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FINHAWK MORTGAGES LTD

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Navigating the mortgage market

Three useful ways a financial adviser can help you navigate a mortgage market that changes quickly.

Mortgage deals have a record low shelf life, and the market is changing quickly. If you're searching for a new mortgage, it can make it difficult to find a suitable deal for you. In a situation like this, a financial adviser can help.

The average mortgage shelf life is 15 days

The average shelf life of a mortgage deal fell to a record low of 12 days in July 2023. That is now back up to 15 days but this means deals are only available for a little longer than two weeks before lenders pull them off the market.

If you're searching the market for a mortgage, it can mean there's added pressure. A deal you believe could be right for you, but you want some time to think about, may not be available when you've made a decision.

The figures also show that the number of mortgages available is on the rise, so you have more choice. While this is good news, it can make finding a mortgage overwhelming.

Combined with interest rates, which have increased significantly in the last year, navigating the mortgage market to find a deal that suits your needs can be difficult. Here are three ways working with a mortgage adviser in today's market could be valuable.

1. A mortgage adviser will help you understand the type of mortgage that's right for you

Whether you're a first-time buyer or are remortgaging your current home, understanding the type of mortgage that suits your needs can be difficult. Should you choose a variable- or fixed-rate option? What term should you choose, and how would it affect your repayments?

A mortgage adviser can help you get to grips with the different options and explain the pros and cons of each. Having a clear idea about the type of mortgage you need means you can narrow down the market and focus on the deals that make sense for you.

2. A mortgage adviser will keep track of interest rates

One of the reasons mortgage deals are being pulled from the market so quickly has been the increasing Bank of England Base Rate.

Average interest rates are falling there are still large differences in the market, and even a small change could affect your monthly repayments and overall cost of borrowing.

If you borrow £200,000 through a repayment mortgage over 25 years with an interest rate of 3%, your monthly repayment would be £948 and over the full term you'd pay more than £84,000 in interest. If the interest rate increased to 5%, your monthly repayments would rise to £1,170 and you'd pay more than £150,000 in interest over 25 years.

So, working with a mortgage adviser to potentially access a lower interest rate could save you money in the short and long term.

Remember, it's not just the interest rate that's important when taking out a mortgage. Other factors, such as the ability to make overpayments, may be just as crucial depending on your circumstances.

3. A mortgage adviser understands the criteria of each lender

One of the challenges of getting a mortgage is not only finding a deal that's right for you but understanding how likely a lender is to approve your application.

Each lender will set its own criteria, from how much they're willing to lend relative to your income to the level of risk they will take. With lots of different options, including some that aren't well-known, finding this information and relating it to your needs can be challenging and time-consuming.

A mortgage adviser will take the time to understand your circumstances and select lenders that are more likely to say "yes" to your application.

If your situation isn't straightforward – perhaps you're self-employed or have a poor credit score – a mortgage adviser could also identify specialist lenders to help you reach your home ownership goals.

Choosing the right lender for you means you can have more confidence when you submit your mortgage application.

Contact us to talk about your mortgage needs

We're here to help navigate the mortgage market. We'll work with you to understand your needs and help find a deal that's right for you. Please get in touch to arrange a meeting.

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

How to improve your chances of passing a mortgage affordability assessment

Getting on the housing ladder can feel like one of the hardest and longest processes in the world and the cost of living crisis is probably not helping. You need to come across as attractive buyers for lenders to consider you, but there are many factors that can reduce how much lenders are willing to let you borrow for your home.

How do lenders decide whether to offer you a mortgage?

If you're applying for a new mortgage, remortgaging or increasing your current mortgage, lenders are required to carry out an affordability assessment. This involves a variety of checks designed to make sure you can afford to repay what you borrow. According to the Independent, some two thirds of first-time buyers are rejected for a mortgage at their initial attempt. So, what can you do to boost your chances of passing an affordability assessment?

Evidence stable employment

Many lenders ask for three years' proof on income, although some will accept less. Even simply switching from one employed position to another can affect your chances of success. Some lenders like to see that you've been with an employer for at least three to six months before they'll consider you.

