Spring 2022

Mortgage & Protection news

The newsletter from Evermore Capital

EVERMORE CAPITAL

MORTGAGE AND PROTECTION SPECIALISTS

Is it time for a Financial Spring Clean with regard to your Mortgage Loan needs?

» As we proceed through 2022, there remains a desire to move home (with many looking for a different way to live), balanced by a lack of available properties to purchase. Plus, there is still Covid, and concerns over rising costs, with inflation already standing at over 5%.

These concerns will be further exacerbated by the recently announced Energy cost rise, which apply from April and, quite apart from the more worrying humanitarian issues, the impact on costs attributable to the war in Ukraine.

These have all been contributory factors in the Bank of England **increasing its Base Rate** for the third meeting in a row, with the knock-on effect for mortgage rates.

(Sources: Office for National Statistics, Consumer Price Inflation; February 2022; Bank of England, 17 March 2022)

Still decent deals...

That said, even though the direction of travel for interest rates is upwards, rises are coming from a **record low base,** which means that there are still **decent deals** out there.

For a wide range of borrowers (such as the following), perhaps **now's the time to act** to lock-in the current deals:

Do get in Touch

- Looking to secure their **first property loan.**
- Have a mortgage deal that's **due for review** in the next 6 months or so.
- Existing borrowers who simply want to obtain a **decent interest rate now** and/or raise more funds.
- Those who need **more living space,** either within their current home, or elsewhere.
- Others may be worried that **further cost of living rises** could impact on their mortgage affordability calculations into the future.

House Prices

The average UK house price rose by 12.6% in the year to February 2022.

(Source: Nationwide, House Price Index, February 2022)

Whilst growth is expected to ease to single digits over 2022, rises in the last few years may have been beneficial for current homeowners. It might even **open up better rate deals,** if borrowing against a property that's risen in value over recent years.

Example Average Rates

The following are comparative average fixed rates across the board (to give you a general feel). For those that tick all the boxes, some deals are still on offer at around 1-1.5%, largely for borrowers with sizeable deposits.

- **Coming off a 2-year fixed deal**
  - Average rate March 2020 = 2.43%
  - Average rate March 2022 = 2.65%
- **Coming off a 5-year fixed deal**
  - Average rate March 2017 = 2.93%
  - Average rate March 2022 = 2.88%

(Source: Moneyfacts, 1 March 2022)

Lender requirements

Borrowers will be well aware that lenders continue to apply stringent controls on the 'evidencing of income' and 'affordability'.

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Do get in touch (contd)

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However, whilst the cost of living rises will not ease this situation, the Bank of England is looking to consult on possibly withdrawing, or easing, the 'affordability' requirements sometime in 2022. This rule currently requires lenders to ensure that borrowers can afford a 3% rise in their mortgage interest rate before approving an application. If removed, or eased, it would then open up more property and borrowing options for purchasers, and remortgagers.

Low deposit deals

Deals such as 95% and 90% loan-to-value may have bucked the trend in rising rates, as average rates have largely remained stable over recent months. This is partly a reflection of the enthusiasm of the Government to support the First-Time Buyer.

(Source: Moneyfacts, March 2022)

Green Mortgages

With a lot of talk about rising energy costs, it'll focus the mind of many to seek out more energy-efficient properties, or renovate the existing one. This is where a Green Mortgage could be of interest - a product offering that's sure to grow in popularity.

Why you should talk to us

With so many options to consider, it can be quite confusing. For example, there are the enticing headline rates (where you'll also need to consider the associated lender fees), the option of a fixed or tracker rate, the length of the overall mortgage deal, and all the information lenders require.

So, it's no wonder that most opt to **take our professional advice** to help identify a suitable route forward.

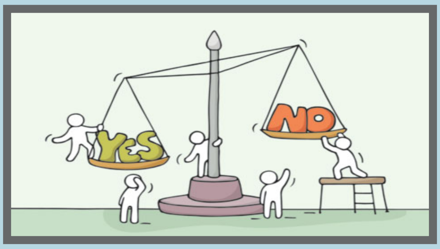
Please get in touch to hear more...

