

the mortgage

The mortgage bulletin from ADS Mortgage Solutions Ltd



Whilst we are facing tough times, it's not all bad news.

Stay with the ride



» A lot has happened over recent months to help create a more stable economic environment in which consumers and businesses can endeavour to borrow with more certainty.

The Government has injected billions of pounds into the money markets. It has also taken stakes in some of the UK's largest banks.

And more recently we have seen further developments such as 'quantitative easing', which is designed to increase the money supply and also the Government's 'insurance scheme' to cover bad debts held by the banks. This protection against some of the future losses on past investments may mean the banks will not have to reserve so much, and thus have more to lend to individuals and businesses.

On top of all this, we've seen a remarkable drop in the bank rate to just 0.5 per cent, at the time of writing.

(Source: Bank of England, 7 May 2009 announcement)

Budget update

There have also been a number of further measures in the Budget which are designed to assist the mortgage and

house buying process, such as:

- The extension to the end of the year of no stamp duty on transactions up to £175,000.
- £80m more for funding the HomeBuy Direct scheme (see page 3 for more details about this initiative).
- £500m package to help housebuilders kickstart stalled housing projects.
- The Mortgage Interest support scheme, which covers mortgage interest payments for those who have lost their jobs, has been extended for a further six months.

Additionally, the major UK banks are expected to increase the availability of mortgages by around £20bn this year.

The next step....

For those who can access credit, the current conditions may even provide excellent buying opportunities, as you'll know if you speak to any estate agent, housebuilder or property auction house.

For now, we're still in an environment where lenders are choosy about who they lend to, and that's why we're here, to help find the most suitable deal for your needs and circumstances.

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

■ ADS Mortgage Solutions Ltd is an appointed representative of Mortgage Next Network Limited which is authorised and regulated by the Financial Services Authority. Registration number 300866, in respect of mortgage and insurance mediation activities only.

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

There are good arguments for upping sticks and moving and equally good reasons for remaining at home.

Staying put...

» If you adhere to the latter, then read on, as many homeowners up and down the country are doing up their homes in the hope that once the housing market stabilises, their most highly prized asset may sell for the best possible price. Or if they don't want to sell, they'll have a home that better suits their needs.

With money in the bank earning next to nothing these days, putting it to work on one's home can make economic sense, providing you spend the money wisely.

Research by Liverpool Victoria (LV=) sets out that aside from simple painting and decorating, the most popular home improvements are: **flooring** (undertaken or planned by 39 per cent of all respondents); **refitting the bathroom** (33 per cent); **landscaping the garden** (29 per cent);

refitting the kitchen (29 per cent) and **installing new windows** (16 per cent). (Source: Liverpool Victoria, April 2008)

As for finance, you have various options. If you can pay for it out of savings, then fine. Otherwise, if you have equity in your property (and also meet the lender's LTV ratio), you may be able to **remortgage** to release spare cash, or take out a **secured loan** (a second loan secured on your property). Or use a mixture of savings and a top-up loan.

Whatever your budget, we can work through the options with you and attempt to find the most suitable deals to help you realise the home of your dreams.

You may have to pay an early repayment charge to your existing lender if you remortgage. The Financial Services Authority does not regulate secured loans.

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

» One way of securing this cover is via an accident, sickness and unemployment (ASU) policy, which will pay out a percentage of your income for generally up to 12 months, if you lose your job or cannot work because of illness.

If you are self-employed, a temporary or contract worker, have been with your current employer for less than six months, or are over 65, you should tell us, as most policies exclude such workers.

Also you won't be eligible to make a claim if you buy a policy when you know, or suspect, that you are going to be made redundant. This would invalidate any claim

Think ahead

With job losses on the rise, taking out unemployment cover may be advisable in order to protect your outgoing loan repayments.

you subsequently make.

You should also let us know if you have any pre-existing medical conditions or illnesses so that we can check that these are not excluded. For example, two of the most common conditions causing absence from work - back pain and stress - are usually not covered.

Costs and cover

ASU policies are typically priced at per £100 of monthly income insured and expect to pay between £2 and £6 per £100 of cover. You can arrange for a deferment period (the time that must elapse before you can make a claim) to dovetail with any cover for sickness absence that may be payable by your employer.

Workplace benefits typically cover employees for the first 3-6 months of absence due to sickness, so it is worth checking before deciding when you want your ASU cover to kick in. Clearly, the longer the deferment period, the lower the premium. Most ASU policies won't let you claim for the first three months anyway.

An ASU policy will normally protect between 50 and 75 per cent of your monthly income, but payouts generally only last for a year.

Let us know your needs and we'll try to find the right policy for you within the ASU range, or perhaps via the alternative protection policies also out there.

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



Getting on the property ladder

The Government recently unveiled a deal worth more than £400m aimed at helping first-time buyers to purchase their own home.

» So far more than 130 developers have agreed to offer the HomeBuy Direct scheme, which the Government claims will help up to 18,000 first-time buyers to purchase a home at sites across England aided by an equity loan, part-funded by the Government and the developer. The equity loan*, which will be free of charge for five years, can be used as a deposit and can cover up to 30 per cent of the purchase price. This means a first-time buyer may be able to initially purchase a home worth £150,000 by obtaining a mortgage for only £105,000.

As with other HomeBuy schemes, any first-time buyers whose household income is under £60,000, who cannot otherwise afford to buy, will be able to apply. The Government also claims the scheme will support the house building industry by identifying buyers for their new homes, helping them to weather the current difficult conditions in the market.

