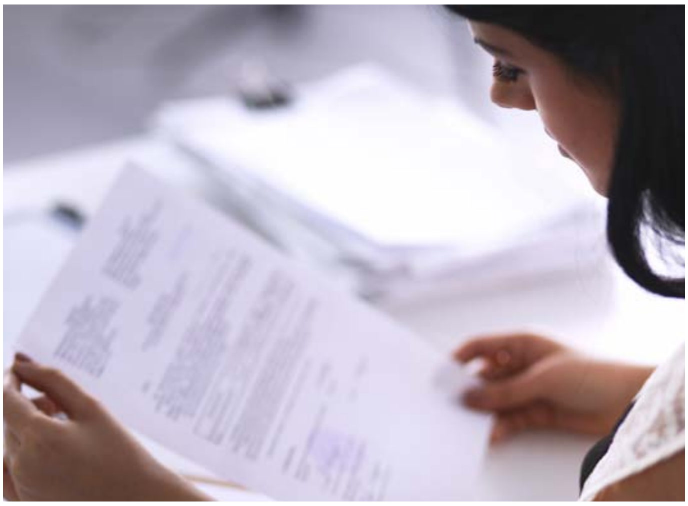
Premiums

The payments you make into your policy for your agreed amount of cover are referred to as 'premiums' and are usually paid monthly.

Sum assured

The sum insured (life insurance) or sum assured (life assurance) is the minimum amount the insurer pays to the policyholder's nominee if the policyholder dies. It can be paid as either a lump sum or a series of monthly payments, depending on the policy. If you have insurance cover of £100,000 for example, then your guaranteed sum assured will be £100,000.

You can take out policies where the sum assured reduces each year until, at the end of the plan, it decreases to zero. This type of policy is often used in conjunction with a repayment mortgage, where the amount of loan outstanding is reducing, so the amount



of life cover needed to protect it, is also reducing. Equally, there are policies where the reverse happens, and the sum assured increases automatically, usually on the anniversary of the plan.

Exclusions

Insurers sometimes refuse an application for cover. This can be because the applicant has an occupation that is considered high risk, or they engage in risky pastimes such as mountaineering or motor sports, or they have health problems or lifestyle issues. You should bear in mind that each insurer approaches these issues in a different way. If you come under one of these categories, your broker or adviser will be able to research the marketplace and let you know what options are available to you.

Some insurers require you to pay premiums until the end of your life, but others allow you to stop paying premiums when you reach a certain age. The policy will provide a lump sum when you die.

The level of fees will vary according to individual circumstances but will typically be £575 and we are also paid commission from the lender