Blowfish Financial Services

130 Derby Road,
Long Eaton,
Nottingham,
NG10 4ER

Tel: 0115 972 7666
Fax: 0115 972 7444
Email: info@blowfish-fs.co.uk

www.blowfish-fs.co.uk

Your Window on

Home Finance

SUMMER 2019

What time of the year is best for selling a home?

This can be a difficult question to answer as there are many factors, economic and political, that can affect the UK housing market. As many people will be aware, the protracted negotiations over Brexit have recently taken their toll, particularly on the London property market, as uncertainties affecting the future prospects of European workers coming to the capital have yet to be resolved.

Spring kick-starts the market
The time of the year can play a part in whether your property sells quickly. Traditionally, estate agents report that once the clocks go forward in spring, housing demand picks up. Improving weather and in-bloom gardens can all help a property look its best. Families with school-age children who are moving into a new area often choose this time to start house hunting, hoping to tie in their move with school terms.

The peak holiday months of July and August are quiet months for property sales. However, once the children go back to school in September, the housing market tends to pick up, in the hope that the move can be completed in time to celebrate Christmas in a new home. Although December is traditionally slow, January sees renewed activity as people start making their plans for the year ahead.

Getting the timing right
Whilst seasonal peaks and troughs can be universal, it always makes sense to look at what's happening in your local market before contemplating a sale. Taking a look at the various online sites that show what comparable properties have been sold for, rather than the price they were initially advertised at, will help ensure you get your asking price right. This can be key in getting a quick sale.

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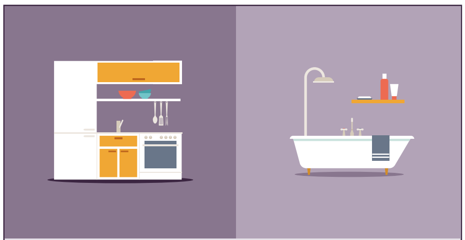

How much of your home do you own?

Although you may have purchased a property, how much of it do you actually own right now? It's estimated that at point of purchase the average UK buyer in effect, owns the equivalent of the kitchen and a bathroom.

Thinking of moving?
If you're contemplating your next house move, then you'll need to work out how much equity you have, the amount of your existing property you own. To make a rough calculation, you'll need to know what your property is currently worth, and subtract the amount of mortgage you have outstanding. So, if you have a property valued at £300,000 and your outstanding mortgage is £175,000, then your equity is roughly £125,000.

Knowing what equity you have will help you decide how much you can afford to spend on buying your next property. If you're thinking about moving, then it makes sense to talk to us, as we can help you calculate the amount of mortgage you'll need, give you an indication of the interest rate you're likely to be charged, and help you make your application to the right lender.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

INSIDE THIS ISSUE:

SELF-STORAGE INSURANCE CONCERNS

Some home insurance policies provide cover for 'items temporarily removed' from your home, although there may be a time limit, typically 30 to 90 days, and you need to inform your insurer when you deposit items in a storage facility. MPs have raised concerns about the insurance policies that storage companies insist users buy, as they may not be value for money or provide sufficient cover or be needed at all if the user has cover under their home insurance policy.

MORTGAGE AFFORDABILITY GRADUALLY IMPROVING

With annual wage growth at 3.4%, and house price growth subdued, buyer affordability has been rising in some parts of the country at its fastest rate since 2011. With mortgage rates remaining competitive, this is good news, particularly for first-time buyers.

HOLIDAY LETS – AN ALTERNATIVE TO BUY-TO-LET?

The recent regulatory and tax changes are encouraging landlords to look instead at furnished holiday lets. HMRC views holiday homes as businesses and they are exempt from the mortgage tax-relief changes faced by buy-to-let landlords. According to Second Estates, an alternative investment fund manager not regulated by the Financial Conduct Authority or covered by the Financial Services Compensation Scheme, the average weekly income from a holiday let is £563, nearly three times the typical buy-to-let rent of £191.

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Leasehold homes – what you need to know

In the UK, flats are commonly owned on a leasehold basis, while houses are normally sold as freehold properties. Many leases are granted on a 99-year basis, while some can run for as long as 999 years.

Once a lease has less than 80 years left, it becomes harder to get a mortgage and it can be expensive to renew the lease for a further term.

If you buy a leasehold property, you'll own the property but not the land it stands on. By contrast, buying a freehold property means that you own both the building and the land it occupies.

The outstanding term of the lease

Once a lease has less than 80 years left, it becomes harder to get a mortgage and it can be expensive to renew the lease for a further term.

The advice is that to avoid potentially having to pay tens of thousands of pounds to renew it, buyers should look for a property with a lease that's unlikely to drop below the 80-year mark during their ownership.

Purchasing freeholds

Following media coverage of the plight of thousands of people who bought new-build leasehold houses, only to find that their freehold had been sold to investment companies and that they would have to pay tens of thousands of pounds to buy it, or face exorbitant ground rent rises, the government had promised to introduce legislation; however, this has yet to appear. So, if you're buying a leasehold house, taking legal advice makes sense.

