

Mortgage & Protection news

The bulletin from Marquis Financial Services Limited



MARQUIS FINANCIAL SERVICES LTD

With so much happening in the marketplace, should you assess your borrowing needs?



Ready to ACT?

Triggers for change...

As part of the process, some of the elements below may have a bearing on when it's best for you to act (if at all), and how:

- Help to Buy

This is the initiative of the moment and there are two schemes (see page 2 to find out more). At the end of 2013, the longer established 'equity loan' one (in England, at least) had supported 20,000 households, with the recently launched UK-wide 'mortgage guarantee' scheme seeing over 6,000 applications by the same period. As impressive as these initial figures may be, you need to consider that **over 1,000,000 mortgage transactions** were processed in 2013. So whilst Help to Buy will appeal largely to first-time buyers - equally important will be the impact it's likely to have on the overall property market and the million or so looking to take out standard mortgage deals this year.

(Sources: www.gov.uk, Jan 2014 and Council of Mortgage Lenders)

- Bank of England

With a new governor, Mark Carney, in place there has been a decent flow of forward guidance on the housing market and concerns about any overheating in this sector.

The Bank base rate has, of course, sat at 0.5% since March 2009. And whilst a rise doesn't seem to be on the immediate horizon, we are now sitting around the

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» We've recently had the introduction of two different Help to Buy schemes, the return of some higher Loan-to-Value (LTV) mortgages, rising house prices, declining availability of interest-only mortgages, and the ending of the Funding for Lending scheme to support residential mortgage lending. On a wider level the economy seems to be improving, with a growth figure of 2.4% predicted for 2014.*

*(Source: *Office for Budget Responsibility, December 2013)*

And forecasts for mortgage lending are up on 2013 too. The Council of Mortgage Lenders feels 2014 may come in at £195bn. This would be around 15% more than the

estimated figure for 2013. Elsewhere, some industry experts believe it may go higher than this and could breach £200bn. Although, as impressive as that may be, it's worth considering that it would still be little more than half of the lending figure back in 2007.

So, whatever your current borrowing requirements may be, such as:

- Wanting your first home.
- Planning to move to another.
- Renovating the existing one.
- Sitting on a Standard Variable Rate (SVR).
- Or simply looking for a better mortgage deal - then do talk to us to find out more.

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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.**



Help to BUY

Help to Buy is largely designed to deliver mortgages for those who may have previously been locked out of the market for the better mortgage deals due to unaffordable deposit requirements.

» The government views a healthy property sector as an important element of its economic plans and has two Help to Buy schemes. Whilst both will primarily appeal to first-time buyers - they are also open to existing homeowners.

One scheme has an 'equity loan' element to it and is purely for new-build properties (see the item to the right to find out more). The other scheme - which fully launched this January - provides a 'mortgage guarantee' and covers both new-build and existing properties.

Both schemes have already generated considerable borrower interest, with a decent number of lenders now on board.

There's also been a knock-on effect with some lenders offering attractive interest rate deals outside of the schemes against similar deposit contributions of 5-10%. So you may find that there could be a decent range of options for you (or family members) to consider.

Mortgage Guarantee scheme - the maths

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 the purchase price if you defaulted (and the property was sold at a loss, where the full mortgage sum couldn't be repaid from the sale proceeds).

For the lender, this will mean that providing funds 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. Hence the need to also consider options outside of Help to Buy.

Mortgage Guarantee scheme - some of the key pointers:

- The property must be offered for sale at £600,000 or less, and not be a second home.
- Your application can't be used in conjunction with any other publicly funded mortgage scheme.
- You need to meet certain criteria such as income verification and credit worthiness.
- It's on a repayment basis only.
- Like the 'equity loan' scheme, you won't be able to rent out the property.

Whilst this scheme is currently designed to be on offer for three years, you need to be aware that both the government and

Bank of England are keen to ensure the housing marketplace doesn't overheat. So there's always the chance that there will be some changes along the way.

