

the mortgage

The mortgage bulletin from A J Hird Insurance Consultants



Which route

Do you fix, or go for a variable rate?

» With both the current uncertainty in the money markets and interest rate movements over the last year, anyone remortgaging in the next few months faces the tricky question of whether to fix or opt for some form of variable rate mortgage.

(Source: Bank of England Base Rate statistics to August 2007)

Regrettably, there is no sure-fire way of predicting how the markets will move and the future path of interest rates.

Fixed popularity

The most popular route for borrowers has been fixed rates, with 76 per cent taking out a loan on this basis, according to the Council of Mortgage Lenders' (CML) figures for the first half of 2007.

So what is the best course of action if you are one of the two million or so homeowners whose fixed rate mortgage is due to come to an end in the next 12-18 months? *(Source: CML figures, June 2007)*

Do you opt for a tracker rate and accept the risk that your monthly payments may rise? Or do you go for a fixed rate in case interest rates increase, but be prepared for the fact that mortgage rates might fall. In which case you could be locked into an uncompetitive rate compared to other mortgages.

And if you go for a fixed rate, should you opt for a two, three, five, 10 or even 25 year fix (the latter of which the Government wants to see a greater supply)? To date, the vast majority of homeowners have plumped for fixed rate deals of between two to five years and have shown a reluctance to commit to a fixed rate over a longer term.

Whilst fixing over a very long period clearly has its advantages (no arrangement fees to pay every few years), if you fixed today, you may find yourself locked into an uncompetitive rate for many years if Base Rate fell again to a very low level, as

it did in 2003 (3.5 per cent). It also makes life difficult if your circumstances change, through events such as job loss, job change, divorce, bereavement, or relocation abroad.

→ (contd on page 2)

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Welcome.... to this newsletter, which covers some of the key issues of the moment that affect mortgages and mortgage-related products - and sets out how it **may help you**. In this issue we look at **Remortgaging** options, set out how **Parents can help their Kids**, consider **Commercial Mortgages**, remind you of the importance of having **Building & Contents** insurance and end with a look at how you could finance a **Second Home**.

■ A J Hird Insurance Consultants is authorised and regulated by the Financial Services Authority. FSA no. 402614.

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

Times are hard for First-Time buyers, and the Bank of Mum & Dad is where many may turn.



» The cost of an average UK home is now over £180,000, with this average rising to over £290,000 in London, according to the Nationwide quarterly house price figures.

(Source: Nationwide, 2nd quarter 2007 figures)

Small wonder, then, that the average first-time buyer loan now stands at 3.39* times their income, resulting in more and more of them turning to the Bank of Mum

& Dad to help them get a toehold on the housing ladder.

(*Source: Council of Mortgage Lenders, July 2007)

Assistance from Mum and Dad (or even Grandparents) may be in the form of help with the deposit, but increasingly parents are assisting their offspring by acting as Guarantors so that they could borrow more than would otherwise be the case.

By acting as a guarantor for their

children's mortgage, their offspring could buy a property while at university or when they get their first job. Either way, their child may rent spare rooms to friends to help pay with the mortgage repayments.

By putting down a deposit of around 25 per cent of the purchase price, a number of lenders will allow sub-letting in this way, but as a guarantor, the parents are jointly and severally liable for the mortgage with their offspring and may have to put up their home for security.

For the first-time buyer, turning their first property purchase into a buy-to-let** may be highly tax effective as they could exploit the numerous tax breaks associated with rental property, such as being able to offset mortgage interest against rental income.

In addition, the sale of the property will be largely free of capital gains tax, because the property is partly their offspring's principal residence and partly buy-to-let property, both of which carry significant capital gains tax breaks.

But this is a specialist area in which you need professional advice in order to get both the tax and mortgage elements right, so contact us if you want to know more about **Guarantor Mortgages**.

**** Most buy-to-let mortgages are not regulated by the Financial Services Authority.**

... Which route (continued)

Attitude to risk

If you want peace of mind, don't like taking risks and can afford the monthly repayments of a fixed rate mortgage, this may be the option to consider. You then have to decide if you want to play really safe with a long-term fix, or if a shorter period is more suitable. But if you could cope with your monthly repayments fluctuating, a discounted tracker or other form of variable rate mortgage may be appropriate.

Either way, anyone who allows their mortgage to simply revert to their lender's Standard Variable Rate should assess their situation as soon as possible, when more

competitive discounted tracker and fixed rate mortgages are available, albeit they are likely to come with tie-in periods.

