Spring/Summer 2018

Mortgage & Protection news

Blue and White Mortgage & Insurance Services

BLUE AND WHITE MORTGAGE & INSURANCE SERVICES

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Your Future Plans

Whatever your borrowing needs may be, the cost of borrowing and your eligibility to borrow will obviously be factors to consider.

» In May, the Bank of England left interest rates on hold at 0.5% and, on current projections, expects a gently rising path for the Bank Base Rate over the next three years. It added that any future increases are likely to be at a gradual pace and to a limited extent.

Issues to consider

A future rise in the Base Rate would have an impact on the cost of mortgages, but it's not the only factor. Fixed Rate mortgages, for example, are influenced by SWAP rates (the interest rate charged between banks for lending to each other).

Additionally, some lenders may be keen to build their market share, and offer better deals to generate more business.

How it could affect you

For whatever reason you require funds, we are mindful that taking on debt, at any time, is a major commitment. That's why it is **important to take professional advice** when trying to identify a way forward, that's most suitable (and viable) for your needs.

According to Mortgage Brain, the cost of most mainstream mortgages actually fell across the first quarter of 2018. However, it also stated that a number of lenders had, more recently, started to increase their rates.

(Source: Mortgage Brain, April 2018 release)

The decision in May to keep the rate at 0.5% could subsequently influence interest rate pricing on some mortgage products.

Understandably though, any future increase in the cost of mortgages would be a concern for many, and more immediately for the **4 million or so who currently sit on a variable rate with their lender.**

(Source: UK Finance, November 2017)

Other key pointers

Another issue to think about is how house prices could move across the year. Nationwide felt that annual UK **house prices** may only rise around 1% in 2018 (albeit with regional variations), with 3-4% over the longer term. So far though, we have seen a 2.6% UK house price increase in the year to April 2018.

(Sources: Nationwide, December 2017 & April 2018 releases)

The government is also committed to increasing the number of **new homes** that are built each year. In many cases this will assist **first-time buyers,** who continue to benefit from various government initiatives.

Don't forget Protection!

It's understandable that you might feel you need to focus all your energies on securing the mortgage you need.

However if, down the line, you were off work long-term due to an injury or serious illness, or faced an untimely death - you or your family may be very grateful that there was a **protection policy** in place.

You might already be covered, to some extent, but circumstances do change, so it could make sense to have a conversation about this, in addition to any plans regarding your borrowing needs.

Talk to us to find out more.

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

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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.**

■ Blue and White Mortgage & Insurance Services is an Appointed Representative of Mortgage Saving Experts Ltd which is authorised and regulated by the Financial Conduct Authority under number 779662 in respect of mortgage, insurance and consumer credit mediation activities only.

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

ADVISER SUPPORT

Did you know that around 80% of all mortgages go through intermediaries (such as us)? *(Source: iress, Mortgage Efficiency Survey, Sept. 2017)*

When we assess your needs, and identify suitable solutions across the wider marketplace, we naturally embrace technology to help us come to our conclusions. However, part of the reason why intermediaries account for around 8 in 10 of all mortgage transactions is that we **deliver a human face** to enable you to fully understand the options on offer from the lenders and protection providers.

Where we stand in the mix

We also recognise that most of you will have time-pressed lives. In which case, we'd endeavour to help reduce the hassle of filling out forms and applications. Furthermore, we would hold your hand throughout the process, and try to liaise with various parties along the way.

By talking to us, it may also help protect your credit score, as we'd have a better feel for issues that may score you down.

Overall, we would aim to inform and reassure you as we work towards identifying the most suitable solution(s) to meet your specific needs.

Additionally, as **we work primarily on your behalf**, which enables us to take a view of the wider marketplace rather than just what's on offer from one high street lender, or one insurance provider.

