Autumn 2013

Mortgage & Protection news

The bulletin from Marquis Financial Services Limited

MARQUIS FINANCIAL SERVICES LTD

New Help to Buy scheme - get in touch to find out more

Ready to PROCEED?

» There continues to be some excellent rates on offer (particularly for fixed rate mortgages), and this has helped deliver an estimated gross mortgage lending figure of £49.3bn for the third quarter of 2013 (which is a 32% increase on the same quarter in 2012). In fact, it's the highest quarterly figure since Q3 in 2008! *(Sources: Moneyfacts.co.uk, September 2013 figures, Council of Mortgage Lenders, estimated Q3 2013 figure, released in October 2013)*

House prices too, seem to be on the up with an average price of £173,678 across the UK, equating to an annual rise of 5.8% - although regional variations would apply. *(Source: Nationwide, October 2013 figure)*

And then there is the main 'Help to Buy' mortgage guarantee scheme, which has recently had its January 2014 launch brought forward to October 2013.

So is now the time to take stock of your own needs?

Take action?

You may decide that it's time to move, or could require funds for renovations that may add value (and improve your quality of life) within the current property. Or quite simply, you may want to seek out a better deal than your current borrowing arrangements.

Alternatively, you could be ready to purchase your first home - with a number of positive developments now in place to assist the first-time buyer.

At the same time, we recognise that you probably lead a busy life and have little time for in-depth research, and managing the whole process yourself. That's why so many borrowers continue to turn to professional advisers to help them through what can still be a fairly complicated mortgage maze.

Stay where you are?

Whilst there are some good deals out there, we would need to still check if you're better off staying with your current arrangement.

Or you may be sitting on an interest-only deal, which have not disappeared entirely, but are few and far between. So you may be loathe to revert to a repayment mortgage, particularly if you have sufficient investments in place to help pay off the loan at the end of its term. Again, perhaps stay put, but consider alternative borrowing options, if needed.

Funding for Lending

This is a government initiative that has delivered cheap loans to the lenders - for them to then lend onto individuals and businesses. The scheme has acted as a stimulus to help get things moving again.

Loan-to-value (LTV)

It's still fair to say that the best deals will be offered to those that can provide a sizeable deposit

→ (contd on back page)

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Welcome.... to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgages and mortgage-related products - and sets out how we **may help you.**

■ Marquis Financial Services Limited is an appointed representative of Intrinsic Mortgage Planning Limited, which is authorised and regulated by the Financial Conduct Authority.

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

LOOKING after you

Taking out life cover is important - but have you thought how you might cope if you suffered (and survived) a serious illness?

» Imagine if you had a sizeable life cover policy, but had no 'critical illness' cover in place and suffered a serious illness such as a heart attack, cancer or stroke. It's a situation that would cause a major upheaval for you and your family.

You may have some form of employee benefit in place, or could turn to the state for limited support whilst you are not at work; but you'd also welcome an additional cash lump-sum to help tide you over while you concentrate all your energies on recovery. And, of course, you're even more exposed if you are self-employed.

It's for this reason that a sizeable number of people consider taking out 'Critical Illness cover' either as an add-on alongside their life plan, or as a stand-alone policy.

In 2012, over 11,700 people benefited from having this cover in place, receiving an average payout of £70,000. Opting for a similar amount at the outset would mean that you may be faced with a more manageable premium charge, rather than a higher premium cost which would be applicable to a substantial life-changing payout. *(Source: Association of British Insurers - ABI)*

On the mend

And the improvement in people's lifestyles and strides forward in medical care will mean that an increasing number are likely to survive their serious illness. For example, around 146,000 people in the UK have a heart attack each year, with more than 1 in 3 surviving. And in the last 40 years, cancer survival rates have doubled. *(Sources: Cardiac Matters website, October 2012; Cancer Research UK, August 2012)*

A critical illness policy (where 91% of claims in 2012 were paid out*) will cover a wide range of serious illnesses (although not all forms of cancer and heart disease may be covered). And as the policies could vary with regard to the illnesses included, it helps to take advice. *(*Source: ABI)*

Additionally, you may want a joint policy, or one where the critical illness element could also cover your children. Or perhaps establish if a joint life and critical illness plan could continue if you were paid out for the latter.

