

# Mortgage & Protection news

The newsletter from 313 Financial Ltd

With a range of restrictions in place across the UK, you'll be pleased to know that both the **Mortgage** and **Housing** markets are **open for business...**



» That said, you may feel confused about identifying the best way forward on the mortgage (and protection) front. With our extensive knowledge of this marketplace, this is where we can help.

You may also have concerns, for example, if you've been **furloughed**, are a **first-time buyer**, are **self-employed**, or have taken a **mortgage payment holiday**. Whilst we can't resolve every issue, we're fairly adept at finding solutions.

Although, even in our shoes, it can be hard to keep up. With lenders withdrawing from certain markets, then returning; products that were available at 8am, then unavailable at 8.15am; and so on.

## Housing mini-boom

On the upside, the Chancellor recognised early on that the property sector can be the perfect engine to help the economy to recover.

It's partly for this reason that the **Stamp Duty reduction** was introduced (see box item), which could deliver a **saving of up**

**to £15,000** until 1 April 2021, when the previous rates will be reapplied.

If you then add the pent-up demand from the first lockdown period, along with a reassessment by many on how they want to live their lives, it helps to create a buoyant property marketplace.

Figures from Rightmove endorse this. It estimates that there are nearly 40% more sales currently going through the buying and selling process compared to the same time last year.

More recently, Nationwide's house price index set out a 5.8% UK-wide annual growth for October, equating to the highest annual increase since January 2015.

*(Sources: Rightmove, 21 September 2020; Nationwide, 30 October 2020 release)*

**Continued on page 2** ➔

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

## STAMP DUTY

**Applicable to a residential property purchase in England and Northern Ireland.**

<b>Up to £500,000</b>	<b>0%</b>
<b>The next £425,000</b> <i>(the portion from £500,001 to £925,000)</i>	<b>5%</b>
<b>The next £575,000</b> <i>(the portion from £925,001 to £1.5m)</i>	<b>10%</b>
<b>The remaining amount</b> <i>(the portion above £1.5m)</i>	<b>12%</b>

■ This is applicable on purchases up to 31 March 2021, and thereafter it reverts to the rates in place prior to 8 July 2020.

■ Add a 3% surcharge to the above for those buying an 'additional' property.

*(Source: GOV.UK, 8 July 2020)*

**HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.**

## 313 Financial Ltd

Durham Workspace, Abbey Road Bus. Park  
Pity Me, Durham DH1 5JZ

Tel: 0191 3498369

Email: [info@313financial.co.uk](mailto:info@313financial.co.uk)

Twitter: [www.twitter.com/313financial](https://www.twitter.com/313financial)

Facebook: [www.facebook.com/313financial](https://www.facebook.com/313financial)

Web: [www.313financial.co.uk](http://www.313financial.co.uk)

■ 313 Financial Ltd is an appointed representative of PRIMIS Mortgage Network (PRIMIS), a trading name of First Complete Limited which is authorised and regulated by the Financial Conduct Authority. PRIMIS is only responsible for the service and quality of advice provided to you in relation to mortgages, protection insurance and general insurance products. Any other product or service offered by 313 Financial Ltd may not be the responsibility of PRIMIS and may also not be subject to regulation by the Financial Conduct Authority.

■ This firm usually charges a fee for mortgage advice. The amount of the fee will depend upon your circumstances and will be discussed and agreed with you at the earliest opportunity.

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



# Open for BUSINESS (contd)

Continued from page 1 →

## What does it mean for you?

The positive developments above need to be balanced by what may be ahead. We can't lose sight that we're in a recession, and there will be further job losses. And, events are likely to have an impact on the property marketplace. Also, no-one quite knows how COVID-19 will play out.

However, it's not as if the government and lenders aren't aware of the issues and both are keen to deliver support.

With regard to what's on offer from lenders, there are still some **excellent mortgage deals** out there. The lower the percentage of loan that you need, the greater the likelihood that there will be a wider range of products on offer, a decent rate and the possibility of being accepted for a loan.

**BUT** - rates are starting to creep up.\*

**AND** - the strict rules applicable to 'evidencing of income' and 'affordability' still apply across the board.

*(Source: \*Moneyfacts, 19 October 2020 release)*

## Other positive initiatives

In addition to the colossal amount of money that the government has pumped in to help us through this crisis, there are additional initiatives that would also be of interest to existing and potential homeowners.

The government intends to **make the planning process easier** for those that might want to add, for example, additional space above their current home, subject to neighbour consultation. Additionally, it

wants to deliver greater freedom to adapt the use of vacant buildings and land in town centres to create new residential properties.

