Thames Valley Office
Tel: +44 (0)1344 875 000

Central London Office
Tel: +44 (0)203 004 2232

West London Office
Tel: +44 (0)208 789 8588

info@kirkrice.co.uk www.kirkrice.co.uk

YOUR HOME FINANCE

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SMARTER WORKING

The government has committed to making the home buying and selling process quicker, cheaper and less stressful. To this end, a programme of measures was announced in April, designed to streamline property sales.

TIGHTER CONTROLS

Under the proposals, estate agents will be required to obtain professional qualifications, and the practice of gazumping, where higher offers are accepted after a sale has been agreed, will be actively discouraged by the introduction of voluntary reservation agreements. (The existing process in Scotland already makes gazumping less likely there).

Local authority searches will be subject to a time limit, meaning that solicitors acting for buyers should be able to obtain the information they need within ten days. Managing agents and freeholders will be required to provide lease information for a set fee within an agreed timescale.

FINDING THE ANSWERS

To ensure that buyers and sellers are better informed about the property process, a series of guides are to be published that will cover the key facts about each stage. These will also set out pertinent questions that anyone buying or selling should ask to help ensure their property transaction proceeds smoothly.

PREPARATION IS KEY TO STRESS-FREE HOME BUYING

A recent industry survey[1] showed that 41% of people feel stressed by the mortgage process, taking the fun out of looking for a new home. This needn't be the case and by following these top tips you can stay in control, save money and enjoy the experience.

SAVE, SAVE AND SAVE

In most cases, the bigger the deposit you can put down and the less you need to borrow, the lower your interest rate is likely to be. Don't forget that your savings will also need to cover other charges like legal fees and survey costs, so budget for them to avoid any nasty surprises.

MONTHLY OUTGOINGS

It pays to take a long hard look at your income versus your outgoings; any lender considering your mortgage application will expect you to be on top of your bills and to be able to afford your monthly mortgage payments. Check your standing orders and subscriptions and cancel any you can manage without. Also, keep a keen eye on how much you spend on luxuries like entertainment and meals out.

CHECK YOUR CREDIT SCORE

Lenders will expect you to have a healthy credit score. A higher score usually means you are a lower risk; the more points you score the better the chances that you'll get credit at better rates.

GET PROFESSIONAL ADVICE

Getting advice will save you time, money and stress. We are on your side, have access to a wide range of mortgage deals, know the industry and can offer useful advice on all aspects of the home buying process. We can help you get an in-principle decision from a lender, which gives a seller the confidence that you are a serious purchaser.

KNOW YOUR ESTATE AGENT

First-time buyers with mortgage offers in place are attractive to sellers as they can proceed more quickly than another buyer who has yet to sell. Make sure that the estate agent is aware of your position, so they can pass this information on to sellers. Keep in regular contact and build a rapport with the agent.

DON'T FORGET THE SURVEY

Once you've found somewhere you want to buy, make sure you get a professional survey. A surveyor will identify structural problems that could be expensive to remedy.

[1]Trussle, 2018

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IMPROVE OR MOVE?

New evidence suggests that, in England and Wales, many more of us are putting down roots and choosing to stay in our current homes for longer.

It used to be that homeowners moved four times after their first purchase but now it is closer to two. Research[1] carried out by Queen's University Belfast points to a major cultural change, and highlights that at least a million fewer people moved between 2001 and 2011 compared with 1971 to 1981.

RENOVATION WORKS

This trend is borne out by recent research from insurer Hiscox[2]. They have identified a five-fold increase in the number of homeowners who have chosen to renovate their existing home in the last five years. This choice is likely to be influenced by a range of factors such as the continued rise in house prices in some regions, predicted rises in interest rates, additional costs such as stamp duty, a lack of suitable property on the market, tighter mortgage lending criteria and economic uncertainty around Brexit. Additionally, in some parts of the country property prices have hardly moved, meaning that families are held back because they have made little or no profit on their existing home.