Also, we have a wide range of market experience, as our client base covers a number of areas, such as those who:

- are new to home ownership.
- have a home and may want to move up (or down) the property ladder.
- want to stay put and seek out a better deal, or require further funds.
- are active as a buy-to-let landlord.

Smoothing your path

We would also help navigate you through the raft of tighter rules, which now apply to 'evidencing of income' and 'affordability' measures. This is in place to ensure that borrowers are stress-tested to see if they can, not only meet current payments, but are also able to cope should the interest rate rise.

In this respect, different lenders may interpret the rules in alternate ways, meaning that if you can't get the loan you need from one, the answer may not be the same elsewhere. Yet another reason for securing advice from someone that is operating in this marketplace, day-in, day-out.

Please get in touch to hear more, and do remember we don't just advise on mortgages, there's protection, and much more.

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

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

Able to RELAX & RECUPERATE?

Many of us (albeit not enough) have life cover in place, should the worst occur, but what if you didn't die, and instead found yourself off work for a long period, due to illness or injury. **INCOME PROTECTION** meets this need.

An Income Protection plan is designed to pay out a tax-free monthly sum in the event that you can't work due to illness or injury. The maximum amount you can generally opt for is up to about 60% of your monthly income before tax, although if you can manage with a lower amount than this, then it would be reflected in a lower premium charge.

Of course, you may think that being off work long-term due to illness or injury is primarily an issue for those nearing retirement. If so, think again, as the average age at the time of the initial claim comes from those in their mid-40s!

When taking out the policy you should agree a deferment period, as you may be entitled to employee benefits and state support for a period of time. So do check what's on offer, if anything, from your employer. From here we can work out the best time for the policy to kick in. The longer you defer starting the payouts, the more affordable the premium should be.

And do be honest about your medical history when completing your application.

Once the monthly payments do start, they could continue until you're well enough to return to work; have retired; the policy ends; or on death - whichever occurs first.

In the interim period, some plans may also offer additional rehabilitation support to help get you back on your feet.

Income Protection is a complex product, with a vast array of options, so it is essential that you take advice. As with all insurance policies, terms, conditions and exclusions will apply.

In January 2018, remortgaging was 19.1% higher than the same month a year earlier. In fact, this was the highest monthly number of remortgages since November 2008!

(Source: UK Finance, January 2018 figures, released March 2018)

» In certain cases, the desire to remortgage may be a reactive one such as coming towards the end of your deal period, or that you're already sitting on your lender's Standard Variable Rate (SVR).

Alternatively, it could be for proactive reasons such as wanting to improve on your current deal, looking to move, or perhaps to raise some additional funds for much-needed home improvements.

End of deal period

Possibly partly due to some excellent rates over the last few years, a number of the borrowers who remortgaged may now be coming towards the end of two or three-year deals. In fact, it is estimated that around 1.5 million residential mortgages will come to the end of their deal period in 2018.*

Within this mix, around 80% may have taken out a fixed rate deal, meaning that the vast majority won't have faced any interest moves until the end of their deal period.** *(Source: UK Finance/CML, *March 2018 analysis, **July 2017 report)*

Dependent on the type of deal taken out a few years back, some may be pleasantly surprised to see that what's on offer.

On the lender's SVR

Alternatively, if you're on an SVR (or about to revert to it), then you are likely to be paying out more for your loan.

In some cases, there are people who have remained on it who feel they would not be able to secure a new deal due to the more stringent requirements that are now in place. That may be the case, but just as easily it might not. Also, other factors such as your property possibly now being worth more, may strengthen your ability to borrow. If nothing else, it makes sense to have a chat.

Improve, not move

Instead of moving, you may want to remain where you are. In which case, you might have had enough of holding back on your spending over the last few years and want, or need, to undertake some of the bigger jobs around your home. This may require additional funds to help make it happen.

Secure a more suitable deal

This could relate to cost savings, or perhaps changing the structure of your deal. For example, it could mean moving to a **fixed** or **variable tracker** mortgage.

