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INSIDE THIS ISSUE

WHO HAS BENEFITED FROM HELP TO BUY?

Help to Buy
Backed by HM Government

The latest statistics[1] show the scheme has helped over 220,000 home-buyers. The average house price across the scheme is £191,000, illustrating that it's helping people buy at the lower end of the housing market. With the government having pledged earlier in the year to fix the UK's "broken housing market" it's welcome news that over 180,000 of those using the scheme are first-time buyers.

There is a Help to Buy ISA (closing on 30 November 2019), that lets first-time buyers save for a deposit tax-free. There is also a Help to Buy Equity Loan scheme that provides a government loan of up to 20% to first-time buyers and existing home owners in England which is added to their own 5% deposit. In Scotland, the loan can be up to 15%, and is available for new-build property. The London version of the scheme offers equity loans of up to 40% of the purchase price, and requires a 5% deposit.

There are conditions and restrictions attached to the scheme and it may not be appropriate for everyone. For full details speak to your financial adviser.

[1] Gov.UK, Dec2016

GETTING YOUR OFFER ACCEPTED – HOW TO GIVE YOURSELF THE BEST CHANCE

As we all know, buying a home ranks high up on the scale of stressful events. You need to have a plan in place from the moment you start seriously looking, so that if you find somewhere that's right for you, you're prepared and can get your offer in quickly.

With the amount of property available for sale currently dwindling, getting your offer accepted on a property you have fallen in love with requires careful thought and action.

So how do you give yourself the best chance of getting your offer accepted?

BE SMART

You need to be prepared to be nimble and business-like from the outset. If you like the look of a property listed on a website, contact the agent and book a viewing as soon as you can. Make sure the agent knows your circumstances and that you're a serious buyer.

BE PRACTICAL

If you're a first-time buyer or living in rented accommodation, with a mortgage offer in place, you are in a better position than someone further up the housing ladder who will need to sell their existing property. Make sure if you're in this nimble position, that the agent and seller are both aware of your circumstances. If your seller is keen to move quickly, your offer may be more appealing than one at a higher price. Sellers who are not in a hurry to move are more likely to hang on for a better offer.

BE AWARE

Finding out all you can about your seller's situation and their moving plans can help you prove to them that you're a suitable buyer. Telling them what you like about the property and reassuring them that you'll take good care of it could help them to find your offer more appealing than others they may receive. Building a good relationship with the seller can also help you find out valuable information about the neighbourhood and the property in a way that the agent's details can't do.

BE READY TO MOVE

If you can help the seller by working around their moving dates, then they may see you as the most suitable buyer. If they need a delayed completion to give them more time to find their next property, being flexible and helping them with their plans can be an advantage.

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HOW WOULD YOUR FAMILY SURVIVE IF ILL HEALTH WERE TO STRIKE?

With inflation now rising, many families are understandably concerned about the impact of higher prices on their already-stretched household budgets. If an unexpected and serious illness were to strike, they could find themselves in financial difficulties before long. At a time like this a protection policy that pays out a cash sum would be a tremendous benefit.

Critical illness cover means that if you were to be diagnosed with a serious medical condition, you would receive a tax-free lump sum payment. No-one would want to be worrying about their finances when seriously ill, so having this type of cover in place could provide valuable reassurance for you and your family.

Policies generally cover cancer, coronary artery bypass, heart attack, kidney failure, major organ transplant, multiple sclerosis and stroke. Permanent disability caused by an illness or injury is usually included too.

A LUMP-SUM PAYMENT

Generally, you will receive your tax-free lump-sum payment around 30 days from making a successful claim. You could use it to pay off your mortgage or other debts, pay for nursing care or use it to make alterations to your home such as wheelchair access.

PARTIAL PAYMENTS

Some policies include what is called 'severity-based cover', where the policy pays out a proportion of the sum assured, depending on the severity of the diagnosis and continues to provide cover for the more serious conditions.

