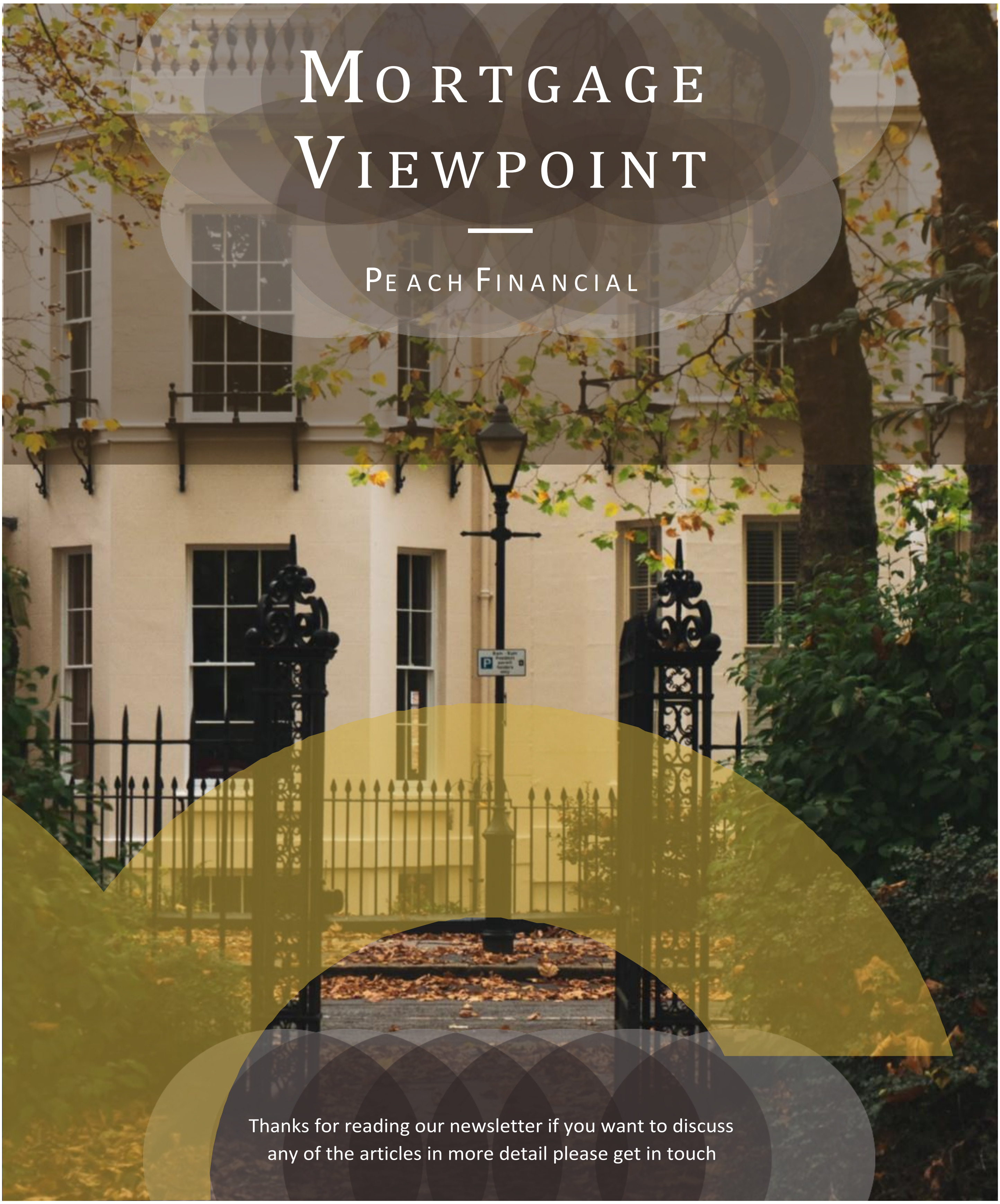


Mortgage Viewpoint

Peach Financial

Thanks for reading our newsletter if you want to discuss any of the articles in more detail please get in touch

PEACH FINANCIAL

5 Wakes Hall Business Centre, Colchester Road, Essex, CO6 2DY

info@peachfinancial.net | 01787 220338 | https://www.peachfinancial.net/

How does the mortgage market work?

