

Mortgage & Protection news

The newsletter from Cogent Financial Planning Ltd

The current climate may be a time to assess both your borrowing and protection needs.

» The implications of Brexit will obviously affect our lives from now on. However, as it stands, we're still part of the EU, and that'll remain the case for the foreseeable future. What has swiftly changed is market sentiment, along with the political landscape.

There was an immediate impact on the UK stock market and the value of the pound (with the former recovering and the currency less so, at the time of writing).

It's also affected the structure of the government, and may have an impact on property prices, yet that doesn't mean we should avoid making decisions.

More secure climate

Unlike the crash of 2007/8, the economy is in far better shape to adapt to changes, and whilst the Bank of England views the immediate financial future as 'challenging', it has already taken steps to ease the capital requirement for the banks.

The upshot of this is that it immediately freed up £150bn for lending to both UK households and businesses, which may translate into delivering the mortgage, or remortgage deal that you're seeking.

(Source: Bank of England, Financial Stability Report, July 2016)

The road to Brexit

Broadly, if the lenders continue to have the money and appetite to lend, then the fundamentals of the mortgage market still remain strong. Furthermore, we've now had a reduction in the Bank of England Bank Rate* which, alongside other measures, is designed to help provide a fresh economic stimulus for the overall UK economy - and might even deliver better mortgage deals for you. *(Source: *Bank of England, 4 August 2016)*

Your route forward

To make sense of all the developments in these changing times, it's essential that you **take professional advice.**

And why would you want to put your life on hold anyway, as there's much you may want to be getting on with, such as:

- Securing a better mortgage deal than your current one.
- Undertaking much-needed renovations to your current home.

- Moving up the property ladder (or perhaps even downsizing).
- Buying your first home, and taking advantage of the schemes on offer.
- Conversely, you may look at expanding your property portfolio, either through becoming a landlord, or simply want the holiday home you've always dreamed of.

Whatever happens (both politically and economically), the sizeable numbers that voted for both the 'leave' and 'remain' camps should hopefully ensure a measured approach going forward.

If you'd like to hear more about how we could assist with your borrowing needs, along with ways to protect you (and your family), then please get in touch.

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



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

■ Cogent Financial Planning Ltd is authorised and regulated by the Financial Conduct Authority.

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



Assisting your dreams

'Be fearful when others are greedy, and greedy when others are fearful'. (Warren Buffett - one of the world's most successful investors)

» This quote is possibly opportune in the current climate, and whilst it's directed more at holding an investment portfolio, much of what you do with your own borrowing and protection requirements also relates to investing in your current and future needs.

So whilst you don't want to be reckless, you should consider the opportunities that may be out there for you.

One of these may be to **remortgage** onto a better deal than the one you're currently on. In short, you remain where you are, but simply try to find a deal that'll cost you less each month, or perhaps one that will generate additional funds to enable you to undertake key home improvements.

The good news is that there are still decent (and in some cases, improved) deals out there, particularly if you're currently

sitting on your lender's Standard Variable Rate (SVR).

You may even decide to utilise some of the mortgage payment money you save to provide additional **protection** for yourself (and perhaps family too) in the way of life assurance, or cover against illness, injury, or job loss.

Alternatively, even though you may enjoy a lower rate of interest from a new deal, you could decide to maintain the level of payment, if possible, enabling you to **pay off the loan sooner than expected.**

Benefit of Advice

In short, there's simply a massive range of options on offer to meet both your borrowing and protection needs. So it makes sense to take advantage of calm, sensible and professional financial advice.

And that's before we even mention the raft of 'tighter' rules, which apply stricter 'evidencing of income' and 'affordability' measures to ensure that borrowers are stress-tested to see if they can not only meet current payments, but also be able to cope should the interest rate rise.

Even here, different lenders may interpret the rules in alternate ways, meaning that if you can't get the loan you need from one lender, the answer may not be the same elsewhere. Hence the benefit of securing advice from someone that is dealing in this marketplace day-in, day-out.