Eligible first-time buyers will be able to apply for the scheme from early 2009, and similar schemes are also available in Scotland (LIFT), Wales and Northern Ireland.

We can help arrange a mortgage for you which, in addition to the HomeBuy Direct Government incentive, could potentially help you to purchase your home.

** The equity loan would be co-funded on equal terms by the Government and the Developer. There will be no charge for the equity loan for the first five years, but a fee will be charged from year six onwards. Purchasers can buy up this equity (in installments, if wanted) at the market rate, or see it repaid, once the property is sold. If the value of the property has increased at the point of sale, the Buyer, Government and Developer will all share in this increase. If the value of the property has gone down, the Government and Developer will only share any proceeds that are left over, once the mortgage has been repaid.*

FAST FACTS...

- The average outstanding mortgage for the 11.7m households that currently have one stands at **£104,058**.
- The average household debt (excluding mortgages) of those households that have some form of unsecured loan is **£21,875**.
- During 2008, Britain's personal debt increased by **£1m every 10 minutes!**

(Source: Credit Action, compiled January 2009)

The property market may have ground to a near halt, but there may be a way to get round this, although it certainly isn't for the faint-hearted.

Goool...!

» With many bargains coming onto the market from distressed sellers, builders desperate to shift new builds and auction houses, you may feel it's a shame to miss out, simply because you can't sell your own home, at the price you want.

So this is how it works. If you have sufficient equity in your property, you remortgage your existing home, so that you have a sizeable deposit of at least 25 per cent for the purchase price of a new property.

Once you have found the home you want to buy, you look to rent out your existing property and inform your lender that the rent will cover the mortgage (assuming it does).

This enables you to hang on to your existing home, until the market (hopefully) picks up so that you can eventually sell it at a

reasonable price. In the meantime, you have the deposit and if the sums add up, you then raise a new mortgage to buy the other property, while prices are lower. Although do take advice from an accountant to assess your capital gains tax position across the two properties.

Avoid an own goal

But, bear in mind that this strategy can be full of risks - namely, you will have two mortgages to service and if you have difficulty in finding and retaining tenants, or the tenants default on the rent or damage your property, you could end up worse off than when you started. Also, remember that some mortgage lenders will charge a higher rate of interest on

a rented property.

You could even end up losing one of the properties if you can't keep up with the mortgage payments.

However, if you can make it work for you, you may find you've got a bargain on the second property.

And with the Council of Mortgage Lenders saying that they expect 75,000 homes to be repossessed in 2009, the auction rooms may also be doing a roaring trade in shifting properties at knock-down prices. Check out auction sites like www.eigroup.co.uk.

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

The Financial Services Authority does not regulate taxation advice and most Buy-to-Let mortgages.

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.

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

If you have sufficient equity in your property and fall within your chosen lender's loan-to-value (LTV) ratio, then this may be of interest to you.

Give me five (reasons to remortgage)

1. Consolidate your debts

If you have accumulated debts on credit and storecards, you may be able to reduce your overall debt burden by consolidating all your debts within one mortgage, since mortgages can offer the most competitive interest rates. But you need to check whether this will be cost-effective for you. By consolidating your debts into a mortgage you may be required to pay more over the entire term than you would with your existing debt.

If you only need to borrow a small amount, a **secured loan** may be a better option because remortgaging can incur extra costs, which may not be cost-effective for a smaller sum, and personal loans may be difficult to obtain in the current market.

2. Make home improvements

Improving your home may add to its relative value and should also deliver a home that better suits your needs (as we set out on page 2). And if you intend to carry out energy efficient improvements, look out for green lenders, which may offer special rates.

3. Giving your kids a leg up

With first-time buyers generally needing a deposit of at least 15 per cent in order to get a mortgage (25+ per cent for the best deals), children often need the help of the 'Bank of Mum and Dad' to get a foothold on the property ladder.

By remortgaging your own home, you can release cash to help with that all-important initial deposit.

4. Raise some capital

Remortgaging may be a solution if you need capital to fund a purchase such as a holiday home, the cost of a wedding or to pay ongoing school fees.

Alternatively, if you only need to raise a small sum, a secured loan may again be more appropriate for the reasons set out earlier. But remember that this means using your home as collateral. So don't take on more debt than you can service and remember that your home may be at risk if you fall behind with the repayments.

5. Find a flexible mortgage

As we enter uncharted economic territory, a flexible mortgage could prove to be useful if you think you may need to increase or decrease your monthly payments or take a payment holiday. Most flexible mortgages also allow you to pay off your mortgage early, which might come in useful if you have a redundancy payout or come into an inheritance. Alternatively, a payment holiday could give you the opportunity to retrain for alternative employment.

Why not get in touch to find out more. You may have to pay an early repayment charge to your existing lender if you remortgage. The Financial Services Authority does not regulate secured loans.

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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 ASU cover
 First-time buyer Buy-to-let Commercial mortgages
 Buying a second home Secured loans Insurance and protection
 General mortgage information

Other (please specify) _____

Please do not send any further issues

Name (Mr/Mrs/Ms) _____

Address _____

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Tel (+ best time to call) _____ Signature _____

Please put the coupon in an envelope and post to:
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THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

There may be a fee for mortgage completions. The precise amount will depend on your circumstances, but we estimate that it will be £225.

■ The contents of this newsletter are believed to be correct at the date of publication (May 2009).

■ 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.