Mortgage News

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

FWM
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Climate change and your family finances

Climate change is having a profound impact on many aspects of our lives, including our financial affairs. It's worth thinking about what's happening to ensure we're able to respond when change arrives.

Take mortgages – the largest financial commitment that most of us ever make. If you still have a mortgage, or if you have children or grandchildren who are borrowing to buy their home, the terms of any loan may be affected by how susceptible the property is to the effects of climate change.

Extreme weather

One of the consequences of a changing climate, according to many scientists, is an increase in the frequency and severity of extreme weather events. These might take the form of unusually violent storms, heavy and sustained rainfall, or periods of prolonged drought.

Already in 2020, we have seen widespread, disruptive and damaging flooding across swathes of the UK. Recent years – 2018 in particular – saw severe drought during baking hot summer months and drought brings with it the threat of subsidence and structural damage.

When looking for a mortgage on a property in an affected area, you might be asked for a larger deposit or charged a high rate of interest. If you live near a flood plain or a coastal area, the duration of your mortgage might be less than for properties elsewhere because the lender is keen to limit its exposure to longer-term effects of climate change, such as a rise in sea levels or cliff erosion.

In extreme cases, if the market value of your house falls below the amount of your outstanding mortgage because of climate change impacts, you could be asked to restructure your debt.

Thanks to climate change, you might find that switching mortgage, or taking out a new loan, will require more shopping around and expert advice to find an attractive deal. That's because lenders are more cautious about lending on properties deemed to be at risk of damage or a reduction in their valuation.

Pressure on premiums

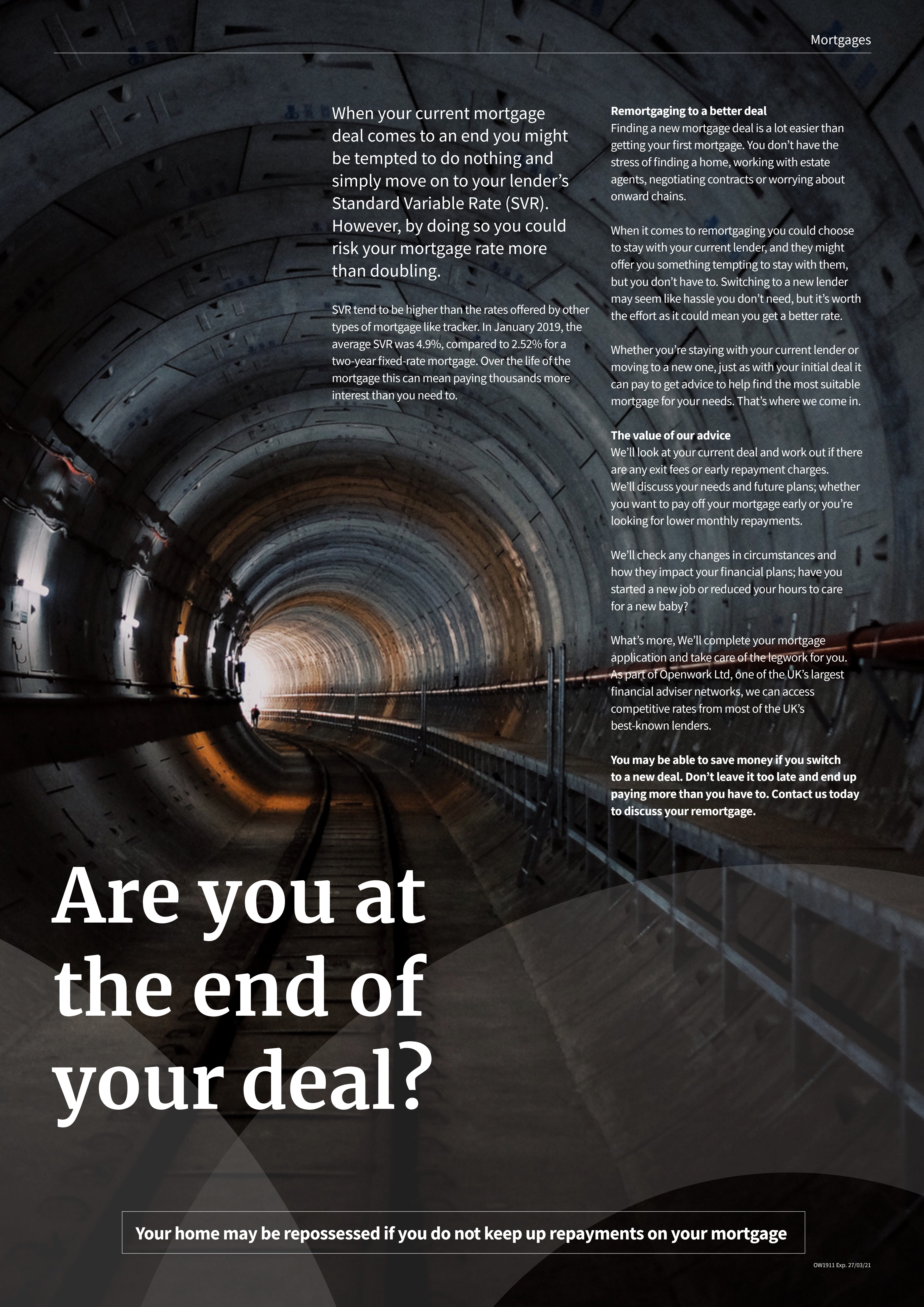
There are similar concerns about home insurance. Flood-stricken areas have notoriously high premiums for buildings and contents cover, with some householders struggling to find affordable cover, despite the presence of Flood Re, a government-backed scheme designed to reduce the cost of insuring flood-prone properties.