There are times in our lives when we can all use some help and guidance. Buying a home is one of those major steps that is much easier to take if you are well-informed and get some good advice. Whether you are a first-time buyer or someone who has moved before, things change, so it's useful to understand the mortgage market.

Each year, thousands of consumers finance the purchase of their homes with a mortgage or re-finance existing mortgages. With mortgage debt accounting for over 80% of total UK household liabilities, finding a suitable mortgage is an important financial decision. Most mortgages in the UK are provided by building societies, banks and specialised mortgage corporations. There are currently around 200 different financial institutions offering mortgages in Britain. The mortgage market is very competitive, with a wide range of products and rates available, making it challenging to understand what is on offer.

Change in the market

The mortgage market is continually evolving to meet the needs of a changing customer base, with new developments in intergenerational lending, lending into and in retirement, buy-to-let mortgages and support for first-time buyers. Over the last 15 years the UK mortgage market has journeyed through some key changes and seen many new regulatory requirements, as a result of the Mortgage Market Review and the implementation of the Mortgage Credit Directive.

Who does what?

The professional conduct of mortgage providers is regulated by the Financial Conduct Authority (FCA). There are strict rules and guidelines, to protect the consumer. Regulations set out in the FCA Mortgage Market Review (2014) aim to crack down on poor lending services by building societies and banks, with requirements outlined for stricter affordability checks, amongst other revisions.

The Bank of England sets the interest rate, which impacts mortgage repayments and it is also responsible for ensuring banks are able to meet potential losses on their mortgage lending, meaning you can save and borrow money safely. The Prudential Regulation Authority determines the amount of money that lenders need to hold and that they have sufficient risk controls.

New challenges

In light of the COVID-19 pandemic, in March the FCA published ***'Mortgages and coronavirus: our guidance for firms'***. Advisers are working hard to stay informed about what is available from the government, so they can provide this guidance to their clients. In such a fast-changing environment, many lenders have responded by withdrawing deals from the market, mostly those in the higher loan-to-value range.

We're here to help

We are responsible for advising you on a suitable mortgage for your circumstances, whether you're moving up the ladder, looking to downsize, purchasing another property or remortgaging, please get in touch. We are specialists with in-depth knowledge of the market and are able to look at a whole range of mortgage products. Getting a mortgage is one of the biggest financial decisions you will make, so it's important to get it right.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

OW2765 Exp.02/06/2021

Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Advice from your lender

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

Advice from us

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.

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

OW1938 Exp. 16/04/21

My journey as a first-time buyer

Being a First Time Buyer was daunting to start with, but once I got in touch with an Openwork Adviser, they settled all my nerves and made the process of buying a place to call home incredibly easy.

The big decision

Before I could look at houses and house prices, I needed to know what I could afford and how big or small my mortgage and the monthly payments would be. Due to my low income and the fact I am single, it was a struggle to find a suitable property within my budget, so I was recommended to look at the Help to Buy Shared Ownership scheme.

Shared Ownership allowed me to look at good quality pre-owned properties at a good price; I would own 40 per cent and a housing organisation would own the remaining 60 per cent. There were quite a few properties I liked and once I'd viewed them and found the one best suited for me, I sat back down with my adviser and we discussed putting through the mortgage application.

After some waiting, we had the good news that the application was approved. We started to liaise with the solicitors about purchasing the property. This part of the process was long and full of paperwork – a lot of which I didn't understand – but with the help of my adviser, I was able to complete it and get the purchase submitted.

The final step in the process was to receive the best news yet - confirmation of purchase. I was now the owner of a place I could call my own, all that was left to do was to collect the keys and move in.

Protecting my new home

When it came to protection, even though I have no dependants I wanted to make sure my income would be protected if for some reason I couldn't work. The last thing I would want to risk was the roof over my head that I had worked so hard to find! Discussing the different protection options available with my adviser was very helpful to understand which option would suit my needs and my budget. The policy I went for had the relevant benefits I need as well as being affordable each month.