So it's worth having a chat - even for those that may already have a policy in place, as there have been recent improvements in the number of illnesses covered. Although replacing an existing policy could also mean you may lose benefits/conditions that are no longer available.

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

Are you in a position to remortgage?

3.6m mortgage borrowers could have access some of the better deals out there...

According to HSBC, about 4.4m mortgage borrowers (equating to 39% of the total mortgage market) are now on their lenders' Standard Variable Rate. And they also estimate that 3.6m of those borrowers have a loan-to-value ratio of less than 85%, opening them up to some of the better deals on offer.

Of course, some may not want to, or cannot remortgage for a number of reasons, such as if their income has reduced since they first took out the loan, or perhaps they're on an interest-only mortgage (see box right), and have no wish to convert to a repayment product at this stage.

However, in a marketplace that's still offering excellent deals - particularly for fixed rate mortgages, maybe now's the time to reconsider the options. *(Source: HSBC, December 2012 press release)*

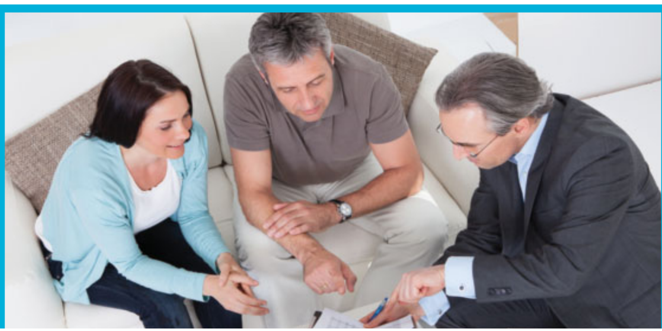
Talk to us to find out more.

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

Interest-only

Over the last few years the provision of 'interest-only' products has largely dwindled away.

However, according to research by the Financial Conduct Authority, there are around 2.6m interest-only mortgages still in place, with the vast majority of borrowers being fully aware that there needs to be a separate repayment plan in place. Of course, times change and some investments may not be delivering what was hoped-for, so it's worth seeing what's on offer.



Buy-to-Let

Despite recent efforts by the government to help the First-Time buyer, there is still plenty of confidence in future moves for the Buy-to-Let landlord - partly fuelled by the lack of available housing.

This confidence is endorsed by a recent survey that showed that almost all of the landlords that took part (93%) said that tenant demand was either stable or growing - and 86% of those surveyed felt that this scenario would continue over the next 12 months. Off the back of this, 19% were expecting to make further property purchases - up from 13% in the previous quarter's survey.

(Source: Paragon, Q2 2013 survey)

The current enthusiasm for this sector is the reason why more than one in eight of all outstanding mortgage lending now falls within the buy-to-let category, with a sizeable 31% growth in the amount advanced in the second quarter of 2013 when looking at the year on year figures. *(Source: Council of Mortgage Lenders, Q2 2013 vs. Q2 2012)*

Things to consider

■ Speak to letting agents about areas that are good for renting and how much rent you can expect and who to target.

■ Always differentiate between your own 'residential home' and an 'investment property'. The latter should be a purely commercial decision.

■ Do the maths. Most lenders will want to see a rental income of at least 125-130% of your monthly mortgage repayments.

■ Be aware of the landlord insurances required, the regulatory issues, and the need to check out prospective tenants.

■ Plan for void periods, when you will have no income coming in, but still have costs.

If you are keen to do more in this sector, then do get in touch with us to identify the best route forward for your needs.

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

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.

The value of your Buy-to-Let property and income from it can go down as well as up.

You may also require advice on the legal and tax issues.

The Financial Conduct Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages.

WILL you – won't you?

Did you know that if there isn't a Guardianship arrangement in place to protect the children - and both parents die - they might have to go into care!

As unlikely as this event may be, it would prolong a nightmare scenario if the worse did happen, yet it's relatively easy to sort out.

The simplest ways are through a Will, or by having a Guardianship letter in place, both of which will set out your wishes, and whom you want to appoint as a guardian.

If you don't undertake this task, then irrespective of who you would expect to care for your child or children, it's initially solely down to the courts and social services to decide. And whilst they're going through this (possibly lengthy) process, your offspring may be placed in care.

Similar circumstances might occur if a couple aren't married and the mother dies and hasn't previously granted parental rights.

