

Mortgage & Protection news

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UPDATED ISSUE
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BASE RATE
Bank of England Base Rate remains at **5%**.
(Source: Bank of England, 19 September 2024)

GOOD NEWS...

After being reduced to 5% in August, the Bank of England voted to keep the Base Rate at the same level at their September meeting. The next meeting is planned for 7th November.

» Overall, it remains good news for all, with different types of borrowing being affected in various ways:

Those on Tracker deals - you may have seen an immediate benefit, as your interest rate should be influenced by the Base Rate reduction.

Those on Fixed Rate deals - you will not see any changes to what you pay, until you come to the end of your deal period.

Those seeking a mortgage, or looking to remortgage onto a new deal - you may benefit from lenders responding to the lower Base Rate.

And, even if you are not moving to a new deal, you may see a better rate than a better...

from the existing lender. This reinforces why regular product reviews are extremely important in this marketplace.

A better climate

As it stands, a number of other factors have already come together in the UK to create a more encouraging environment.

A reducing level of inflation; annual UK house prices continuing to show an increase, and sizeable enthusiasm amongst lenders to compete for your business.

For example, those borrowing £100,000 over 30 years might see their monthly payments jump by around £140.

(Sources: moneyfactscompare.co.uk, 5-year fixed rate comparison, September 2024; *UK Finance, August 2023)

Lender Rates

Across this year, we've had yo-yo periods with regard to rates on offer. The only constant has been the continuous rate changes!

Most recently, we've seen price falls amongst a number of lenders.

Options...

- PDF version
- Email Template set-up to work with PDF
- Printed copies
- Use of the content (supplied as word files)
- Individual story set-ups (as pdfs or email templates)

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Movement of Swap Rates

Swap Rates influence Fixed Rate mortgage deals. So far, in September, the 2-year rate is lower than the level we saw at the start of this year, and the 5-year rate is not far off. (Source: Chatham Financial, Sterling Overnight Index Average (SONIA) Swap rates to 23 September 2024)

the process, such as **6 months before your current deal period ends**, and also ahead of looking to purchase a home. This is because we can provide pointers on what you may be able to borrow, in light of what's on offer from lenders. At the same time, we can consider the affordability issues you may face, plus factor in how creditworthy you might be.

Additionally, **once we take up a deal rate on your behalf** (generally 4-6 months ahead of the existing one coming to an end), **we can still switch it to a better rate** (on a comparable plan) from the chosen lender. This option is there up until the commencement of your new mortgage deal, which means you can lock-in a deal early, and then benefit should rates improve.

Conversely, you may want to lock-in, should deals increase in the next few months. **Identify the deal that meets your needs.** To achieve this, we would **look at the wider marketplace.**

The fact that we undertake the legwork to look elsewhere, may simply deliver the reassurance that you should remain with your existing lender.

For Renters and Home Buyers. We're also mindful of those who are renting are aware of the costs, as landlords consider the cost of borrowing. In we can **act on your behalf.** For example, the lender, solicitors, estate agents, and surveyors.

Whatever your situation, we'd fully assess the suitability of the options on offer. And you can take comfort from the fact that we operate in this sector day-in day-out, plus have the qualifications and expertise to deliver advice that meets your needs. HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. **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.

GOOD NEWS... (contd)

Continued from page 1 ➔

down to the **impact of Swaps**, which have a big influence on the pricing of **fixed rate mortgage deals.**

The rate for Swaps had been falling since the middle of last year, and most recently, the 2-year, and 5-year Swaps, for example, are around their lowest levels in recent times (see the chart).

Swaps may continue to fluctuate over the next few months, due to the actions of the government, and general economic conditions and events, both in the UK and globally.

Political ambition

A key objective for the government is to intend to signal the return of competitive housing targets. And wants to see **1.5m new homes built over the next five years.** The government's also keen to help buyers get

onto the property ladder, and will create a permanent mortgage guarantee scheme - **Freedom to Buy.** This manifesto promise aims to assist 80,000 new buyers over the next five years.

