

# Essentially Mortgages



What does 2020 hold in store for the property market?

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Self-employed? Securing a mortgage need not be mission impossible

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Is mortgage apathy costing you money?

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## Q1 2020

Life insurance for astronauts?

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Missed the Help to Buy ISA deadline?

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Moving house may cost more than you think

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Quilter  
Financial  
Planning

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## What does 2020 hold in store for the property market?

*Last year, activity in certain areas of the property market was subdued, with political and economic uncertainty causing both buyers and vendors to hesitate. However, recent market sentiment indicates an expectation of a pick-up in sales and prices throughout 2020<sup>1</sup>.*

### **First-time buyers continue to dominate**

First-time buyers (FTBs) dominated the market in 2019, with those entering the property market accounting for more than half (51%) of homes purchased with a mortgage. The latest available figures show that over 32,000 FTB mortgages completed in October, which together with predicted figures for November and December, mean that the number of people who took their first step on the property ladder last year is estimated to have reached its highest level since 2007<sup>2</sup>.

This trend is expected to continue as FTBs benefit from low interest rates, Help-to-Buy schemes, Stamp Duty relief (not applicable to Land Transaction Tax in Wales) and reduced competition from purchasers such as buy-to-let landlords.

### **Longer-term borrowing**

The trend for longer-term mortgages looks set to continue in 2020. Longer-term mortgages allow borrowers to

lower their monthly outgoings and gain access to larger loans, even with stricter affordability rules limiting how much can be borrowed. Data indicates six in 10 mortgage deals now come with a standard maximum term of 40 years. Lenders have also been extending their maximum age limits, meaning that many current borrowers won't pay off their mortgage until they are in their eighties.

### **We can help**

Are you planning to move, get a buy-to-let, remortgage, downsize, release equity or just review your current mortgage deal? Whatever your intentions for 2020, we can advise you on all aspects of your mortgage and protection requirements. As experts in the ever-changing mortgage market, we will ensure you have the best mortgage deal to suit your requirements and the most suitable protection policies for your individual needs.

<sup>1</sup>Royal Institution of Chartered Surveyors, Nov 2019

<sup>2</sup>UK Finance, Dec 2019



## Self-employed?

### Securing a mortgage need not be mission impossible

*Being self-employed is an option for an increasing number of the population, for a whole host of reasons, including the pursuit of a better work-life balance and the appeal of being your own boss. Despite common misconceptions, being a 'selfie' does not need to be a barrier to getting on the property ladder. In many cases it simply requires a little organisation.*

#### **One size doesn't fit all**

To be satisfied that you can afford to make the repayments on your mortgage, potential lenders will want reassurance of a steady income. While this is straightforward for those in employment, it is trickier for self-employed people, who are more likely to earn an irregular income. Although criteria can vary between lenders, typically you'll be asked to provide proof of earnings in the form of three years' worth of accounts, before an offer is made, although some may lend on less. It pays to keep your accounts up to date and prepared by a qualified accountant.

#### **Be on top of your figures**

Understandably, lenders will want to carefully analyse your figures to ascertain affordability. In addition to

your accounts, be ready to have your business and personal bank statements scrutinised. Your monthly bills, your spending on socialising, credit card bills and any loan repayments will be reviewed too.

#### **Keep saving!**

Having a substantial deposit behind you is a great starting point, not only for obtaining the mortgage itself, but also for getting access to better deals and potentially reducing your monthly repayments.

#### **We are here to help**

Getting a mortgage when you're self-employed can seem like a daunting task, but we are here to help you find the right lender and mortgage to suit your circumstances. Owning your own home does not need to be mission impossible.





## Garages and gardens – house hunters’ top priorities

*Most prospective homebuyers have a wish list of the features they’re looking for in an ideal property – but some characteristics are more sought after than others.*

According to property website Zoopla<sup>3</sup>, which analysed the most searched for terms among its users last year, parking was the top priority, with ‘garage’ and ‘parking’ taking first and third places, respectively. Many aspiring homeowners are also looking for a garden, ranking second on the list.

### Sign of the times

Some of the search terms were clearly related to modern societal issues, with the once unfashionable ‘bungalow’ moving into

fourth place – most likely a result of the UK’s rapidly ageing population. Meanwhile, ‘freehold’ ranked seventh, probably reflecting the rising tide of dissatisfaction with the current leasehold system.

### Location, location, location

The top hits weren’t all practical in nature; some terms reflected searchers’ aspirations for their ideal location, with ‘rural’ and ‘sea view’ both featuring in the top 10.

<sup>3</sup>Zoopla, 2019

## Home affordability improving for many

*Nearly two-thirds (64%) of Britain became more affordable for home buyers last year. Research<sup>4</sup> has highlighted that, at a local authority level, wages increased faster than house prices in 233 areas of Britain, during 2019, improving affordability for homebuyers.*

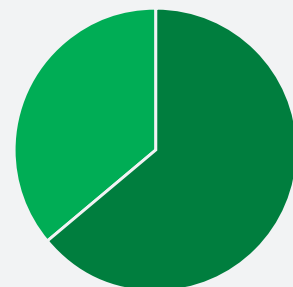
However, buying a home in almost half (49%) of local authority areas remains less affordable than in 2007, before the financial crash. This is because, despite an increase in wages, house prices in those areas have risen at a faster rate.