Overall, I believe by using a financial adviser, I was able to relax knowing that someone was taking care of everything for me, if there were any issues they'd let me know straightaway. I think if I had gone through this alone I would have really struggled.

OW1913 Exp. 27/03/21

Home improvements to add value to your home

Evidence suggests that many more of us are putting down roots and choosing to stay in our current homes for longer. The average time a homeowner in the UK stays in their property is 21 years.

This contrasts with the 1980's, when a fast-rising property market encouraged a move every eight years on average. However, high prices in some regions, Stamp Duty and the other costs of moving, are now encouraging us to stay put and spend money improving our properties.

With so many more people staying put and embarking on some home improvements, it's a good idea to select improvements and renovations that will add value to your property in case you do decide to move on one day.

Some of the best improvements to add value to your property include ***(plus potential value added)***:

- Converting your cellar ***— 30%***
- Converting your garage to living space ***— 15%***
- Extending the kitchen ***— 15%***
- Loft conversion to add a bedroom ***— 15%***
- Increase living space with a conservatory or similar ***— 10%***
- Kerb and garden appeal ***— up to 10%***
- Fitting a new bathroom ***— 5%***
- Making the living area open plan ***— 3-5%***

Here are some useful tips to bear in mind before embarking on your chosen project:

Check your deeds

There could be restrictions on what you can do, you may require planning permission, especially if it affects a boundary or external modifications are involved.

Check your policy

If you're going to make any major changes to your home, you should contact your buildings and contents insurance provider first to avoid unintentionally invalidating your policy and check your policy covers you for accidental damage.

Get your paperwork in order

If you are looking at a large undertaking such as converting your loft, ensure you have the correct paperwork and certification, otherwise the money you spend may not be realised in the sale price.

Preserve bedroom space

Try not to reduce your bedroom count, you may want to convert a third bedroom into an en suite, but by losing a bedroom you will reduce the value of your property.

Be commercially-minded

Consider the neighbourhood you live in and the types of buyers likely to want to live there, for example spending money landscaping your garden may not appeal to a younger professional couple who want low-maintenance outside space.

Avoid personalisation

Unless you are prepared to redecorate when you come to sell, use a neutral colour scheme, introduce colours in soft furnishings and accessorises and personalisation with pictures or photos.

Hire a professional

Avoid a DIY disaster by only taking on projects you are confident you can complete.

We can help

Please get in touch if you are looking to fund your home renovations with a remortgage or second charge loan.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

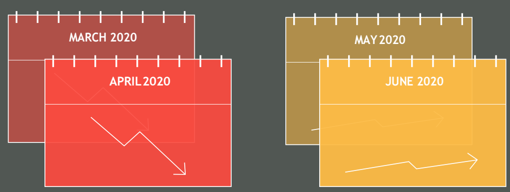
Mortgage affordability in a post-COVID world

Back in March, the Bank of England slashed interest rates to an all-time low of 0.1%, in a bid to alleviate the severe economic pressure caused by coronavirus. As the base rate cut fed through to mortgage rates and with the continuing pressure of a closed mortgage market, lenders responded by withdrawing mortgage offers, increasing rates and pulling products from the market.

Between March and May:

- 2,656 mortgage products were withdrawn, many of which were high loan-to-value (LTV) deals (i.e. those requiring a smaller deposit).
- 396 two-year fixed and 374 five-year fixed deals at 90% and 95% LTVs were pulled from the market

2020: A steep downturn, followed by a cautious return?



Lenders make a cautious return

As certain social distancing restrictions began to be lifted in May and the property market reopened for business, lenders began relaunching higher LTV deals and products aimed specifically at first-time buyers, such as Help to Buy loans.