In terms of Labour's future plans with regard to any tax increases, this will become clearer in the **Budget on 30th October.**

Increases to VAT, Income Tax, and Stamp Duty will be introduced. It has recently been

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There at the outset. Do talk to your adviser for example, the lender,

PROPERTY & INFLATION

Property Prices

Look away if you're trying to get onto the property ladder, but for those who are homeowners the gloom and doom about a sizeable drop in property values didn't really materialise. In August 2024, the average annual UK property price rose by 2.4%, although it reduced by 0.2% on a month-on-month basis.

And if you want to get a feel for house price sales in your own local area, you can check out the following: gov.uk/search-house-prices (for Eng. & Wales) scotlis.ros.gov.uk (for Scotland) finance-ni.gov.uk (for Northern Ireland)

Inflation

Back in October 2022 annual inflation stood at a recent high of 11.1%. The latest annual CPI inflation figure to August 2024 stands at 2.2% (unchanged from July).

Although, another inflation pointer - Core CPI - has moved slightly in the wrong direction.

This tends to have a greater influence on the Bank of England's decision-making, and it rose by an annual 3.6% (compared to July's increase of 3.3%). (Source: Office for National Statistics, CPI, 18 September 2024)

Be Protected

- in your working lifetime

During this period, it's possible that over a quarter of men (26%) may be off work for 2 months or more, and this increases to over a third of all women (37%).

*(Source: *Royal London, based on a 30-year-old non-smoker, with a planned retirement age of 65, released January 2024)*

» Figures such as the above will make you think.

Whilst it's important to have **Life Cover** in place, should the unthinkable occur, the chance of dying across the working lifetime is only about 4% for men and 3% for women.*

Low percentages, maybe, but 3 to 4 in every 100 people may not realise that.

That said, the potential to work for a longer period. In this respect, the average man is 2.8m off work during his working lifetime. And that's why you should consider **Income Protection** plan.

(Source: Office for National Statistics, Labour market trends, September 2024)

Funding Protection cover

We recognise that household budgets continue to be under pressure, and that's been exacerbated by higher mortgage borrowing costs.

So, it's understandable that some will feel that the 'Protection Insurance' conversation

Find the extra £s

With a Cost-of-Living crisis, it is quite likely that you've already looked at cost-cutting.

Whilst we don't expect you to give up all of life's little luxuries, cutting out just one unit each week of the items below, for example, could **save around £195 each month!**

Treats	£ Cost/unit (est.)
Soft drink	1.50
Snack	1.00
Magazine	2.25
Coffee (takeaway)	3.50
Pint of beer or lager	4.00
Glass of wine (175ml)	4.25
Taxi	8.00
Cigarettes (pack of 20)	12.50
Takeaway meal	8.00
Total	= £45.00

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So, why not take a look at the box item to see more savings could be made, and then use that money to help fund the insurance premium. Get in touch. Policies, terms, and conditions will apply.

BUSY PERIOD FOR REMORTGAGING

Not only are there 1.6m residential borrowers whose fixed rate deals are coming to an end in 2024, but there are also around 240,000 fixed rate deals ending for those in the Buy-to-Let sector. *(Source: UK Finance, Aug. 2023 & Feb. 2024)*

Here are the **average residential fixed rates. Better deals will be on offer**, such as for those requiring a 60% (or less) loan against the value of their property.

- **2-year fixed rate deal**
- Average rate, 1 Sept. 2024 = 5.56%
- **5-year fixed rate deal**
- Average rate, 1 Sept. 2024 = 5.20%
- **Standard Variable Rate (SVR)**
- Average rate, 1 Sept. 2024 = 7.99%

(Source: moneyfactscompare.co.uk, Sept. 2024)

» Whilst there are rate fluctuations amongst Lenders to reflect Swap movements, others may still want to be more competitive in order to build market share. The one thing that is sure, is that for the foreseeable future, the sub 2% deals are a thing of the past.

The options for homeowners

Obviously, it's best to avoid going onto the lenders Standard Variable Rate at the end of the deal period.