Reduce your debts

Lenders will look at your total income and then work out how much you need to maintain a basic standard of living. This will give them an idea of how much you can afford to spend on a mortgage. Reducing the amount you owe on things like credit cards and loans will increase the amount you have available and boost your chances of passing an affordability assessment.

Check your credit report

Before offering you a mortgage, lenders check your credit report. A poor credit history could affect the amount they're prepared to offer or cause them to turn you away altogether. However, there are simple ways to improve your credit rating. Before applying for a mortgage, check your credit report for errors, avoid applying for new credit in the six months leading up to the application and make sure you're well within any existing credit limits.

Get professional advice

Finding the right mortgage is important so we can assess your circumstances and get the right deal for you. We can save you the headaches and ensure you're less likely to be turned down for a mortgage.



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

Self-employed - tips before applying for a mortgage

Self-employed workers have always faced additional challenges when trying to get on the property ladder. But stringent affordability tests mean it's becoming even more difficult to secure a mortgage.

Government statistics show in May to July 2023 there were 4.24 million people were self-employed. So, the barriers for self-employed workers are something thousands of aspiring homeowners need to overcome every year.

According to the *Telegraph*, it's "never been harder" to get a mortgage if you're self-employed.

If you don't have a predictable income, lenders are likely to ask you more questions. However, lenders are reportedly asking self-employed workers questions that weren't common in the past, such as which energy supplier they are with or if they can supply a reference from their accountant about the strength of their business.

As lenders are being more cautious, it's estimated they rated only 65% of self-employed mortgage applications as "affordable" at the end of 2022.

So, if you're self-employed and seeking a mortgage, what can you do?

1. Check your credit report

Anyone seeking a mortgage should check their credit report. It's one of the tools lenders will use to assess how much of a risk you pose. Going through your report before you apply gives you a chance to uncover potential red flags first.

Things like payday loans or large credit card debt could lead to your application being rejected, even if you're confident you could meet the repayments.

There may be things you can do to improve your credit report, such as registering on the electoral roll or paying off an overdraft.

2. Prepare evidence of your income

You will need to prove your income when applying for a mortgage. This is usually done by providing your self-assessment tax returns.

You will typically need a minimum of 12 months of accounts to be eligible for a mortgage. However, some lenders may require evidence of your income for two years or more.

Getting your paperwork in order before you apply for a mortgage could help you identify potential gaps and ensure you have everything to hand.

3. Be mindful of how steps to reduce tax liability could affect your mortgage application

When taking an income from your work, you may take steps to minimise your tax liability. While this can help your money to go further, you should be mindful that it could affect your mortgage application.

For example, not every lender will consider "retained profits" as part of your income as a self-employed borrower.

Your income is used to calculate how much you can borrow – a typical amount is 4.5 times your annual income – but this varies between lenders and will depend on your circumstances. So, managing your tax bill could have a knock-on effect on the amount you could borrow or even mean a lender rejects your application.

4. Keep track of your contracts

If you have a pipeline of work or long-term projects, having your contracts to show lenders could be useful. It can demonstrate that you'll have an income in the future and boost their confidence that you'll meet repayments.

Borrowers that pose a lower risk could benefit from a more competitive interest rate and lower repayments as a result.

5. Save a larger deposit

You could access a mortgage with a 5% deposit. However, if you want to improve your chances of success, a larger deposit could tip the scales in your favour – the larger the deposit, the less risk you pose to a lender.

Taking some time to save more for your deposit might be frustrating, but it could make all the difference.

6. Look beyond high street banks

There are lots of mortgage lenders to choose from. While your first thought may be to approach a familiar high street bank, alternatives may be more likely to approve your application, allow you to borrow more, or offer a lower interest rate. So, searching the market could help you reach your home ownership goals.

Searching the market and understanding which lenders could be right for you can be difficult. Working with a mortgage broker could be valuable here and improve your chances of success.

We can make your mortgage application process smoother

As mortgage brokers, we can lend support throughout the mortgage application process. From identifying the lenders that are most likely to approve your application to going through your paperwork, we'll be there every step of the way. Contact us to talk about your mortgage needs.