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

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

Ready to REMORTGAGE?

According to Barclays, one in three homeowners know **remortgaging** could save them money, yet 49% of homeowners have never switched their deal. *(Source: Barclays, October 2021)*



Some borrowers would simply opt to remain with their existing lender on a like-for-like mortgage deal. This is called a **Product Transfer,** which may be the most suitable route to adopt, and we can help you with this.

Assess the wider marketplace

However, it would also be prudent to consider what's on offer elsewhere. Particularly, as **your circumstances may have changed** since you took out the previous deal.

You might be earning more, may now be with a partner/family, possibly benefited from your property rising in value, face financial issues, and so on.

All of this needs to be weighed up, as alternative lenders may be better suited for your current situation.

Whilst, at the same time, your existing lender's appetite to lend may have waned.

Remortgage early

If you think that the current decent deals on offer are also something you'd like to snap up now, ahead of the end of your deal period, then that's feasible too.

However, there may be an **early repayment charge payable to your existing lender, if you do remortgage.**

It's then about doing the maths.

Remortgage for further funds

Any type of remortgaging isn't simply about looking to take up a new deal for the same amount of borrowing. You may be **keen to raise extra money** to cover the cost, for example, of home improvements or major renovations.

Sitting on your lender's SVR

Whatever you opt to do, it's probably best to avoid coming to the end of your mortgage deal period and not setting up a new one, as the lender will revert you onto its Standard Variable Rate.

On average, this is 4.61%. This could then result in a hefty increase to your monthly payments. Or, conversely, a sizeable saving if you're currently on an SVR, and now keen to remortgage.

(Source: Moneyfacts, 2 March 2022)

It's your First-Time

Buying your first property is not only of importance to the **First-Time Buyer,** but often to the **Parents** and **Grandparents** too, and is something the **Government** continues to be keen to deliver support on.

» While many First-Time Buyers face enormous challenges to get onto the property ladder, a positive sign is that last year **over 400,000 bought their first home** - up 35% on the year prior.*

Some of the key triggers were people looking to live a different life due to the pandemic (possibly outside the major cities), and the Stamp Duty reduction, which was of benefit for some parts of the UK. However, it demonstrates the desire to get onto the first rung of the property ladder. So much so, that **nearly half of all renters would like to buy out their landlord,** if circumstances allowed. *(Source: Wayhome, Rent to Buy research, January 2022)*

Flats rise less in value

With the 'race for space' helping to push up property prices across the board, this could make securing the first one even tougher. However, the biggest race has been for detached houses (which saw a 17% price rise between March 2020 to the end of 2021). **Flats rose less, at 9%** over the same period, with a 15% rise for terraced & semi-detached properties. *(Source: Halifax, January 2022)*

QUICK FIRST-TIME BUYER FACTS

- Average age = 32
- Average price = £264,140
- Average deposit = £53,935, equating to 20% of property price
- Average purchase price ratio vs. earnings = 6.9

*(Source: *Halifax, First-Time Buyer Review, January 2022)*

Pulling together the Deposit

Despite the Government delivering various schemes, along with the return of more 5% and 10% deposit deals from lenders, the deposit itself continues to be the major stumbling block.

The figures in the box show that the average deposit covers 20% of the purchase price, but you may be able to get onto the ladder with just a 5% deposit. Across the UK, that'll still mean saving (or securing) around £13,500, on average.

For those lucky enough, there's also the 'Bank of Mum & Dad' (plus Grandparents) who may be able to help out.

And how we can help...

Whatever your circumstances, we can help navigate a way through the deals on offer, assess your credit rating, run though all the paperwork required, plus chase everyone up along the way.

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

It's not just COVID...

Across 2020 & 2021 around **1,350,000 people died** in the UK - that is **over 1 per minute!** Covid accounts for just 11% of that amount - 150,000.