Ground rents

It's important to get confirmation of the amount payable each year in ground rent, both now and in the future, as there have been cases where ground rents double every ten years or increase in line with the Retail Prices Index.

Responsibilities under a lease

Leases often contain obligations; leaseholders must get permission before making certain alterations to the property.

With a leasehold flat, you aren't responsible for maintaining and running the building and communal areas. The freeholder will do this, or alternatively appoint a managing agent to act on their behalf. However, the leaseholders share the cost of this between them by paying a service charge.

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Housing shortage creates downsizing problems

For those who didn't manage to save enough to fund their retirement, or find their existing home is too big and expensive to run, downsizing can be the answer. You sell your home, move to a cheaper one and live off the money you've made.

However, recent research[1] has shown that there is a shortage of small properties, making it harder for retirees to downsize. In parts of the country there are double the number of four-bedroom properties available compared to two-bedroom homes.

Cambridge and Rugby were found to be the worst affected areas, where there were three four-bed houses for every two-bed. St Helens, Hull and Sunderland topped the list of areas where two-bed properties outnumbered four-beds.

Knock-on effects

The think-tank Demos[2] has estimated that at least 30,000 new retirement properties are needed, just to meet current demand and believes that building more properties specifically designed to meet the needs of older, retired people would have significant implications for the housing market.

Older couples staying put in large family homes reduces the supply of property available to younger families looking to move into houses that would give them the growing space they need. A shortage of supply also means that prices continue to remain high.

The research shows that 3.5 million people aged over 60 were interested in buying a retirement property.

Making the right move

It makes sense to look at the costs involved before you make your move to ensure it will be worth it in financial terms and think too about the impact it might have on your family, your leisure activities and your social life.

[1]Responsible Life, 2019
[2]Demos, 2017

Long-term mortgages – a boon or a burden?

Traditionally mortgages were for 25 years, but nowadays many loans on offer have a standard maximum term of 40 years.

Longer-term mortgages have the advantage of lower monthly repayments, making them more affordable, especially if you are struggling to get onto the housing ladder. However, the downside is that by the end of the term, the amount of interest that you will have paid will be far greater because the loan is repaid over a longer period. You will also find that you build up equity, the amount of the property that you own, at a much slower rate if you have a 40-year loan.

Check the small print

If you take a longer loan, it makes sense to check that you can make overpayments. Being able to do this without penalties will enable you to pay more of the loan off if you receive a windfall or a pay rise. If your circumstances change over the years, it makes sense to speak to us. It might be worthwhile considering reducing your mortgage term so that you'll pay less interest and become mortgage-free sooner.

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What homebuyers regret

Although most people are happy that they made their move, some buyers admit to having made the wrong choice. Regrets include being too far from friends and family, compromising on location, finding the neighbours a problem, choosing the wrong-sized property and discovering that their new home had hidden and expensive-to-fix problems when they moved in.

With home buying it's important to take your time, ask the right questions and take practical steps like getting a property professionally surveyed before you commit to buying it.

How can you pay for a mortgage if you lose your income?

Losing your income can be a major financial upset. However, there are policies designed to protect your income in this situation, giving you valuable peace of mind.

Income protection
These policies are designed to replace a proportion of your income should you be unable to work due to an accident or illness. You can also get policies that will cover you if you are made redundant, although these will cost more. Long-term income protection will cover you until you reach retirement, while shorter-term income protection policies are cheaper and will only pay out for a set period of time.

Mortgage payment protection
This will cover your loan repayments for a set period, generally up to two years if you lose your job or have an accident or illness which leaves you unable to work.

Critical illness cover
This pays out a lump sum if you develop one of a range of serious medical conditions listed in the policy. The conditions covered are very specific and normally include certain types and stages of cancer, strokes and heart attacks, but each policy is different. It can be bought alongside life insurance or separately.

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GETTING COVER FOR NON-STANDARD HOMES

With buildings insurance, part of your premium is based on what it would cost to rebuild your home from scratch if it were to be destroyed by perils like fire or flood. If your property is constructed largely from materials such as timber, concrete or straw, rather than the more traditional bricks and tiles or slate, then some insurers consider it as 'non-standard'.

Happily, this doesn't mean that you can't get insurance, rather that you'll need to find a more specialised insurer. We can help you find the right deal for your property.

Should you remortgage?

Over the last few years, we've all got used to shopping around for the best prices available on major household bills such as energy supplies and it makes sense to adopt the same approach when it comes to your mortgage.

Reaching the end of your deal
When your fixed-rate deal ends, your lender automatically moves your mortgage to their Standard Variable Rate, which as the name suggests can vary, rising and falling in line with the Bank of England base rate. With the mortgage market remaining competitive, there are many deals currently available that might be more cost-efficient.

Homeowners can often save hundreds of pounds a year by moving their mortgage to a more attractive rate with their existing lender or a different lender.

If you're currently in a fixed-rate or tracker mortgage with exit charges, you don't have to wait until it has come to an end. We can help you find a deal three months before your lock-in period finishes.

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