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

New Mortgage Charter encourages lenders to provide you with more support

Banks and Building Societies have been encouraged by Chancellor Jeremy Hunt to offer more flexibility if you are finding it difficult to make mortgage payments. Mortgage lenders, the FCA, the Government as well as organisations such as UK Finance and the Building Societies Association have come together to provide you with a new Charter to give you reassurance and support through these tough times. They are committed to implementing this new Charter as soon as possible.

Lenders have an extensive range of measures they have agreed to, to help you if you're finding it difficult. Lenders don't want to repossess your home; repossession is either a last resort or when it is in your financial interest.

We are here to help you with any mortgage payment concerns you have. If you are currently in arrears, our advisers can work with your lender to get the support you need.

Under the new Charter, lenders' promises include:

- Helping and guiding you if you're worried about your mortgage repayments without it affecting your credit file.
- Supporting you in switching to a new mortgage deal at the end of your existing fixed rate without needing another affordability check, if you're up to date with payments.
- Providing timely information to help you plan if you're approaching the end of your current deal.
- Offering you tailored support if you're struggling, such as extending your term to reduce your payments, with the option to go back to your original term within six months. A range of other options are available depending on your circumstances such as switching to interest-only payments for six months, temporary payment deferral or part interest, part repayment.
- You won't be forced to leave your home without your consent, within a year from your first missed payment, and only in exceptional circumstances.
- From 10 July, if you're approaching the end of a fixed rate deal, you will have the option to secure a new deal up to six months ahead. You can also request a better like-for-like deal that's available with your lender up until your new term starts.



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

Approved by The Openwork Partnership on 06/07/2023.

How to protect your mortgage

Strengthening your ability to keep up with mortgage payments is important and will give you some peace of mind if your circumstances change.

Life insurance is the form of protection most of us would name as one that could pay down or pay off a mortgage. Yet there are other situations (apart from death) that could mean it's very difficult or even impossible to keep up with mortgage payments for an extended period – without the help from other types of coverage.

Here are some protection policies you might want to have in place (alongside life insurance) to give your mortgage some security if you are unable to keep up with mortgage payments. Your adviser can help you work out the best option for your situation.

Critical illness protection pays out a one-off, lump sum if you're diagnosed with a critical condition or disability that is covered by your policy. It can be offered when you buy for life insurance, as extra coverage.

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. Depending on the terms, you'll receive a regular income until you either return to paid work, retire, pass away or if the policy term comes to an end.

Mortgage payment protection insurance (MPPI) pays your monthly mortgage payments if you're unable to make them due to an accident or illness.

What's the difference between income protection and MPPI?

Income protection insurance is seen as more comprehensive than MPPI as it covers a proportion of your income and not just your monthly mortgage payments. It could also help to cover monthly bills aside from your mortgage. The period you're protected with income protection tends to be longer than MPPI, too.

Your adviser will help you find a policy that works for you and your needs, in terms of the length of cover you want and how much the premium might be. MPPI premiums could be lower than those for income protection and more affordable.



Our advisers are here to help if you're looking for ways to protect your mortgage.



What is critical illness cover?

Whether you need critical illness protection depends on your situation as well as any existing policies you might already have in place.

Critical illness insurance pays out a one-off, lump sum if you're diagnosed with a condition or disability that is covered by your policy. It can be offered when someone applies for life insurance – as extra coverage.

In a similar way to some life insurance plans, critical illness covers a set number of years. You can specify whether you want the payout to rise over the course of the term (so it keeps up with inflation) or the opposite – decreasing because your aim is to cover something specific like your mortgage.

If you're thinking about critical illness cover, it's important to speak to your financial adviser who can help you decide how much cover you'll need and how long the term should last.

What does critical illness cover?

Products vary depending on the provider. Certain illnesses are covered as standard by most insurers, including, cancer, heart attack, stroke, organ failure, multiple sclerosis, loss of arms or legs and Alzheimer's and Parkinson's disease.

Some providers may allow you to add additional illnesses to your policy, which you'll pay more for. Your children could also be covered as part of your policy so it's worth asking your adviser about these options if it's something you're keen to have in place.

What does critical illness not cover?

Although a diagnosis of a critical illness can mark the start of a claim in some policies, others may only begin to offer protection once your illness hits a certain level of severity. For example, if you are diagnosed with cancer, payments may only begin when permanent symptoms have been officially diagnosed. Additionally, not all types of cancer are necessarily covered by critical illness protection.