All the more reason why you should take advice when considering both schemes alongside any alternative options.

Equity Loan scheme

This scheme is open to both first-time buyers and home movers against new-build homes only, as it's also designed to get house builders building again.

There are different schemes on offer across the UK (with varying purchase price ceilings) - where broadly you need to contribute at least a 5% deposit, and the government will give you a loan for up to 20% of the purchase price. This means you could gain access to at least 75% loan-to-value mortgages to cover the rest.

Whilst the loan is a percentage of the property's value (not a set amount), there are favourable terms regarding the pay back of the loan.

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

Property portfolio



Will Help-to-Buy damage the Buy-to-Let market?

» The availability of better priced loans for homebuyers with a small deposit will no doubt shift some people away from renting and into homebuying. However, other factors will still remain in the mix

First off, many of those 'potential' homebuyers might prefer to continue to rent for a whole host of reasons, and may also be deterred by the strict affordability and credit checks applicable to mortgage borrowing.

House building is another issue; there simply aren't enough new homes being built to meet the demand. It's a demand that's driven by elements such as a growing population and an increase in single occupancy.

Market enthusiasm

All of this may continue to fuel the rise in property prices, but will also deliver opportunities for the rental sector. A view that's endorsed by a recent survey of landlords, where 58% felt that tenant demand would grow in 2014, with just 10% thinking the converse. (Source: LSL, January 2014)

The buy-to-let lenders are also sending out positive signals with new (or returning) entrants and more innovative products on offer.

Even the Council of Mortgage Lenders recently acknowledged the size of the market by now providing buy-to-let figures on a monthly, rather than quarterly basis. It probably warrants the attention though, as this sector currently accounts for almost one in seven of all outstanding mortgage lending.

Take advice

So, if you're already a landlord, then you'll possibly concur with much of this and do talk to us to establish if you'd like to review some of your borrowing options.

If you're thinking of entering this sector as a new landlord (or are an accidental one through house moves), then it's important to take advice; from us, from letting agents and fellow landlords to establish the best way forward.

As part of that process, you'd need to consider issues such as the right area, property type, typical renter (student, families, etc), regulatory and insurance issues. And, of course, you'll need to do the maths - such as the rental income vs. the cost of the loan, additional expenses and void periods.

As it can be a complex area, it's essential that you do take advice.

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.

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

Home Renovations

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

Perhaps you've had enough of treading water for the last few years and want to undertake some of the bigger tasks around the home. However, this may not require a level of funding that would make remortgaging a worthwhile option, or you may not want to jeopardise your existing arrangements. This is where a **secured loan** may be a solution for this, and perhaps other needs too.

Secured loans have made a bit of a comeback recently. The amount lent in 2013 was £493m, which equated to a sizeable annual growth of almost 45%! (Source: Loans Warehouse, Secured Loan Index, Jan 2014)

They are designed for homeowners who can use part of the equity in their property to obtain a loan that would sit as a second charge on top of their mortgage, which may be with a different lender. Like a mortgage, the repayments are over an agreed timeframe.

Of course, you need to consider that the interest rate on a secured loan tends to be higher than an average mortgage one, so do get in touch to discuss your needs.

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 Secured Loans.

Do you need Protection?



360 days!! This is the amount of time a person could be off work, on average, across a whole working life.

(Source: LV= National Sickness Report, October 2013)

» What would you do if you found yourself off work for a period of time, due to illness or accidental injury? Would you be able to manage financially?

Of course, many people may assume that it's only something like a bout of flu that will keep them away from work. Yet, according to the LV= research, flu only accounts for 10 days lost across a working life. It's stress and depression (81 days) and a bad back (57 days) that have the greatest impact.

In fact, in the last three years, as many as one in every 50 workers (435,800) has been off sick for more than a year! To put that into perspective, the odds of winning the lottery are around one in 14 million! And many of us think that may occur! So, assuming your numbers don't come up, perhaps you should consider how you might fund your lifestyle if you were off work for an extended period.