Will planning

Yet a remarkable two-thirds of us don't have a Will!* Even though dying Intestate (without a Will) may mean that whilst your spouse (or registered civil partner) will be the first person entitled to the estate, they may not inherit all of it. *(Source: *Advicenow website, July 2013)*

In the absence of a Will, the whole process is slowed down dramatically; often meaning that the family left behind may face financial hardship, at the worst possible time. And it's even worse for unmarried couples!

Trust planning

You can set up a Trust in your lifetime or in your Will. A Trust is another legal arrangement and can help ensure that life policies are paid out speedily to the beneficiaries. And is also there to protect beneficiaries who might be too young to handle their affairs.

Whilst these issues may seem morbid, they're vitally important areas to consider.

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

Who is best Protected?

There's a good chance that your pet or mobile phone may have better insurance cover than the person who pays for it!

In austere times, paying out money to protect you and your family in the event of illness or death may seem an extra expense - until you need it!

However, there is certainly a need from those that do have cover in place. According to the latest annual statistics, about 53,000 families benefited from life, critical illness or income protection claims - amounting to a payout of around £6.3m every day, equating to an average claim of almost £44,000 per family.

Now, whilst this is more than the sizeable £1.2m that is paid out every day to treat 750,000 sick or injured cats and dogs annually, it shows that far more pets will get the benefits of insurance cover than their owners! So perhaps you should consider your own needs too? *(Source: Association of British Insurers, 2012 figures)*

Do you want the cheapest cover, or the best value for money?

The internet can provide a route to identify the former - but are you sure that it's the most suitable option for your own particular needs? That's why it makes sense to talk to an adviser - as cheapest may not always equate to the best route for you.

Talking to us will also help tackle other issues, such as placing life policies in trust. The reason why you'd do this is to generally ensure three key things: The money goes to the right person; it's paid out promptly; and it may assist tax-planning activities.

We can also take a wider view to establish if you're over-insured, and balance your priorities against the budget you can afford.

Budget planning

Here's a simple exercise regarding budgeting. Jot down all your outgoings, and then see what you, or your family, could live without. There'll be a few obvious ones, but the likelihood is that the last few years have probably ensured you may already be operating on a tighter budget.

This will give you a feel for the lifestyle you need to protect, quite apart from any aspirational objectives. At the simplest level, it may be putting in place life cover to help pay off the mortgage. But then what about other expenses? How would those costs be met?

Or you may want additional protection should you find yourself off work for a lengthy period due to a serious illness or long-term injury. In this case, a payout would help you to get back on your feet.

As part of the budgeting above you may recognise that if you cut out the odd take-away, a pint or two, and a few take-away coffees, you may rapidly find some of the money needed to pay for protection cover, without making a serious dent to your finances.

Payout statistics

And if you're worried that you may not get paid when you do try to claim, just consider this. The same set of Association of British Insurers figures showed that in 2012, 98% of life insurance claims were paid out, along with 92% of income protection and 91% of critical (serious) illness policies. If this is of interest, do give us a call.

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

The Financial Conduct Authority does not regulate Taxation or Trust advice.

Help to Buy explained...

The government views a healthy property sector as an important element of its economic plans and is keen to encourage interest from those previously locked out of the market for better mortgage deals by unaffordable deposit requirements. Broadly, there are two 'Help to Buy' schemes.

HELP TO BUY - EQUITY LOAN...

This scheme is open to both first-time buyers and home movers on new-build homes worth up to £600,000. This is the scheme that's available in England, with a similar one recently launched in Scotland, and other schemes may be available elsewhere in the UK.

How it works

- You'll need to contribute at least 5% of the property price as a deposit.
- The government will give you a loan for up to 20% of the price.
- You'll then be able to gain access to at least 75% loan-to-value mortgages to cover the rest.

Equity loan fees

You won't be charged for the government loan fees for the first 5 years of owning your home. In the 6th year, you'll be charged a fee of 1.75% of the loan's value. After this, the fee will increase every year.

HELP TO BUY - MORTGAGE GUARANTEE...

This scheme is the larger of the two, and had its launch date brought forward to October 2013. Like the scheme above, you can get access with just a 5% deposit against the purchase price, but it also includes existing properties, as well as new-build.