You may want a deal where you have greater flexibility - perhaps to **overpay,** or need the option of a payment holiday.

Or, you may currently be sitting on an **interest-only deal,** and need to consider if the discipline of a 'repayment' mortgage is now a better option - where you'll be paying more, as part of the capital will be paid off as you go along. Check out the mortgage calculator to see how this may pan out.

Alternatively, you may decide that you want a different length of **deal period term** - shorter, to give you greater flexibility and avoid the more onerous early repayment charges, or longer to help you to budget better across the next 5+ years.

Whatever your requirements are, when you do come to remortgage, it's likely that you may face a bewildering choice of products, and that's where we can help. You may have to pay an early repayment charge to your existing lender if you remortgage.

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

Mortgage Calculator

- could it work for you?

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

Interest rate %	Interest-only* £	Repayment £
0.25	0.21	3.44
0.50	0.42	3.55
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

Here's how to use the mortgage payments calculator: A £100,000 mortgage over 25 years, charged at a 2% interest rate would cost 100 x £4.24 (for Repayment) = £424 per month.

* 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.

WILL YOU, **WON'T YOU?**

A remarkable 2 in 3 UK residents don't have a Will - including 42% of the over 55s!
(Source: Macmillan Cancer Support, January 2018)

» In general, not having a Will in place would mean that a person dies intestate, and while their spouse or civil partner would be the first person to 'eventually' benefit from the estate, they may not inherit all of it. If a couple aren't married, or in a civil partnership, then it becomes even more problematic.

A Will speeds up the process

So, quite apart from not being able to ensure your loved ones receive the share of the estate you want them to, it's also possible that the whole process is slowed down dramatically.

For many, it's morbid to have to confront death, but surely you'd want to set out your various wishes. Such as how your wealth is distributed amongst your family (and friends - or charities), requests regarding your funeral, and who should receive items, such as specific jewellery, collectables and artworks. Beyond this, you may also want to outline any plans you may have for your pet(s).

Mirror Wills

Married couples may often opt for 'mirror' wills, meaning that both wills are the same, and leave their estates to each other.

Update an existing Will

Even if you're part of the one-third that has a will in place, you may still have issues to consider. For example, if the last time you set out a will was 10-20 years ago, then much may have happened in the interim period, so it would make sense to re-visit this process. Just consider this:

- 1.5 million people haven't updated their will since getting married - making it void.
- One in five admit to 'will blunders' - such as still including an ex-partner.
- Almost 10% of wills have not been updated with children or grandchildren.

(Source: Macmillan Cancer Support, January 2018)

The Financial Conduct Authority does not regulate Will writing, Trust advice, or Tax planning.

LASTING POWER OF ATTORNEY

This is a sensible legal agreement to have in place for yourself, or perhaps for your parents, and possibly essential when you consider that by 2025 more than 1m people in the UK are likely to have dementia.*

In England, for example, if someone loses their mental capacity, and their spouse, civil partner, friends or family want to help organise things for them; they are not allowed to do so without one. Similar rules apply elsewhere in the UK.

It's for this reason that people have this arrangement in place ahead of any 'mental capacity' issues, enabling a swift transfer of responsibilities. There are two main elements to a Lasting Power of Attorney:

1. Looking after the person's property and financial issues.
2. Looking after the person's health and welfare.

Aside from the legal input to set it up, the person (or people) acting as someone's 'attorney' don't need to have any legal experience. Which means the task may be undertaken by a family member(s), or friend(s).

If someone lost their mental capacity and this wasn't in place, an application would have to be made to the Court of Protection to become a Deputy. A process that can be a long, arduous and possibly costly one. So it's far better to avoid this and have a Lasting Power of Attorney set up in advance.

*(Source: *Alzheimer's Society, www.alzheimers.org.uk, June 2017)*

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

■ The contents of this newsletter are believed to be correct at the date of publication (May 2018).

■ 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.

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