Income Protection

One route is to take out an Income Protection policy. This product is designed to pay out a tax-free monthly sum in the event that you

are unable to work due to illness or injury. And, it pays out until you can start working again, or, in some cases, until you retire. Each policy will have different conditions, such as cover choices against not being able to work in your own occupation, or any occupation. And you would obviously need to disclose any pre-existing medical issues.

First though, you'd have to do the maths and establish if you'd just receive the Statutory Sick Pay of £86.70 a week (paid for up to 28 weeks, if you qualify), or if there are additional benefits from your employer or the state.

Once you've got an idea of this income stream, you can then decide when you'd like your income protection cover to kick-in (called the deferred period). The longer you wait the cheaper the premium will be.

Be realistic

Do be sensible about how much you require until you're able to return to work (or have retired). In the same way you wouldn't need a payout commensurate with buying a new house if the kitchen floods, your potential payout via an income protection policy should be calculated in a similar way (up to a maximum amount). And, again, the less you need, the lower the premium.

But do consider as part of that process that the same LV= research showed that almost a quarter of respondents said that their savings would actually run dry after just two months of trying to bridge any income gap.

As this is a complex product, with a vast array of options, it's essential that you take advice. So do get in touch to find out more.

If you take out an income protection policy and stop paying premiums you won't get any money back and you'll no longer be covered.

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

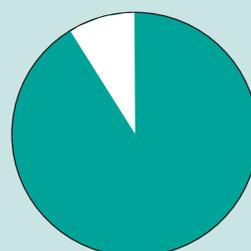
Did you KNOW?

If you're concerned that the protection plan you have in place (or are thinking of taking up) may not pay out should you need to make a claim, then the following statistics may help to reassure you.

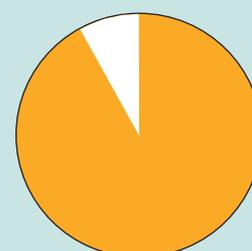
■ Insurers **pay out around £6 million every day** to help families deal with death, serious illness or injury. And across the board, here are the payout statistics...



■ 98% of life insurance claims were paid



■ 91% of critical (serious) illness claims were paid



■ 92% of income protection claims were paid

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

(Source: Association of British Insurers, 2012 figures in June 2013 press release)



A question of TRUST...

If you want to ensure your beneficiaries receive a payout as soon as possible, combined with sensible tax planning - then you need to consider Trusts.

Trusts can be beneficial in three key areas...

1. Swift policy payout

The most obvious use of a trust in this respect is when it relates to life cover. In the absence of a trust, the whole payout process on death 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!

If a trust is not in place, then the payout will become subject to the time constraints of processing the Will. And if there's no will in place, then the payout will be decided by the complex process of Intestacy - where the intended beneficiary(ies) may not fully benefit.

Having a policy placed in trust means that the issues above could be avoided, provided there's at least one surviving trustee.

2. Sensible tax planning

A good number of people would have a sizeable life cover policy in place - as it may be designed to pay off the mortgage, or simply there to ensure the family can have a decent amount of money to live on whilst they get back on their feet should a key wage earner die.

The consequence of this is that a payout might push an individual's estate over the Inheritance Tax (IHT) nil rate band threshold of £325,000 (2013/14 tax year), where 40% tax is payable on monies beyond this rate band. If the policy sits within a trust it's possible that it may be excluded from the IHT calculations, subject to certain rules.

3. Protect young or incapacitated beneficiaries

It's a useful tool to have in place to protect those that are too young to handle their affairs, but will be able to once they reach an agreed age. Additionally, it could be set up to meet the needs of those that are incapacitated, with the trustees acting on their behalf.

Timescales

With regard to timescales you can either set up the trust at the same time as taking out the policy - or set up the trust element at a later date, as long as the policyholder is still alive.