With the property market still in the early stages of recovery, it's worth being pro-active and following some of these tips to maximise your chances of mortgage approval:

- **Save as much as you can** – while many people are experiencing financial difficulties during the pandemic, many of us are also spending a great deal less than usual. Getting your deposit as high as possible will increase your chances of mortgage success.
- **Clear your debt** – when considering your application, lenders will look at any outstanding debt. Clearing as much debt as possible, as well as closing any unused accounts, will increase lenders' confidence in your ability to repay your mortgage.
- **Understand your credit score** – the better your credit rating, the higher the likelihood you'll be accepted for the best mortgage deals. Understanding your credit rating and how to improve it is key to moving forward with a successful mortgage application.
- **Keep excellent records of self-employed earnings** – providers can be more nervous about lending to self-employed people, so having excellent records of your earnings over the past two or three years (depending on the lender) can really improve your chances.

Consult the experts

We're on hand to make sure you get a great deal for your circumstances, and one that gives you the highest chance of success. Whether you're a first-time buyer or a second stepper, we're here to guide you through this difficult period.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

OW2865 Exp. 29/01/2021

Our expert advice can help reduce your mortgage stress

Moving home is known to be one of life's most stressful events. In fact, a survey earlier this year, found the process can cause us more stress than other major life events such as having a baby, getting married, starting a new job or getting divorced.

Sorting out your finances

The biggest cause of worry for many is arranging finance for the move. First-time buyers need to save up funds for a deposit, as well as finding the right mortgage and an affordable property. Low- deposit mortgages and saving schemes, like the Help to Buy ISA (which closed to new accounts on 30 November 2019), appear to have helped with the challenge of saving a deposit to some extent. It pays to save a large deposit as in most cases, the bigger the deposit you can put down, the lower your interest rate is likely to be.

As well as saving for a deposit and budgeting for costs like legal fees and surveys, you should review your income and outgoings; any lender considering your mortgage application will expect you to be on top of your bills and to be able to afford your monthly mortgage payments.

A challenging process?

Research from Aldermore's First Time Buyer Index reveals prospective first-time buyers view buying a home as challenging, with over a quarter (29%) saying getting on the property ladder is 'very difficult'. This research also showed nearly two thirds (61%) of recent first-time buyers found the house buying process 'confusing' and two in five (39%) say the stress of it actually made them feel ill.

Understanding the mortgage process

With such a vast number of mortgage deals available, it can be difficult to know which one is right for you.

Whether you are a first-time buyer, moving home, remortgaging or looking to release equity from your property we can help. Our qualified mortgage advisers have access to a wide range of mortgage deals and can help you understand all aspects of the home buying process.