In 2013, the research[2] showed that just 3% of homeowners chose to improve as an alternative to moving, but five years later, this figure has risen to 15%. Local council figures show that requests for planning permission have risen by 29% in the last ten years.

OUTWARDS AND DOWNWARDS

Increasingly homeowners are looking to adapt their property to meet their changing needs, with an extra bedroom high on the agenda of many families. Loft extensions head the list of alterations and digging out basements to create extra accommodation is becoming increasingly popular, especially in London.

[1]Queen's University Belfast, Fewer people moved house in the '00s than the '70s, 2018
[2]Hiscox, Renovations and Extensions Report, 2018

RETIREMENT MATTERS

Homeowners approaching retirement face a number of challenges when considering their future and need to make their money work hard for them.

STAMP DUTY

The Adam Smith Institute believes that Stamp Duty Land Tax should be scrapped. Amongst their reasons is the view that the prospect of paying stamp duty on a smaller home acts as a disincentive to older people wishing to downsize. For example, stamp duty adds another £2,500 to the cost of buying a retirement property priced at £250,000; that is in addition to solicitor's fees, surveys, valuations and removal costs. (Figures differ under Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales.)

RELEASING EQUITY

Those looking to raise cash to bolster retirement income are increasingly turning to equity release. It represents a way of accessing some of the value tied up in a property while avoiding the costs and upheaval of downsizing. Although there are set-up fees, most costs are delayed until you die or go into permanent residential care.

It's important to remember that in most cases, equity release means that the loan you take out against the equity tied up in your property will increase over time as interest is rolled up. When you die, the property will be sold and the loan repaid. Although interest rates on equity release plans are higher than on a conventional mortgage, lower interest rates over the last few years have made equity release more attractive to many.

Remember to discuss equity release with your family as it will impact on the amount that they are likely to inherit.

INTEREST-ONLY MORTGAGES

Equity release is increasingly coming to the aid of those approaching retirement with an interest-only mortgage without the funds to pay back the capital on maturity and their retirement income insufficient to cover ongoing interest costs. Whilst they may not have paid off any capital, they may have built up equity, offering them a lifeline allowing them to stay in their home.

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Equity release may require a lifetime mortgage or home reversion plan. To understand the features and risks, ask for a personalised illustration.

DON'T UNDERESTIMATE THE VALUE OF INSURANCE

Insurance policies are designed to provide financial safeguards and valuable peace of mind. If you're a homeowner then it makes sense to have plans in place that protect you, your family and your home.

LIFE INSURANCE TAILORED TO YOUR NEEDS

There are various plans designed to protect you and your family:

- **Life policies** – these provide a tax-free sum for those you leave behind in the event of your death. If you have a mortgage, it's a big financial responsibility and no-one would want to leave their family with money worries at a sad and difficult time.
- **Critical illness cover** – this means that if you are diagnosed with a serious illness as defined in your policy, there's a cash pay-out to help alleviate financial worries and protect your family.
- **Income protection** – these policies provide a monthly pay-out that helps pay your mortgage and other living costs in the event of an accident, sickness or involuntary unemployment.

PROTECT YOUR POSSESSIONS AS WELL AS YOUR HOME

Buildings insurance covers you for damage to the structure of your home. When you take out a mortgage, your lender will require that you have buildings insurance in place and that it covers the cost of rebuilding the property and its permanent fixtures and fittings. The rebuilding cost isn't the same as your property's market value, it's generally a lower figure which will be detailed in your lender's valuation report or arrived at by using an online calculator.

Mortgage lenders don't insist that you have cover for your home contents but it makes good sense to protect them against risks like burglary, fire and flood. You can also arrange insurance for valuable items like jewellery, and those belongings you use away from home, such as laptops.

If you would like some help in ensuring you have the right protection policies for your needs, do get in touch.

LOOKING FOR A MORTGAGE LATER IN LIFE

With people getting on to the property ladder at all stages in life, a growing number are looking for mortgage finance in their 50s and beyond. This has created demand for greater flexibility, and lenders are now beginning to address the needs of this age group.