Not all protection policies should be written into trust, so do get in touch to find out more.

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

OVERVIEW OF A TRUST...

Constituent parts

- The settlor - this is the person (possibly you) who sets up the trust, appoints the trustees and decides (or suggests) who benefits from it.
- The trustees - they manage the assets within the trust, according to the terms. Choose wisely!
- The beneficiaries - they will benefit from the assets held within the trust.

Different types

There are different types of trusts and some can be very simple in their set-up - possibly just two or three pages long using a template provided by the insurer with whom you have the protection policy. Or they can be far more detailed and require specific input and legal advice.

And do be mindful that placing a policy in trust will mean that the settlor will no longer own the 'plan' - instead, ownership is transferred to the chosen trustees.

CHECK YOUR Credit Score

Even though the marketplace has improved, lenders can still be picky about who they offer loans to - and your personal credit rating will have an impact on those decisions.

» The role of a credit score is to try to predict your behaviour, which means that those who have a poor score may suffer, as may those that have no credit history at all.

And did you know that each time you apply for credit, this might be recorded on the files held by the credit reference agencies? This could possibly result in a downgraded rating for you, as the system may think (mistakenly) that you are desperate for funds - which could ultimately make the cost of borrowing higher for you.

As every lender has its own 'perfect customer' profile, a rejection from one isn't necessarily a rejection from all. By coming to us we'll have a better feel for items which may score you down and where you might get a more favourable response for credit.

What makes up your credit score?

A number of aspects will be considered, such as not appearing on the electoral roll, defaulted payments, missed credit card payments, any County Court Judgements (CCJs) or bankruptcy, employment position, salary, marital status and age.

What you can do...

Aside from making sure you've not been a victim of identity fraud, it's always a good idea to keep tabs on your credit rating to ensure that your files are correct and up-to-date.

You can do this by contacting the following agencies and asking for a copy of your credit file (they may charge a small fee). If you

Credit Score



find a mistake, you can ask for it to be corrected. Additionally, try to settle any debts, as that may help to improve your rating.

Experian - Tel: 0844 481 0800 - www.experian.co.uk

Equifax - Tel: 08000 560 560 - www.equifax.co.uk

Callcredit - Tel: 0845 366 0071 - www.callcredit.co.uk

Also, if relevant, write to the lender if they've flagged something that you feel is inaccurate and you can ask for a note to be added to your file explaining special circumstances as to why you may have failed to settle a particular debt.

So do get in touch with us if you have any questions or require assistance.

SIMPLE WAYS TO BOOST YOUR SCORE...

- Don't make too many applications within a short time period.
- Sort out any address errors and ensure you're on the electoral roll.
- Shut down unused cards - as they could be a fraud risk.
- Be consistent with your personal information across applications.
- And lenders like to see a landline, rather than a mobile number on applications, as it conveys greater stability!

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initial unemployment threshold of 7%, when the Bank said that it may consider raising the rate. However, the Bank has recently revised this guidance and stated instead that it would now look at a wider range of economic indicators to decide when to raise rates, and that any rise would be gradual.

(Source: Bank of England Inflation Report, February 2014)

- New mortgage market rules

From April 26th new rules will be introduced which, aside from a few exceptions, will ban non-advised sales. And whilst the lending criteria has been tightened up over recent years, the 'evidencing of income' and new 'affordability' rules will take this further, as borrowers would need to

■ 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

be stress-tested to see if they can also meet payments, should the interest rates rise. An upshot of this is that it may, in some cases, have an impact on the amount an individual can borrow from the end of April onwards.

- House prices

Whilst the average UK house price has not returned to the peak in 2007 of around £186,000, it did rise by 8.8% in the year to January 2014, and currently sits at almost £176,500. Of course, there still remains marked regional variations across the UK.

(Source: Nationwide House Prices, January 2014)

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.

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

■ The contents of this newsletter are believed to be correct at the date of publication (February 2014).

■ 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.