It's important to work with your financial adviser when reviewing a policy and all the small print before you commit to make sure you are sufficiently covered – and aware of areas not included.

Pre-existing conditions

Just like the life insurance application process, critical illness protection requires you to disclose any pre-existing conditions. If you don't then your policy could be invalid.

Your adviser can search the market for a suitable plan, but you'll probably have to pay more in premiums and there will likely be some extra exclusions. The price you pay will vary, based on things like age, occupation, state of health, lifestyle and how much coverage you need and for how long.

Do you need critical illness cover?

There are things to consider if you're worried about being diagnosed with a critical illness and the impact on your income and ability to keep up with bills (which would not be covered by state benefits when you're unable to work).

Your adviser will help you look at the following areas:

- Your employer's coverage – is there any paid leave for illness or disability and for how long?
- Do you have an existing life insurance policy and if so, does it have any illness coverage included?
- Could you consider income protection insurance as an alternative to critical illness?
- Do you have sufficient savings and investments you could use in place of critical illness cover?

If you want to proceed, it's important to work with your adviser to see how much protection you'll need. This means looking at your monthly outgoings and how much you and your family require to live comfortably. You might want to add in any potential costs from medical treatment you may need.

During these important decisions it's easy to lose track of the small details, which is why your adviser can help make the process easier for you and your family and give you some peace of mind.

We can examine your needs and existing policies and then find you the right cover that protects your finances – and your family – should anything happen.

Home insurance explained

This year sees new rules from insurers that could bring you savings on your home insurance renewal.

The Financial Conduct Authority (FCA) has announced that insurers will have to offer the same deals to new customers and renewing customers for their home insurance.

Home insurance customers are particularly affected by hikes in renewals, so this is a good time to review your policy with your financial adviser.

What is buildings insurance?

Buildings insurance covers the building itself and its structure – like the roof, floors, windows and in some cases external walls and garages. It will also cover permanent fittings in your kitchen and bathroom (but not your boiler – you'll need specific boiler protection for that).

Mortgage lenders require homeowners to have buildings insurance in place. It's there to protect your property's structure from damaging events like fires, storms, earthquakes, flooding and natural disasters, as well as things like subsidence and even malicious damage or vandalism.



What does buildings insurance not cover?

Buildings insurance won't cover:

- Accidents or normal wear and tear in the home
- Issues arising from neglect of the property
- Damage to gates, fencing or plants
- Effects of frost to external pipes and brickwork
- Damage from pests, insects or birds

To cover some of these issues, your insurance provider may offer accidental coverage as an extra to your policy – but you'll pay more for it. Your adviser can help you decide whether the cost of accidental damage cover is worth it in terms of what the policy actually includes.

It's worth noting that buildings insurance coverage is invalidated if the property is left unattended for more than 30 consecutive days.



What does contents insurance cover?

In a home insurance policy, the contents coverage allows you to select a sum of money (for example £10,000) that you estimate will cover the replacement of contents inside your home if they are damaged, destroyed or stolen.

These items could include electronics and entertainment consoles, kitchenware, furniture, antiques, gym equipment and jewellery. If you have a particularly expensive single item (like a piece of jewellery, a watch or a painting) you may have to declare it separately, depending on your provider's conditions of coverage. This could increase your insurance premium, however. We can help you assess your contents and what your level of coverage should be.

Do you need contents coverage?

Although contents coverage is not compulsory when you own a property, most owners take out some cover (and most providers offer a discounted premium if you have buildings and contents insurance together). Having both means if you need to make a claim for something that affected the building but also some of your contents (for example, flooding damage to your home's foundation and soft furnishings) you would be able to claim for both – using the same policy.

Even if you are renting a property, some contents cover is a good idea to insure your valuable items and provide peace of mind should anything happen.

Home insurance

How we can help you save

Your adviser can search the market and find a home insurance policy that covers your property's structure sufficiently, along with giving you the best advice on how much contents cover you really need. We're here to make sure you're not overpaying for a renewal and will examine your existing plan's small print to check that it properly covers at-risk areas of your home and meets your needs.

Your adviser can help review your home insurance – especially when it's time to renewal – and help ensure you're not overpaying for your policy.