So if your current deal is due to end soon, now is the time to start thinking about what type of mortgage you want to switch to next, if you want to avoid what could be a nasty payment shock.

The next step

On top of the above decisions, the choice of mortgages is vast and some of the 'best' deals come with hefty arrangement fees, or higher lending charges, which may make it difficult to compare like with like.

Of course, you could go it alone, but here's one good reason for turning to us.

Every time you apply to a lender, they'll need to do a credit search, and if you apply to a number of them, this may affect your credit rating, possibly reducing your options to get the best mortgage for your needs.

If you talk to us, we'll already have a good feel for what would be the best direction for you, thereby saving some considerable time and effort on your part. And, hopefully, any unnecessary potential damage to your credit rating. We'll then identify the most suitable products for your current needs and circumstances.

Do get in touch to find out more.

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.

Commercial break!

» Not only would you have the pleasure of knowing that the building belongs to you, but you will be able to throw off the shackles of having a commercial landlord and possibly see a return on the money you previously 'wasted' on rent.

This may possibly represent a missed opportunity for those of the estimated 4.5 million small to medium sized businesses in the UK at the start of 2006, that don't own their own business premises.

(Source: National Statistics, August 2007 survey)

And commercial mortgages may enable you to borrow with a minimum of paperwork and hassle - in some cases, a set of certified accounts for the last three years may be all that's required.

Just as with residential mortgages, you could choose the type of mortgage, term, and

If you own a small business and rent offices, have you ever thought of buying your own business premises with a Commercial Mortgage?

loan to value (usually up to 85 per cent) that suits your needs to buy your factory, office, or high street shop.

While normally you might expect to go to your bank for a commercial mortgage, this is a growing market with a number of innovative specialist lenders, outside of the main High Street banks.

The Financial Services Authority does not regulate most Commercial Mortgages.



Are you covered?

Flooding in large swathes of the UK this year demonstrated all too graphically why it is essential to have comprehensive buildings and contents insurance.

While buildings insurance is compulsory if you have a mortgage on the property, contents insurance is optional and around **25 per cent of households** fail to take it out according to the Association of British Insurers (ABI). *(Source: ABI, September 2007)*

Anyone who suffered from flooding this year and didn't have insurance will be rueing the day for many years to come, because a good contents insurance policy should cover all your possessions up to a certain

limit - typically £30,000-£50,000.

In addition, a good buildings insurance policy will, among other things, pay for rented accommodation if your home is made uninhabitable due to damage by the elements.

But buying appropriate buildings and contents insurance is an extremely complex business because policies vary enormously from one insurer to another. And it's not just about protecting yourself against the elements, as you could also experience a

Hurrah! Some lenders dump exit fees

Mortgage lenders have been under pressure from the financial watchdog, the Financial Services Authority, to review the exit fees they apply when borrowers redeem their mortgages.

These fees have been creeping up over the years to the point where they do not always reflect the amount of work involved in closing a mortgage.

So hurrah to those lenders which have agreed to scrap their exit fees.

Home Information Packs (HIPs)

At the time of writing, anyone selling a home with three bedrooms or more, in England and Wales, needs to apply for a HIP to show to potential buyers.

The pack includes an Energy Performance Certificate, containing advice on how to cut CO₂ emissions and fuel bills. Also included are documents such as a sale statement, searches and evidence of title.

The Financial Services Authority does not regulate HIPs.

loss through events such as accident, fire or burglary.

If you're not already covered, then let us run through the options available to meet your needs.

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

No longer a pipedream

Most people dream of owning a second home as a bolthole to go to at weekends, or for the holidays.

But the dream of lounging by a pool while you sip your sangria, snuggling up to a wood fire in your cosy cottage in the hills, or making the most of the night life in a distant city - need not be a mere pipedream.

Whatever your dream holiday property looks like, property has had a nice habit of going up in value over the long term, so as well as having a holiday home for your friends and family to enjoy, you could rent it out or just hopefully watch it rise in value.

And having a second home may come in useful when you want to retire - as you could sell your main residence in the comfort of knowing that you have a ready made home to move into and bank the proceeds of your main house sale.

Options for you

Whatever your budget, there are plenty of ways to raise the necessary finance. If you have the cash readily available and could afford to spare it - then that may be the

While your Summer holiday may be a rapidly fading memory, the thought of owning a second home, either in the UK or abroad, probably isn't.

most appropriate route for you.

Alternatively, if you have a suitable amount of equity in your UK property, you may raise capital by remortgaging and release however much you need, providing your chosen lender is happy about it.