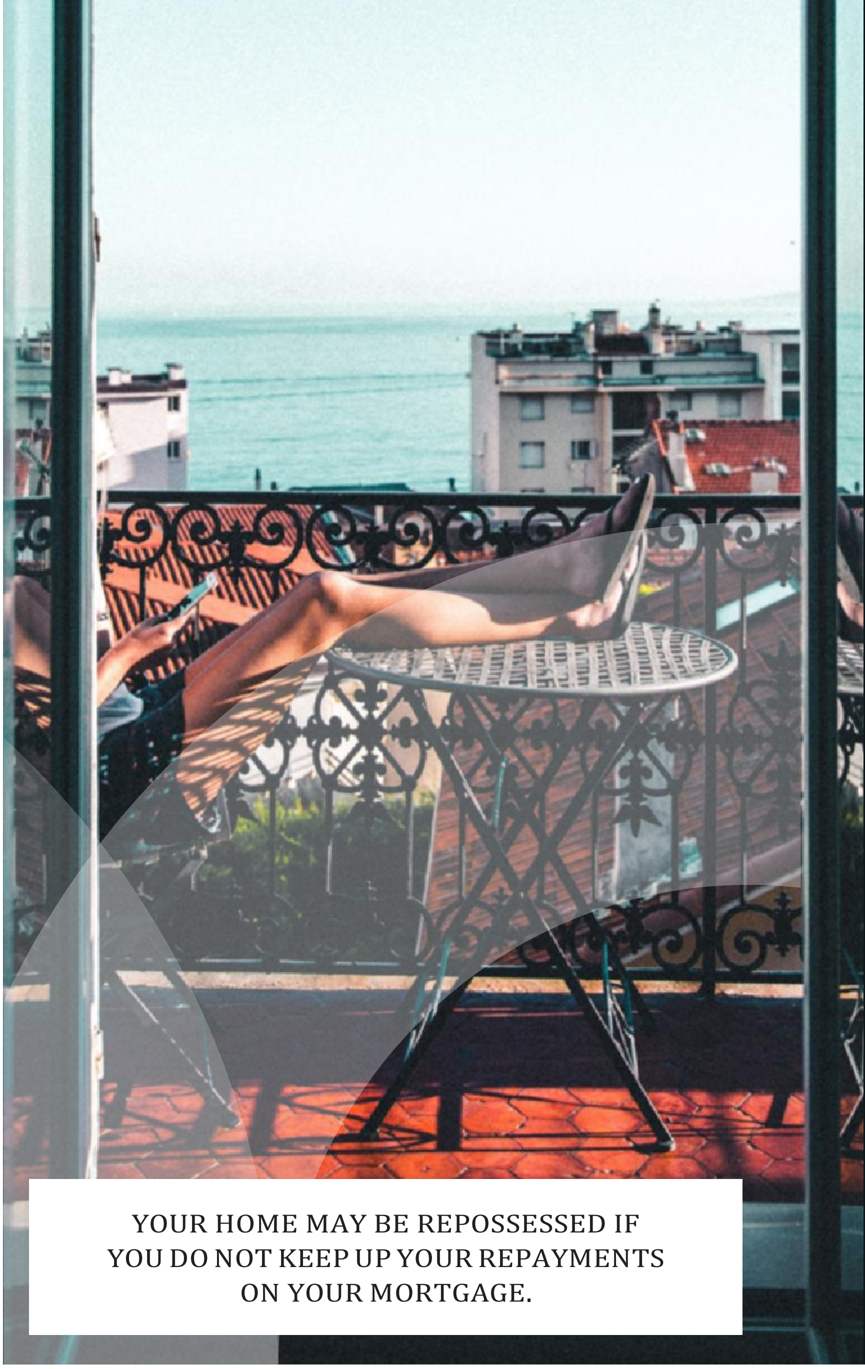
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

OW2464 Exp. 18/06/2021

Borrowing options in your later years

Retirement is an exciting time; the start of a new chapter in life. Whilst we will have worked, saved and prepared for this moment for a long time, many of us will find we don't quite have enough money to fund all the things we planned to do.

Luckily, there are an increasing number of options for borrowing in your later years, enabling people to stay in their homes for longer and help fund their retirement lifestyle.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP YOUR REPAYMENTS ON YOUR MORTGAGE.

Mortgage

One option is a traditional residential 'capital and repayment' or 'interest-only' mortgage. Many lenders have increased their upper age cap limits in recent years, enabling mortgages to now be applied for by people up to 80 years old and allowing mortgage terms that end when a customer is up to 85 years old.

You'll have a better chance of being accepted for these mortgages if you have a good credit history. Your income will need to be high enough to easily cover the mortgage payments, so lenders will be looking for proof of pension income. This is easier to do once you are retired.However, if you are yet to retire, your pension provider can give confirmation of your expected retirement date, current pension pot and expected retirement income. The mortgage provider will also be interested in other income you may have, such as from shares and property investments.

Equity Release

Another option is equity release. With an Equity Release Mortgage, you borrow an amount against a part-share of your home, either as a one-off lump sum or a monthly income.

You still own your home, and the payment can be used for a variety of purposes. These are, most commonly, to pay off an outstanding mortgage, pay for a major purchase or unexpected cost, or simply to help fund your retirement.

Lifetime Mortgage

A Lifetime Mortgage differs to a traditional Residential Mortgage as payments do not need to be made throughout the term of the mortgage. Instead, the total amount borrowed plus the interest is repaid when the house is sold, which is usually after the borrowers have moved into a care home or passed away.

Both Equity Release and Lifetime Mortgages will impact elements such as how much inheritance you have available to pass on, eligibility for state benefits and your tax position.

Each of these borrowing options suits different circumstances so you must carefully consider which would be best for you in your later years.

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

OW2273Exp. 14/09/2021