Some participating lenders have already started to offer the mortgages, which will be guaranteed by the government from January 2014. If borrowers do complete before this date, their mortgage will be included in the scheme. *(Source: HM Treasury, October 2013 press release)*

Eligibility

The scheme is open to both first-time buyers and home movers throughout the UK, and the home you want to buy must:

- be offered for sale at £600,000 or less, and not be a second home.
- not be used in conjunction with any other publicly funded mortgage scheme.
- meet certain criteria such as income verification and credit worthiness.

Additionally, it's on a repayment basis only, and like the 'equity loan' scheme, you won't be able to rent out the property.

How it works

From the borrower's perspective it won't be that different to getting a normal mortgage. You'll put down a deposit of at least 5% and then borrow up to 95% of the property's price from a mortgage lender.

The government will then guarantee up to 15% of the original purchase price. For example, if you provided a 5% deposit, the government would guarantee to repay your lender almost 15% of its value if you defaulted.

For the lender, this will mean that lending to people with small deposits will carry less risk. However, the lender will have to 'buy' the guarantee and the government is giving lenders the freedom to set their own interest rates as part of the scheme, so there are no guarantees you'll get an attractive rate.

In the run up to January 2014, there's always the possibility that some elements may be tweaked, so do talk to us to find out more.

THINK differently

Did you know that there are other borrowing options out there - such as **Secured Loans?**

Secured Loans have made a bit of a comeback recently. The amount lent in September 2013 was £41.4m and was the 23rd month in succession, where secured loan lending has grown year on year!

(Source: Loans Warehouse Secured Loan Index, September 2013 figure)

With new lenders recently entering this marketplace, this may also help to offer greater choice for the growing number of individuals who are considering secured loans.

Is it for you?

You too may have had enough of treading water for the last few years and might now want to undertake some of the bigger tasks around the home. However, this may not require sizeable funds to make remortgaging a worthwhile option. This is one area where secured loans could be a solution.

Secured loans may also be a route to obtain extra funds if you found yourself in the following situations:

- As one of the large number of mortgage borrowers who are 'mortgage prisoners', and may still find it difficult to remortgage.
- A borrower that's sitting on an interest-only mortgage product, where remortgaging could require you to revert to a standard repayment loan (which may cost more each month, even if you secured a better interest rate deal, as part of the capital needs to be paid off too).
- If you're a mortgage borrower who simply doesn't want to jeopardise their current decent deal.

And as the secured loan industry tends to have different lending criteria, this may also benefit some (such as the self-employed), who may have struggled to obtain mortgage funding.

Of course, the interest rate on a secured loan tends to be higher than an average mortgage one, so we need to do the maths to see how it equates against the alternatives.

Do get in touch to find out more.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

The Financial Conduct Authority does not regulate most Secured Loans.

SECURED LOANS EXPLAINED...

It is designed for homeowners who can use part of the equity in their property to secure a loan that would sit as a second charge on top of their mortgage, which may be with a different lender.

However, if you are using it to consolidate your debts, then taking out a long-term loan such as this may mean that you end up paying more in interest payments, than if you paid off credit and storecard debts over a shorter term.

But as the repayments for a secured loan are set over an agreed timeframe, it does provide a disciplined way to pay off borrowings.

➔ **(contd from page 1)**

(40% or more). However, there has been a steady improvement and return of some higher LTV deals. In fact, according to the Bank of England's 'Credit Conditions' survey for Q2 2013, mortgage lenders expect the supply of deals requiring a smaller deposit to increase in the next three months.

Help to Buy

Broadly, there are two 'Help to Buy' schemes where, if the borrower was able to raise at least a 5% deposit, the government will help out, which may give the borrower access to better priced deals.

The smaller of the two schemes has been running for a while and is designed for those purchasing new-build properties. The second scheme has recently been launched and covers both new-build and existing homes.

Look beyond the interest rate

We'd also consider the whole package for you. Such as the lenders' set-up costs alongside the interest rate offered, and where you may sit should you come to the end of the deal period and revert to the lenders' Standard Variable Rate (SVR).

As you can see, it makes sense to assess where you are now and where you might be in a few years. So do get in touch to discuss any needs.

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

We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs:
Tel: 01625 573124 Email: info@marquisfs.co.uk Web: www.marquisfs.co.uk

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

There may be a fee for mortgage advice. The precise amount will depend on your circumstances, but we estimate that it will be £295.