THE OLDER BORROWER

Following the Mortgage Market Review in 2014, banks and building societies were required to adopt stricter lending criteria and affordability checks, and as a result many lenders restricted both their maximum borrowing and repayment age.

However, we know the lenders in the marketplace who are happy to cater for specific mortgage needs such as this and we can help with the process. Older borrowers still need to go through the usual checks to ensure they can afford to make their monthly mortgage repayments and they will also need to show proof of income and declare all outgoings, including any debts.

Lenders will consider issues that could affect an older borrower's income, such as their state of health, and in the case of joint borrowers, what would happen to their finances if one of them were to die. A lender will assess whether a loan is affordable in the case of a potential borrower in receipt of a pension, as opposed to one who is likely to retire half way through the mortgage term.

On the other side of the coin, older borrowers can often be free of other commitments that can burden younger borrowers – they are further into their careers and probably earn more, their children may have left home, and many may have already come into money through a family inheritance.

TAKE ADVICE

Getting advice can really help. We know the marketplace and so are able to ensure that your application goes to a lender who caters for your specific mortgage needs.

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IT PAYS TO GET ADVICE

Buying a house involves making lots of decisions, some simpler than others. Finding the right house in your chosen location can be the easy part, finding the best and most suitable mortgage deal for your financial circumstances can prove to be more of a headache.

With so many mortgage deals available in the market how do you know which one represents the best value? The market is very competitive and if you're not familiar with the way it works and the terminology, it can be hard to understand what is on offer.

FINDING THE BEST DEAL

We are seeing more people choosing to work with a mortgage adviser. They understand that it helps to work with someone who can explain all that is on offer to ensure they get the mortgage best suited to their needs. At this potentially stressful and expensive time it really does help to work with an expert and someone who shares your commitment to making the right choice.

Like properties, mortgages come in many shapes and sizes such as fixed, variable and tracker. You'll also find that lenders offer mortgages with different interest rates that can be fixed for various time periods. However, looking just at the interest rate that's being charged can be misleading. Although a low rate may look enticing, you also need to check out the fees and charges. These could be high, resulting in you paying more than if you had chosen a mortgage with a slightly higher rate of interest.

There are also special deals available that include extras such as survey fees, legal costs or cashback arrangements. We can help you work out which ones are worth going for.

SAVE MONEY AND TIME

Working with us will save you time, money and stress. We will be able to compare the deals available from various lenders, taking into consideration things like fees and charges that will affect the overall cost of your mortgage. We will ensure that your mortgage application goes to the most appropriate lender. What's more, we are on hand from start to finish and can provide help with many other aspects of the house-buying process, like getting your offer accepted, finding solicitors and organising property surveys. We'll also give you good advice about putting protection policies in place. These are designed to provide financial safeguards that mean your mortgage is paid if you experience one of life's unexpected events.

So, if you're a first-time buyer, second-stepper, re-mortgager or would-be buy-to-let landlord, looking for professional mortgage advice, why not put us to the test?

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STAMP DUTY – WHO PAYS?

Recent figures[1] show that second home buyers and landlords head the list of those who paid the most in Stamp Duty Land Tax in 2017. Since the changes introduced in 2016, anyone buying a second home or rental property for more than £40,000 has had to pay an additional 3%.

The government raised £9.5bn from stamp duty payments last year, the highest level ever seen in the UK, and second home buyers and landlords paid almost half of that figure. A purchase of a second property worth £500,000 would now be subject to £30,000 in stamp duty; if the same property was bought as a main residence, the bill would be £15,000.

First-time buyers by contrast now pay no stamp duty on properties worth less than £300,000 and reduced tax duty on properties worth less than £500,000.

Despite the capital experiencing a cooling in its property market, London buyers accounted for 39% by value of all stamp duty payments in 2017. Figures differ for Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales; under both, a 3% surcharge applies on additional properties.

[1]London Central Portfolio, 2018

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.