Otherwise, for the second UK property, you could arrange a mortgage directly against that.

If you are buying abroad, you may also have the option of securing an overseas mortgage in a foreign currency.

Around two per cent of the UK population now own a property overseas, with 1.5-2m households expected to own an overseas home by 2025, according to Grant Thornton research. So you'll be in good company!

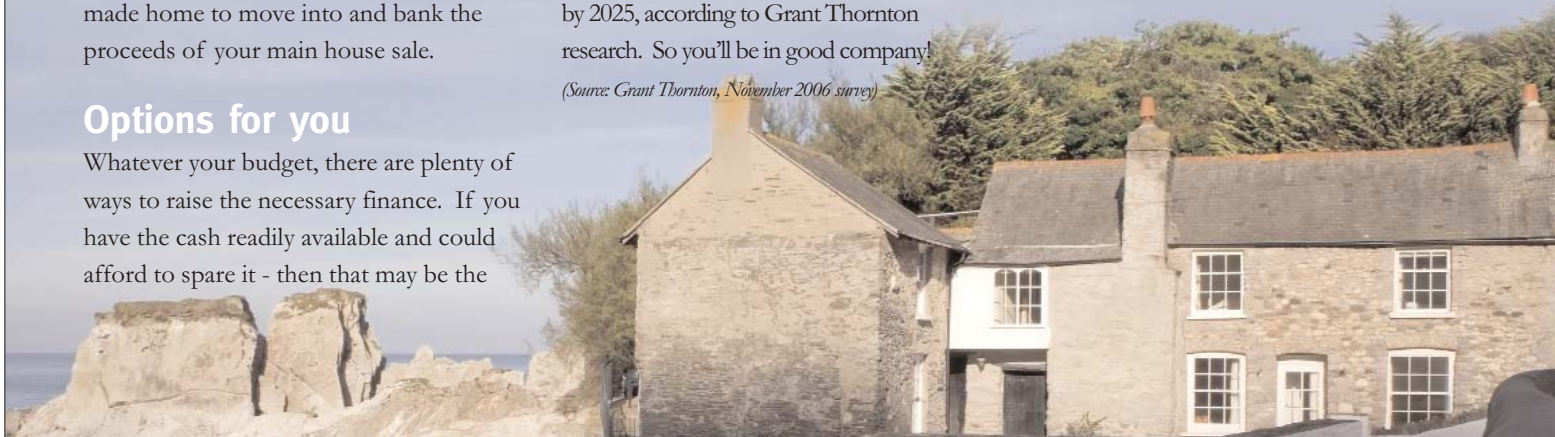
(Source: Grant Thornton, November 2006 survey)

Whether you decide to buy at home or abroad, you can count on us to assist you in finding the most suitable deal to meet your needs.

Changes in the exchange rate may increase the Sterling equivalent of your debt.

Mortgages on overseas properties are not regulated by the Financial Services Authority.

The value of property investments and income from them can go down as well as up and investors may not get back the amount originally invested.



■ We treat all the information provided by you with the utmost care and security. Any details you give will remain confidential and will only be disclosed at or with your consent, where we are legally obliged to do so or where we have a duty to the public to disclose that information. The information collected by us will be used only for the purposes stated by us. Where we use your personal details to communicate to you information about other products and services we will give you the opportunity to tell us that you do not wish for it to be used in such a manner. Please do not provide your details to us if you do not consent to the above.

PLEASE GET IN TOUCH WITH ME!

I would like to discuss the following ticked topics with you. I understand that the request is without obligation. Also, by providing my telephone number, I give you permission to call.

- Mortgage health check
 Remortgaging
 First-time buyer
 Commercial mortgages
 Building & Contents
 Buying a second home
 Secured loans
 Buy-to-let
 Insurance and protection
 General mortgage information

Other (please specify) _____

Please do not send any further issues

Name (Mr/Mrs/Ms) _____

Address _____

Email _____

Tel (+ best time to call) _____ Signature _____

Please put the coupon in an envelope and post to:
**A J Hird Insurance Consultants, 102 Main Street, Addingham, Ilkley,
 West Yorkshire LS29 0NS or call: 01756 700718 / 01943 831528**

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

We are Independent and, for arranging a mortgage, we offer our clients the choice of either paying a fee (typically 0.5% of the mortgage - minimum fee of £400), or receiving our payment direct from the lender in the form of commission.

■ The contents of this newsletter are believed to be correct at the date of publication (September 2007).

■ Every care is taken that the information in *The Mortgage* newsletter 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.