Hold your hand throughout

We are also aware that you may have time-pressed lives, so we can hold your hand throughout the process, and liaise with the various parties along the way.

We already help a whole range of clients, from those who are new to home ownership, have a home and may want to move up (or down) the property ladder, or simply want to stay put and seek out a better deal, or require further funds. We recognise that each situation is different and needs to be tailored accordingly.

To hear more, please get in touch. You may have to pay an early repayment charge to your existing lender if you remortgage.

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Protecting your Income

Only one in five of us have Income Protection cover in the event of becoming too ill or disabled to work. Yet the same survey showed that a sizeable 42% have experienced income loss in their working lives due to serious illness.

(Source: Zurich survey, July 2016)



Whilst you may have life cover in place, how would you (or the family) cope if a wage earner was off work for a long period of time? You may think it won't happen to me, and that'll hopefully be true, but it does happen!

To give you a feel for how this may impact upon families, a couple of years back the 7Families charity-led initiative was set up to deliver financial support for a year to seven selected families. These are families who've lost their main income through a serious or long-term illness, or disability, and didn't have any financial support in place.

For them too, the unexpected was very much that. Along with assisting families that were facing financial meltdown, it provided an opportunity through real life situations to demonstrate the importance of families planning financially to help lessen the impact should the worst ever occur. You can find out more at: www.7families.co.uk

By checking out the website, and also completing its 'How Financially Invincible are you' test, you may then agree that: *'it's possibly far better to have cover in place and not need it, than to need it, but not have it!'* So do get in touch, and we can take you through the options.

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



Good Housekeeping

One of the biggest areas to experience an immediate impact from Brexit was housebuilding, and we take a look at how that may affect the **First-Time Buyer**, along with some options on offer.

» Brexit has added an extra dimension to two key elements of the property marketplace that are closely interlinked; **buy-to-let landlords/renters**, and **first-time buyers**.

Housebuilders (along with the banks) were one of the initial sectors to see their stock market price fall. This was swiftly followed by a number of investment businesses initially suspending trading in their 'property funds', as a result of an increase in redemption requests after the EU Referendum vote.

Of course, things may well settle down as the markets get a better feel for the way forward. On top of this, let's not forget that housebuilding remains a top priority for the government - with its aim to build one million new homes by 2020.

(Source: gov.uk announcement, October 2015)

Although some commentators are not that confident the government will hit this target, meaning buy-to-let landlords (who do have their own separate raft of tax issues to contend with), may still be quietly confident if rental demand rises, due to a slowdown in housebuilding, plus any reluctance to currently commit to property purchases due to the market climate.

Help-to-Buy schemes

However, the government also has in place various Help-to-Buy schemes that **largely target the first-time buyer**. It's this group that will obviously benefit if concerns over Brexit results in house price inflation either levelling off or perhaps falling.

So far, these schemes have enabled over 160,000 people to buy their own home, with 94% of all completions taking place outside London, and 80% of the take-up coming from first-time buyers.

(Source: gov.uk, Help-to-Buy, June 2016)

■ Mortgage Guarantee scheme (UK-wide)

This works in a similar way to a normal mortgage, except the government can give lenders the option of providing a guarantee of up to 15% of the loan amount, alongside the borrower's deposit of at least 5%.

This means that the borrower can benefit from the interest rates on better loan-to-value deals (ie 80% LTV). However, irrespective of the guarantee, they would still be responsible for paying back the full loan amount.

■ Equity Loan scheme (England & Wales, with similar schemes elsewhere in the UK)

In this scenario the government lends the borrower up to 20% (up to 40% for Greater London) of the cost of a newly built home, so in this instance, the borrower would only need a 5% cash deposit, and a 75% LTV mortgage to make up the rest. Again, this opens up access to the better rate deals.

The borrower won't be charged fees on the 'up to 20%' figure for the first five years of owning the home. The government would then get 20% of the future sale value.