### Regional variations

Despite improvements in affordability, average house prices in some areas, such as parts of central London, are over 20 times the average local wage. In other places, such as Copeland in Cumbria, a low house price to wage ratio of 3.7 exists. Across the UK, the average house price to earnings ratio is 7.72.

Westminster in London was the least affordable part of the country and Burnley in Lancashire was the most affordable.

<sup>4</sup>Yorkshire Building Society, Dec 2019



## Is mortgage apathy costing you money?



*Failing to switch from a lender's Standard Variable Rate (SVR) once a fixed, discount or tracker mortgage deal ends, can result in homeowners being penalised for their inertia.*

It's estimated that there could be as many as two million homeowners who haven't switched from an SVR and with average potential savings of £4,500 a year to be made<sup>5</sup>, this is one area where you shouldn't be apathetic about looking for a better deal.

Reasons given for failing to look for a better deal include: a belief that switching is too complicated, being unaware of a lapse onto an SVR and not being tuned in to your eligibility to switch.

Reviewing your mortgage regularly will ensure you are on the best deal. Being savvy with your hard-earned money makes sense and could be the equivalent of a healthy pay rise. Get in touch, we're here to help.

<sup>5</sup>Trussle, 2019

## Life insurance for astronauts?

*The first astronauts to travel to the moon had a problem. No life insurers would cover a team about to embark on a potentially lethal mission.*

Then, the crew had an idea. They autographed a number of postal envelopes, rightly assuming these would soar in value if they died and leave enough money to take care of their families.

### **It's a bit simpler nowadays...**

Whilst the Apollo 11 crew's unconventional approach is admirable, fortunately, it's much easier for the average person to obtain life insurance these days. Even if you're not embarking on a dangerous mission, it's still important to have cover.

### **Once in a blue moon?**

Although it's difficult to think about, it's best to be prepared for various scenarios, such as illness or death. Although not cheery topics, they should be planned for. If you know your family would struggle to pay the bills without your income, then life insurance is essential and will give you valuable peace of mind.







## Are your Christmas gifts insured?

*For many, the new year is a time to take stock and make plans for the year ahead. It's also an excellent time to reassess your contents insurance.*

It's likely that family members will have received expensive tech over Christmas, such as laptops, tablets or smartphones. If so, your current policy may no longer provide sufficient cover.

### Stay protected

If you're unsure whether your contents cover is still sufficient, we can help find the best options for your circumstances.



## Thinking of remortgaging in 2020? You're not alone

*Competition among lenders during the last quarter of 2019 was good news for anyone looking to remortgage. Latest figures show remortgage approvals were almost 13% higher in October 2019 than the same month of 2018<sup>6</sup>.*

The trend looks likely to continue into 2020, as mortgage rates have decreased over recent years and many borrowers are coming to the end of a fixed term and looking to access lower rates. April is predicted to be a big month for remortgages, accounting for around 11% of the £184bn mortgage maturities in 2020. The biggest month for remortgages this year is likely to be December when £25.6bn worth of mortgages mature.

If you are looking to save money by remortgaging in 2020, get in touch.

<sup>6</sup>UK Finance, Nov 2019



## Moving home may cost more than you think

*Unexpected bills can add thousands of pounds to the cost of moving home, totalling on average £10,414 and most of these extras are required to be paid upfront. In London, the average cost is a massive £24,585<sup>7</sup>.*

The cost of moving includes Stamp Duty, estate agent fees, conveyancing, surveys, removals and an Energy Performance Certificate.

### The top two costs

The biggest upfront cost is Stamp Duty, with costs averaging £4,625 and accounting for 44% of the average home move, or 65% in London where higher property prices mean higher Stamp Duty

liabilities. The second biggest moving cost you're likely to face is estate agents' fees, which will, on average, cost £3,356, depending on the property price and whether you have agreed a fixed fee.

### Other costs

The average home mover now pays £1,490 to a solicitor for conveyancing and £408 to a surveyor. Other moving costs include removal charges, which vary according to how far you are moving and the contents being moved, and an Energy Performance Certificate (EPC) which has no fixed fee and typically costs £60 to £120.

### Positive news for first-time buyers

First-time buyers find it cheaper to move due to their exemption from Stamp Duty on properties worth up to £300,000 (rules differ in Wales and Scotland). The average first-time buyer can expect to pay a total of £1,613 on average to move home across the UK, or £5,684 in London.