The smaller renovation projects may be easily covered from existing savings, or even money saved from not going on an overseas holiday! For the bigger projects, then talk to us about a mortgage or remortgage to help raise the funds needed.

Finally, you can apply for government vouchers under the **Green Homes Grant**. Against certain criteria, this will provide £2 for every £1 homeowners and landlords spend to make their homes more energy efficient, up to £5,000 per household. Or, in the case of those on the lowest incomes - up to £10,000. It's applicable in England - but similar schemes may exist elsewhere in the UK.

**Do get in touch to see how we can help. 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.**

# UPDATE... Furloughed Workers

## Job Retention 'furlough' scheme

The support provided to furloughed workers has again been revised, following the decision to enter a lockdown period for the whole of England from 5 November.

■ As a reflection of this development, the existing **Job Retention 'furlough' scheme** will now continue, and run until **31 March 2021**.

■ Employees will receive from the government, **80% of their current salary** for those hours not worked, up to a maximum of £2,500 per month.

■ Businesses will have flexibility to use the scheme for employees for any amount of time and shift pattern, including furloughing them full-time.

■ There will be **NO** employer contribution to wages for the hours not worked. In this respect, employers will only be asked to

cover National Insurance and Employer pension contributions for hours not worked.

■ The government will review the policy in January to decide whether economic circumstances are improving enough to ask employers to contribute more.

■ The replacement **Job Support scheme**, which was scheduled to launch on 1 November, has been postponed.

## Job Retention Bonus

Additionally - as a consequence of the extension of the furlough scheme - this 'bonus' will not be paid out in February, and be redeployed for an appropriate time.

## Businesses required to close

Businesses in England that are required to

close due to Covid restrictions will receive up to £3,000 per month.

■ Also, backdated cash grants will be provided for businesses in Tier 2/3 areas in England. These are businesses in the hospitality, leisure and accommodation sectors that suffered from reduced demand due to local restrictions introduced between 1 August and 5 November. They will receive backdated grants at 70% of the value of closed grants, up to a maximum of £2,100 per month for this period.

## Current Mortgage Issues

For those who are on furlough (or have placed staff on furlough), different lenders have set different criteria with regard to assessing income and affordability.

**In short, it's best to take advice.**



# Screen Time!

We can provide advice on both your **mortgage** and **insurance** requirements in a way that best meets your needs - by phone, email, videoconferencing, and so on.

» One key piece of advice - unless there are mitigating circumstances - is not to sit on your lender's Standard Variable Rate (SVR) once you come to the end of your deal period. As the chart below shows, you'll be paying almost twice as much in interest!

**Average Fixed Rates vs. Standard Variable Rate (SVR)**

	<b>19 October 2020</b>
<b>2-year fixed rate</b>	<b>2.42%</b>
<b>5-year fixed rate</b>	<b>2.67%</b>
<b>SVR</b>	<b>4.44%</b>

*(Source: Moneyfacts, 19 October 2020)*

Naturally, there are fees to pay with a new deal, so you need to do the maths. Our discussions would also cover issues such as the merits of a fixed vs. tracker mortgage, and the length of the mortgage deal, such as the 2 or 5-year plans above.

## The process

Of course, you can undertake this yourself. However, you don't want to make too many unnecessary applications, which may have a negative impact on your credit rating.

That's why it makes sense to ask us to assess the wider marketplace in light of

what we've established with regard to your financial position and particular needs.

Also, we'd endeavour to help reduce the hassle of filling out forms. Plus hold your hand throughout the process, and liaise with the various parties along the way.

So, irrespective of whether you're new to property buying, or an old hand, we have experience of dealing with all types of clients, enabling us to work towards identifying a suitable product for you.

## What if life goes wrong?

The current challenging times may well have focused your thoughts on having some **protection insurance** in place.

This could be **life cover** to deliver a lump sum to your family, if the insured person dies. Or insuring yourself against suffering a **critical illness**, or being **off work long-term** due to illness or injury.

## Already have cover in place?

Even here it's worth having a conversation (if it's not a policy that we've recently set up), as there's been so much innovation over the last few years. With many policies

now fully recognising mental health issues, plus lots of value-added benefits, such as medical advice and fitness support.

Also, as a consequence of the current crisis, you may even be thinking about saving money and cancelling a policy. This could then prove to be more expensive, with more caveats, and an age weighting, should you return to start a new one with the same insurer. The insurers are mindful of this and some will allow you to stop paying premiums for an agreed period, with certain rules.