(Source: Office for National Statistics, Death data, 2020 and 2021 (provisional), Gov.uk dashboard for Covid data)

Yet it's Covid that has really focused people's minds on the need to protect themselves, in case of early death, or the prospect of long-term illness. But, as the figures above show, you're far more likely to die from the main killers such as cancer, heart disease, dementia and Alzheimer's.

Those aged 15-64

Also, death is not an issue simply for those in their retirement years. Around 200,000 15-64-year-old UK adults, died across 2021 and 2022, an amount that's more than all Covid deaths! Quite apart from this, ahead of that there are about 2.3m people in the UK who are currently off work long-term due to sickness.

(Sources: Office for National Statistics, Deaths, 2020 and 2021, and Labour market overview, February 2022)

Whilst this is not a cheery topic, it reinforces the importance of discussing protection policies with us that can help protect **your family, your income stream,** and **your pocket.**

Please get in touch to discuss this.

98% of all claims were paid out in 2020, equating to £17,000,000 a day!

Life Cover

- 99.5% of all claims were paid out.
- Average payout of £79,304 (term), £4,026 (whole of life).

Critical Illness

- 91.3% of all claims were paid out.
- Average payout of £67,011.

Income Protection

- 86.5% of all claims were paid out.
- Average payout of £22,170.
- Average length of claim could be around 6 years.*

*(Sources: Association of British Insurers, 2020 data, May 2021 release; *2020 claims data from LV and Aviva)*

There are different types of **LIFE COVER** plans on offer, and here are two choices. One looks at life cover for families, and the other considers options through a business.

Protect your FAMILY...

FAMILY INCOME BENEFIT

General life cover that pays out a lump sum (if a valid claim is made) is often in place to help settle the outstanding mortgage. That's a great help, for the partner left behind and their children, but what about ongoing everyday items such as food, clothes, utility bills, childcare, or other expenses like holidays and university costs?

This is where a **Family Income Benefit** plan could deliver much-needed support. In the event of death, it would provide a regular tax-free income for your loved ones from the time of the claim to the end of the plan term.

It's often taken out over a 10 to 20-year term, or whatever may be appropriate in your circumstances. The idea is that should you have a valid claim, then it's in place to **pay out until the children have grown up.** The potential 'total' payout over time decreases the further through the policy you get, which is reflected in a lower premium cost.

How it works

If you took out a 20-year term, which was set up to pay out £20,000/year and it was claimed against after one year, then the family would receive £20,000/year for the next 19 years, equating to a total payout of £380,000 (if there was no index-linking).

However, if for the same plan, there wasn't a claim until 18 years into the policy term, the total payout would be just £40,000. If, fortunately, there was no claim at all within the 20-year period, then the policy simply runs the whole term without any payout.

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

RELEVANT LIFE PLAN

This is a life cover plan that's set up by employers for employees (including directors), and is designed to pay out a lump sum to the family of the person covered, should they die across the period of the cover.

The plan could be in addition to any other 'personally funded' life cover that might be in place, and it's largely designed for small and medium-sized businesses (with a few exceptions, such as Sole Traders and Limited Liability Partnerships).

Tax-efficiency

A Relevant Life Plan can be a tax-efficient way to secure some all-important life cover. In this respect, do take advice from an accountant for further clarification.

Even though the company makes the payments (a saving for the employee on premiums against paying personally for life cover), it's not typically treated as a 'benefit in kind', and would therefore not be included in the employee's income tax assessments.

Also, those with a substantial pension pot may benefit, as the plan will not form part of the lifetime pension allowance.

And, as the plans are generally written into trust, any payout should not form part of the deceased's estate, with possible Inheritance Tax benefits, plus it could be paid out quite swiftly.

Additionally, the payments may also be an allowable expense for the company when calculating its own tax liability.

It's transportable

If the employee leaves the company, the plan can be converted into a 'personal policy' (with some amends), or possibly be taken on by the new employer.

Whatever your status, do talk to us to find out if a Relevant Life Plan could be a suitable option for you. HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. The Financial Conduct Authority does not regulate trust and taxation advice.

■ 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: 07799 221 435 Email: info@evermorecapital.co.uk Web: www.evermorecapital.co.uk