Some insurers do require you to undergo a medical examination before they will quote for providing cover. You will need to provide detailed information about your medical history. Premiums are based on an assessment of your state of health. If you have existing health problems, then they won't be covered under your policy.

There's a wide variety of policies on the market covering various medical conditions, so taking expert advice will help you make the right choice.

If the policy has no investment element then it will have no cash in value at any time and will cease at the end of the term. If premiums are not maintained, then cover will lapse.

ZERO-HOURS CONTRACTS AND MORTGAGES

A zero-hours contract is one under which an employee isn't guaranteed work. They are often mentioned in the press because, whilst they suit some employees, others struggle with the lack of job security that comes with them.

Many workers find zero-hours contracts of benefit to their circumstances because they provide the flexibility of being able to fit work around other commitments, like child care or looking after elderly parents. These contracts can also provide an opportunity to work more hours, if they are available.

BUYING A HOME

Although many people on these contracts can show they receive a regular income and feel they are easily able to afford mortgage repayments, not all mortgage lenders view these workers in the same light.

Being on a zero-hours contract isn't on its own a reason to be turned down for a mortgage; however, you can expect to go through a more stringent mortgage application process than someone who works on a standard employment contract.

When applying for a mortgage, you will need to show evidence of at least 12 months' employment, and some lenders may ask for two years of employment history before they will consider your application. It can also be helpful if your employer can provide any supporting evidence to show proof of future employment and the likely number of hours you can expect to work.

BUYING JOINTLY

If you're applying for a joint mortgage with a partner or friend, then the lender will take into consideration both financial circumstances. It will obviously help your application if the person you are borrowing with has a stable financial situation.

YOUR FIRST STEP

Getting the right financial advice is crucial. As mortgage advisers, we can assess your individual position and be able to gauge your chances of being offered a loan. More lenders are now granting mortgages in these circumstances, and we can provide the advice you need.

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THE ARITHMETIC OF DOWNSIZING, DOES IT ADD UP?

For those who didn't manage to save enough to fund their retirement, or find their existing home is too big and expensive to run, there can be an easy answer. You sell your home, move to a cheaper one and live off the money you've made. Moving somewhere smaller, the theory goes, can be a good way to slash household expenses such as heating bills and council tax. You could end up with a reasonable amount of cash to spare. But do the sums really add up?

The former pensions minister, Steve Webb, now a director at insurer Royal London, had some strong words to say to those intending to rely on their home to fund their retirement. He has called this the "downsizing delusion", expressing the view that most people doing this would experience a fall in their living standards on retirement. He went on to say that "in most of Britain, the amount of money you could free up by trading down to a smaller property would only generate a very modest income."

LACK OF RETIREMENT HOUSING

With shortages in all sectors of the property market, it could be hard to find the right property to downsize to, in a suitable location close to local amenities, like shops and doctors' surgeries, which are important considerations for older people. In addition, many people still have children living with them, or are still paying off their mortgage, meaning that downsizing might not work for them.

Mr Webb illustrated his point with this example, based on 2016–17 tax year full new state pension of £155.65, which was increased to £159.55 from April. If someone sold a detached house for, say, £310,000 and traded down to a semi-detached home at £197,000, they would have around £113,000 to use as a pension. He calculated that this sum would buy

an annuity paying around £5,700 a year. Add to this the value of a state pension at £155.65 per week and this will give an annual income of around £13,700 a year, half the average wage of a full-time worker.

MORTGAGES AND AFFORDABILITY

Affordability issues are deterring buyers, which is causing annual house price growth to stall, according to data from the Office for National Statistics. Its figures, based on Land Registry records, show that the average price of a residential property in the UK dropped by 0.6% between February and March this year.