Instead, we can discuss identifying an alternative 2, 3, 5 or more years Fixed Rate deal. Which could be with either your existing lender, or elsewhere. Conversely, do consider Tracker Rate deals (with no tie-ins) should you want flexibility, although some already on Trackers may now be looking to Fix. Additionally, you may want to alter the amount borrowed. Either because you require additional funds, or wish to reduce the loan amount owed.

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



Prospects for Housing and Mortgages...

The **new Labour government** set out a number of initial plans for both the Housing and Mortgage sector. And with a large parliamentary majority, they may feel they also have the ability to swiftly push through changes, with some of what's below flagged in the King's Speech.

» The government's plans for the housing and mortgage sector focused on some key areas:

- Increasing the housing supply.
- Making homes more affordable.
- Supporting First-Time Buyers.
- Assisting those who are renting.

Housing Supply and Affordability

■ **Build 300,000 Homes a year:** This amount was last hit back in the late 1970s. And to help them achieve this objective the government intends to apply compulsory housebuilding targets over the next five years, with a strong focus on social and affordable housing.

■ **Planning Reforms:** It also intends to reform the planning system to expedite the approval and construction of new homes.

■ **New Towns and Urban Development:** The government wants to create a generation of new towns with comprehensive infrastructure to support families and communities, including reliable transport links and green spaces.

They would prioritise

encompasses previously developed land, which is, or was, occupied by a permanent structure. Additionally, they would look at the greenbelt, but focus more on what they see as the greybelt element, which relates to poor-quality and ugly areas of the greenbelt.

Support for First-Time Buyers

■ **Freedom to Buy scheme:** Labour set out in its manifesto that it will introduce a permanent mortgage guarantee scheme called Freedom to Buy, designed to help First-Time Buyers secure mortgages without large deposits. This scheme aims to assist 80,000 young people in getting on the property ladder over the next five years.

Prioritise those living in the area

■ **First Dibs for Locals:** New housing developments will prioritise local residents.

Renters' Reform Bill

■ **Abolishing No-Fault Evictions:** The government plans to abolish Section 21 no-fault evictions, thereby providing greater

Initial

No immediate changes to the thresholds simply because that's why this is viewed as a tax draw more into paying tax, or pay

To deliver their policies, the government may borrow more, or consider other tax options. Some commentators feel that areas that may be looked at encompasses IHT, ISA allowances, pension tax-free lump sums, VAT changes on private school fees, and capital gains tax. Time will tell on the direction the government takes.

The Financial Conduct Authority does not regulate taxation advice.
HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

ADDITIONAL PAGE OPTION, IF WANTED

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initiatives, they also intend to give increases.

do not keep

mortgage and the circumstances. This mortgage. Or, alternative

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Buying your First Home

Low-deposit mortgages are on offer (as low as a 1% deposit), but with a strict borrowing criteria. Whilst these deals can be pulled as swiftly as they materialise, it does show a degree of intent for **First-Time Buyers**.

» In addition to this, and alongside the support from government schemes (such as Freedom to Buy), there is also real, and immediate support from the parents (and grandparents) of the first-time buyer. Plus, the support from the parents (and grandparents) of the first-time buyer, who are often able to obtain their first-time buyer status almost two-thirds of the way through 2023.

You can choose from THREE story choices for page 4: This is option 1

1. First-Time Buyer
2. Buy-to-Let Landlord
3. Critical Illness Cover

Alternatively, an increasingly popular option is to take a 5 or 6 page pdf (selecting from the three story choices here) to match the issue to your own logo colours - for both printed and pdf copies.

Moving Whilst the average age of a first-time buyer to test out an area is around 32, this is because you're not building up an investing money, time and effort into your own property. Additionally, the rental payments might even be higher than the expected mortgage costs.

Providing a deposit

This is one of the biggest stumbling blocks. In 2023, the average deposit was £53,414, equating to around 18.5% of the purchase price. And that's in an environment, where the average cost of a

home for a first-time buyer fell almost 5% from the 2022 peak. This percentage deposit will obviously open up the buyer to better rates than those who are looking at deals at around a 5% deposit. Of course, to save up the average deposit percentage takes time, meaning it's no surprise that the average age of a first-time buyer is around 32 - and that's broadly reflective for all of the UK. However, despite the deposit (and affordability) hurdles to overcome, the first-time buyer still represented 53% of all home purchase loans in 2023.