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

## UPDATE... Mortgage Payment Holidays

Following the latest Government Coronavirus restrictions, the Financial Conduct Authority is proposing to extend the availability of mortgage payment deferrals. This will mean that:

- those who have not yet had a payment deferral will be eligible for 2 payment deferrals of up to 6 months in total.
- those who currently have an initial payment deferral, will be eligible for another payment deferral of up to 3 months.
- those who have resumed repayments after an initial payment deferral will be eligible for another payment deferral of up to 3 months.

- Borrowers would have until 31 January 2021 to request a deferral.
- Do note that lenders may ask if you participated, and might factor that into future loan applications.

**Tailored Support**  
If borrowers are not eligible for a payment deferral, then tailored support to meet their circumstances could still be offered, albeit that may appear on a borrower's credit file.

*(Source: Financial Conduct Authority, Nov. 2020)*

A record **98.3%** of all **PROTECTION CLAIMS** are met

- equating to a sizeable **£15.8m a day** in payouts, and how that plays out for the key sectors are as follows:

### LIFE COVER

- 99.6% of all Life claims
- Average payout of: £77,535 (term) £3,465 (whole of life)

### CRITICAL ILLNESS

- 91.6% of all Critical Illness claims
- Average payout of £67,573

### INCOME PROTECTION

- 87.2% of all Income Protection claims
- Average payout of £17,729

*(Source: Association of British Insurers, 2019 data, May 2020 release)*



# Finding a Way...

In a recession, lender's enthusiasm to lend to **First-Time Buyers** tends to wane. The upside for the first-time buyer is that property prices generally drop - yet the opposite is occurring at the moment!

» That said, the government recognises that the first-time buyer is an important cog in helping to keep the property market moving. To assist this process there are various government schemes across the UK that are designed to help get the first-time buyer onto the property ladder.

When you consider that the average monthly rental price for a new tenancy in the UK stands at £987, this may motivate many to want to buy a property and possibly pay less per month in the process. *(Source: HomeLet Rental Index, September 2020)*

## Getting the Deposit together

So, what's stopping all renters jumping on board? Some will prefer the flexibility renting provides, others will be worried about the stringent controls that are now in place for mortgage lending. But possibly the biggest stumbling block is getting together the deposit.

According to Moneyfacts, the average deposit for those buying their first home has risen to £47,059, equating to around a fifth of the average UK house price. *(Source: Moneyfacts, 7 September 2020)*

Of course, there are mortgage deals available that require a smaller deposit, but this is where the lender's enthusiasm has waned. Back in March (the month when lockdown started) there were 1,184 mortgage products requiring a 10% deposit, or less. By October, according to Moneyfacts, this had reduced to 75!!

Rates have also increased. Back in March the average interest rate for a two-year fixed rate mortgage with a 10% deposit was 2.57% - it's now 3.76%. *(Source: Moneyfacts, 19 October 2020)*

However, if you consider that the average first-time buyer loan is around £176,000\*, then a 3.76% rate would equate to a repayment mortgage of about £815 per month. Unlike the £987 rental payment figure mentioned earlier, this lower amount would include paying off part of the capital borrowed, as well as the interest owing.

*(Source: \*UK Finance, January-June 2020)*

## Look at alternative funding options

If you're lucky enough, then there is the **Bank of Mum & Dad** to help get some, or all, of that deposit together. In fact, nearly one in four housing transactions (175,000) will be backed by the Bank of Mum & Dad in 2020, equating to an average of around £20,000 each to help those borrowers with their deposits, and possibly gain access to better interest rates. *(Source: Legal & General, September 2020)*

Alternatively, there are **Guarantor Mortgages**, which might be a more suitable route for family support. Or consider **Shared Ownership**, in which case you buy a percentage of the property now, and can purchase more into the future (see box item).

## Talk to us

With so much to consider, do have a conversation with us as early as possible in the decision-making process.

We are working with these issues day-in/day-out, and fully understand the options on offer. And, as part of our offering, we would endeavour to help navigate you through the affordability, evidencing of income and credit rating hoops.

### SHARED OWNERSHIP

- A new Affordable Homes scheme announced in September, will also deliver a new model for Shared Ownership for purchasing new homes, and will:
  - reduce the minimum initial share you can buy in a property from 25% to 10%.
  - allow people to buy additional shares in their home in 1% instalments, with heavily reduced fees.
  - introduce a 10-year period for new shared owners where the landlord will cover the cost of any repairs and maintenance.

*This scheme is applicable to England only, other parts of the UK will deliver different support.*

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

This firm usually charges a fee for mortgage advice. The amount of the fee will depend upon your circumstances and will be discussed and agreed with you at the earliest opportunity.

- The contents of this newsletter are believed to be correct at the date of publication (November 2020).
- 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.
- We do hope that the newsletter is of interest to you, however, please inform us if you no longer wish to receive it.