Aspiring homeowners are often confronted with a lack of supply, the need to find a huge amount of money for a deposit, rising inflation and concerns about what Brexit might mean for their employment prospects

GOOD NEWS FOR OLDER BUYERS

Most lenders reviewed and tightened their lending criteria following the 2008 financial crisis and subsequent Mortgage Market Review. However, as the population ages, more people divorce and remarry, having a lending age cap doesn't make it easier for older borrowers to get mortgage finance. So, it's welcome news that many lenders are becoming more flexible and are increasing their upper age limits. The Nationwide, for example increased its upper age limit for final repayment to 85 last July, with others following suit.

However, there are further issues that need to be addressed. For example, many lenders do not accept selling a house as a repayment strategy for those with interest-only mortgages. This can be restrictive to older borrowers who are keen to downsize to a smaller property, or wanting to move to a retirement home.

PARENTS FACE AFFORDABILITY ISSUES TOO

There's evidence that young women are delaying pregnancy because of worries over affording a mortgage. The average age of a first-time mum in the UK has risen to 27. People aged in their 30s often feel under

pressure to delay family plans due to worries about being able to afford repayments on the size of mortgage they would require for a home big enough to meet their needs.

If you're thinking about buying a property, do get in contact with us for some sound mortgage advice. We know how the various banks and building societies apply their lending criteria and can help you find the most appropriate lender and loan based on your circumstances.

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TRENDS IN LIVING

Owning your own home is a desirable goal for many people. However, over the last few years, property prices have kept on rising most of the time, putting the home-owning dream beyond the reach of many.

Home ownership has fallen in percentage terms and a higher proportion of home owners than ever before are aged over 65. First-time buyers are getting older and some despair of ever being able to buy a property.

Meanwhile, the rental sector has grown rapidly, fuelled in part by the rise of the buy-to-let landlord. In many ways, we've become more like our counterparts in other European countries who have traditionally rented, as do the citizens of other major cities like New York.

The housing white paper issued by the government in February, was entitled "Fixing our broken housing market" with good reason. To broaden UK housing options, the white paper proposes a shift away from the historic focus on home ownership, emphasising instead the alternatives such as the construction of more rental property, multi-tenure house building and family-friendly tenancies which are two to three years long.

Although the proposals have been well received, they are unlikely to come to fruition for a few years, so if you're considering your property options, how do you decide whether to rent or to buy?

Renting gives you flexibility, as you can move to another location and rent a different type of property pretty much to suit yourself. But it does mean that you aren't building up valuable equity in your own property as you would if you had bought it. Owning means that you have the satisfaction of knowing that at some point, if you keep making the repayments, you'll own your home outright.

DO THE SUMS ADD UP?

There's lots to think about if you want to buy. Saving the deposit is really only the first step. You'll need to be able to show a potential mortgage lender that you can manage your money competently and that you can comfortably afford the monthly repayments now, and in the future.

You'll need to think about the costs of buying including legal fees, any stamp duty you're liable for, property surveys and costs associated with moving. When you own a home, you'll need to find money for council tax, utilities, maintenance, furniture and home improvement costs too.

Whilst buying a home may be a major goal for many, the chances are you'll have other ones too. You should also think about contributing to a pension plan, saving for major financial outlays like having a family or starting your own business.

If you'd like some help about establishing your financial goals and planning how to achieve them, then get in touch.

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DOES YOUR MORTGAGE NEED A MAKEOVER?

With interest rates remaining low, and many lenders offering competitive deals, this could be a good time to review your existing mortgage arrangements. The monthly mortgage repayment is often a family's major outgoing, so it's a good idea to review your mortgage from time to time to see if there's a better deal currently available in the marketplace that could save you money.

If your existing mortgage deal is coming to an end, or if you've been with your lender for a while, this could be a very good time to think about switching to get a more cost-effective mortgage deal, either with your existing lender or by switching to another one.

This could be particularly beneficial to the estimated three million mortgage borrowers in the UK who are currently paying interest at their lender's standard variable rate.

If you'd like to review your current mortgage deal, then please do get in touch. We will be able to assess your circumstances and recommend the most appropriate mortgage based on your circumstances.