*(Source: *Halifax, First-Time Buyer report, January 2024)*

Talk to us

As for us, we can assist with your application, factor in any financial support from parents (or grandparents), and assess how you stand on meeting the lender's affordability criteria - which varies amongst the lenders.

We'd also consider the various schemes on offer from the government, and balance that against the alternatives out there in the general marketplace.

And, ahead of all this, it would be beneficial if you could obtain your credit score. Here's one service you could try that brings together your results across most rating agencies:

■ **Checkmyfile - Tel: 0800 086 9360 - www.checkmyfile.com**

Bank of Mum & Dad

We recognise that for a sizeable number it's not going to be an option, but for those who can help, this is what 2023 brought about:

- 318,400 property purchases were supported by the Bank of Mum & Dad.
- The average gift (or loan) was over £25,000, equating to £8.1bn of support, in total.
- And this resulted in over half of under 35s, who recently bought a home, receiving financial help.

(Source: L&G, 2023 Bank of Mum and Dad research, November 2023 release)

Within this mix there's also the support from the Grandparents. They too may delve into their savings & investments (or even access their property wealth) in order to see their grandchildren benefit within their lifetime, and possibly when financial support is most needed.

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

The... mortgage and the... alternative... of...
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Did you know that there's around 375,000 new cancer cases in the UK every year, and **half of those survive for 10 years or more.** And whilst 175,000 die each year from heart and circulatory diseases, there are **7.6 million living with it.**

(Sources: Cancer Research UK, British Heart Foundation, 2024 website data)



CRITICAL ILLNESS Cover

» This highlights the importance of ensuring you have some sort of **Critical Illness** protection in place should you suffer a serious illness such as cancer, heart disease, and then survive. And these days, the number of conditions covered has increased significantly (in some cases more than a hundred).

You can choose from THREE story choices for page 4: This is option 3

1. First-Time Buyer
2. Buy-to-Let Landlord
3. Critical Illness Cover

Alternatively, an increasingly popular option is to take a 5 or 6 page pdf (selecting from the three story choices here) (90.5% in 2023). Plus, we offer a corporate colour-up service to match the issue to your own logo colours - for both printed and pdf copies

Tax-

If you are a landlord, you may be one of the 90.5% (90.5% in 2023). Whilst you may not expect a swift return to work, you'd make a difference regarding your finances. Particularly if you have personal healthcare costs, or home renovation needs to reflect your changing circumstances.

Sadly, this is a reality for many families whose lives have been turned upside down by illness.

Of course, if you're employed, you may have the buffer of a period of disability cover as an employee benefit. After that, you may have to fall back on state benefits of limited value.

Also, don't just think that this should only be a concern if you're much older, as the average age of critical illness claimants across insurers is around late 40s to early 50s, with cancer being the main reason for claiming.

What do you need?

You'd decide the level of cover you require at the outset. Perhaps you may want to have enough to pay off the mortgage, or alternatively you may opt for less cover (meaning a lower premium too), but still have enough to see you through the initial couple of years as you recover.

Critical illness cover can be taken as a stand-alone policy, or as a bolt-on to a life insurance plan. The policies will vary with regard to the illnesses covered, and in some cases it could also include cover for your children up to age 18-21 (if applicable), within a specified payout limit.

Please get in touch to hear more...

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

Innovations

Critical Illness Cover has seen a great deal of enhancements over the years:

- The number of health conditions covered has increased significantly (in some cases more than a hundred).
- Additional and partial payments have been introduced. The advent of partial payments, for example, for less serious conditions has probably been one of the most welcome developments in this sector. This means that clients may still be covered, when in the past their diagnosis could have resulted in a declined claim, due to the condition not being deemed to be serious enough.
- Also, the introduction of enhanced payments may allow the claimant to receive an additional or higher payout if they are diagnosed with an illness that has a bigger impact on their life than expected.

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Page 4 story: Option 1 2 or 3

5 page pdf (extra £20) 6 page pdf (extra £35)

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