<sup>7</sup>reallymoving, Sep 2019

## Missed the Help to Buy ISA deadline?

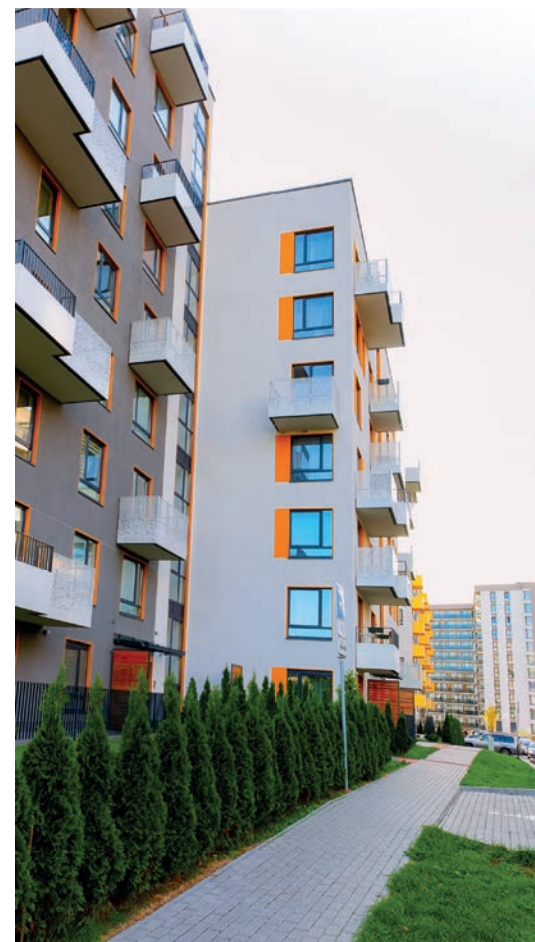
*The Help to Buy ISA, which helped home buyers to purchase over 256,000 homes, worth a total of £44bn, closed to new entrants last November.*

If you missed the opportunity to open one, a possible alternative is a Lifetime ISA (LISA).

### What is LISA?

LISA was launched in 2017 and allows you to save for a first home or retirement. Anyone aged 18-39 can open a LISA and you can continue paying in until age 50.

You can save or invest up to £4,000 per tax year and interest or dividends and any capital gains will be tax-free. The government will add a bonus of 25% i.e. up to £1,000 in respect of each annual contribution. Remember that anything you contribute to a LISA counts towards your overall annual ISA limit, which is currently £20,000 (tax year 2019-20).







## Your changing protection needs for every life stage

*Life is full of surprises and not all of them good.*

With this in mind, having the right level of protection in place is essential to avoid financial exposure. Once protection is in place, it's worth reviewing it regularly to ensure you have the right cover as your circumstances change over the years.

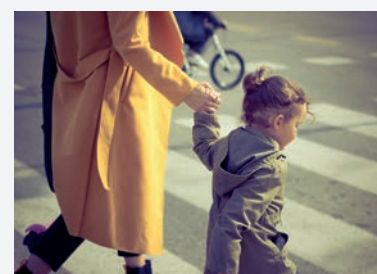
A recent survey<sup>8</sup> reveals that just 27% of consumers are confident of the levels of protection they have in place. The results also show that people tend to overlook potential health issues, instead thinking that an early death is more likely than a serious health condition. Participants indicated that they think it's twice as likely they will die during their working life than have an accident that could stop them from working.

Financial pressures can cause huge strain. More than 50% of 18 to 35-year-olds say if their health prevented them from working, their savings or investments would last them less than three months.

### Trigger points

Discussing your protection requirements with us will ensure you have the correct level of cover in place for you and your family. Certain trigger points, such as getting married, having children, moving home and taking on greater financial liabilities, are great prompts to reviewing the suitability of the cover you may already have in place.

<sup>8</sup>Royal London, 2019



## Five things to remember when you move home

*Moving home is often cited as one of life's most stressful events, alongside other major events including getting married, having a baby, starting a new job and getting divorced, so it's easy to lose track of everything you need to take care of when you move home.*

### Insurance

It's a condition of most mortgage lenders that buildings insurance is in place. It's advisable to have insurance cover in place for the day you exchange (when the contracts become binding) to avoid the property being uninsured for the days, or even weeks, before the transaction is complete and you move in.

### Electoral register

As well as ensuring you can vote, being on the register is important for

maintaining a good credit score in the future.

### Energy suppliers

You will need to take meter readings in your old home to get a final bill. Take a quick picture on your phone. Remember to take readings in your new home as well and this is a perfect time to consider switching energy suppliers if you aren't on the most competitive deal.

### Check everything works

The last thing you want is to move in, unpack and then realise that something like the boiler isn't working. Find out where important things such as the fuse box and stopcock are when you first move in.

### Change the locks

The previous owner may have forgotten they gave a spare key to someone. Arrange to have a locksmith call out to the house on the day you move in and get the locks changed, just to be safe.

With these and other things ticked off your moving checklist, you can put the stress of the house move behind you, take some time to relax and look forward to the next chapter of your life.

**IMPORTANT INFORMATION:** We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.