■ Shared Ownership scheme (UK-wide)

If the borrower can't quite afford (or secure) the mortgage on a sizeable

percentage of the home's value, then this scheme offers the chance to buy a share of the home (between 25%-75%) and pay rent on the remaining proportion. Then down the line, the borrower could purchase a bigger share of the property.

To conclude

This is just a brief outline of some of the schemes on offer (with the same or similar set-ups throughout the UK) and, of course, various terms and conditions would apply.

If interested, it shows that choices do exist largely, but not always exclusively, for the first-time buyer, and as part of that process we can help identify the most suitable mortgage loan for your needs.

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WILL you do it for the KIDS?

DID YOU KNOW that a massive 58%* of all UK adults don't have a Will in place.

In which case, consider this situation: A family with young children, where both parents sadly perish in a car accident (and a Will or Guardianship arrangement isn't in place); the children are likely to be initially put into Care - irrespective of a loving family that may be around them! So, it's not just about money.

In general, not having a Will would mean that a person dies intestate. Whilst their spouse (or registered civil partner) will be the first person entitled to the estate, they may not inherit all of it. If a couple aren't married, then the situation could be even more problematic!

Also, without a Will the whole process is slowed down dramatically, often meaning that the family may face financial worries, at the same time as having to cope with the loss of a loved one.

*(Source: *Survey by unbiased.co.uk, October 2015)*

The Financial Conduct Authority does not regulate Will writing.

CHECK YOUR Credit Score

Lenders can 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 future behaviour, which means that people who have a poor score may suffer, as can those who have no credit history at all.

Each time you apply for credit, this might be recorded on the files held by the credit reference agencies - Experian, Equifax and Callcredit.

As every lender has its own 'perfect customer' profile, a rejection from one isn't necessarily a rejection from all. By talking 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. As part of that process, we should also be able to limit the number of applications made - since too many could result in a lower score.

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.

Interestingly, being super squeaky clean may not always be to your advantage. Whilst the lender, credit card provider, etc, is keen to know they'll get paid, they may also take a view on the future



profitability of a prospective client. So, ironically, some of the best clients may be those who are perpetually in debt, but never default, and always meet the minimum repayment. Might not be a target to aim for, but certainly a consideration!

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 each year to ensure 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 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. Since companies will use different agencies, it may make sense to check all three:

Experian - Tel: 0800 013 88 88 - www.experian.co.uk

Equifax - Tel: 0800 014 2955 - www.equifax.co.uk

Callcredit - Tel: 0330 024 7574 - www.callcredit.co.uk

Also, if relevant, write to the lender if they have 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.

Do take a look at the ten tips on this page, and get in touch with us if you have any questions or require assistance.

TEN SIMPLE WAYS TO HELP BOOST YOUR SCORE...

1. Check your files annually or before any major application, and then afterwards, if rejected.
2. Ensure that you're on the electoral roll. And if you're not eligible to vote in the UK, then add proof of residency to your file.
3. Don't make too many applications within a short time period, as it may be interpreted as being desperate for funds.
4. Sort out any address errors, so that you have one consistent address on file.
5. Never miss or be late on any credit repayments, as it can have a disproportionate hit.
6. Shut down unused cards - as they could be a fraud risk, plus may show you've access to too much available credit.
7. Don't withdraw cash on credit cards in the UK - as this can be viewed as poor money management.
8. Be consistent with your information across applications.
9. Don't let your partner or housemate's score wreck yours!
10. If you're separated from your partner, then do ensure, where possible, you financially delink too.

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We are independent and for arranging a mortgage we charge a fee of £95 for any research undertaken and £300 payable to cover our advice and the administration of your mortgage application. We will also be paid commission from the lender.

■ The contents of this newsletter are believed to be correct at the date of publication (August 2016).

■ 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 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: 01462 815095 Email: info@coagentfp.co.uk Web: www.coagentfinancialplanning.co.uk