Some drought-affected areas - primarily those with clay-based soils - have seen increased subsidence, with ground movements weakening foundations and causing cracks in the fabric of buildings. Those living in regions blighted by subsidence face hefty premiums coupled with policy excesses of £1,000 or more.

Again, experienced and expert advice will be essential in finding the right protection for your home at an affordable price.

OW2690 EXP30.04.2021

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



Are you at the end of your deal?

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

SVR tend to be higher than the rates offered by other types of mortgage like tracker. In January 2019, the average SVR was 4.9%, compared to 2.52% for a two-year fixed-rate mortgage. Over the life of the mortgage this can mean paying thousands more interest than you need to.

Remortgaging to a better deal
Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice
We'll look at your current deal and work out if there are any exit fees or early repayment charges.
We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

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

OW1911 Exp. 27/03/21

The Bank of... Granny and Grandad?

For many younger people struggling to get a foot on the property ladder, the Bank of Mum and Dad is the only option. With rent taking a huge chunk out of their income and the requirement for increasingly onerous deposits, two in five renters do not believe they will ever be in a position to buy a property, despite a desire to own a place of their own. That's where Bank of Mum and Dad come in, as well as ever more frequently, the Bank of Granny and Grandad.

Among the UK's largest lenders

If the Bank of Mum and Dad was a high street lender, it would have been the UK's 10th largest in 2019. Collectively, parents paid out £6.3bn to give their children the final push towards homeownership. What's more, the average amount lent per transaction shot up by £6,000 to hit a generous £24,1002.

Knock-on effect on retirement prospects

The Bank of Mum and Dad phenomenon is not without its consequences however. With prospective retirees facing spiralling living costs and potential care fees, their generosity is directly impacting their future. According to a report from Legal & General, 15% of over-55s are accepting a lower standard of living after funding their child's property purchase. While many are hitting their pensions savings to scrape the cash together.

Granny and Grandad lend a hand

In 2019, nearly a third of 18 to 34-year-olds received financial help from their grandparents to get a foot on the ladder. Coming as they do from a generation where homeownership was much easier to achieve and pensions easier to save for, they are more likely to have spare money available than their own children, who are already feeling the strain of saving enough to fund their later life. On average, grandparents lend £7,400 to their grandchildren (roughly a third of the average 10% deposit). And 23% of lucky homeowners on the receiving end of this assistance don't ever expect to repay it!

Don't compromise your future

We all want the best for our children, but there are ways of helping them out that don't involve putting your financial security at risk. While the Bank of Granny and Grandad is certainly alleviating the pressure on parents, it's not wise to rely solely on their support. There are a range of government schemes available to prospective homebuyers which can help them buy a property without a significant cash boost from family members. The Help to Buy: Equity Loan, the Help to Buy: Shared Ownership scheme and the Lifetime ISA (LISA) can all help boost your child's ability to buy their first home.

Other investment options

There are more ways to assist your children financially than just helping them buy a property – especially if you get started early. There are a wide variety of savings and investment options that allow you to start providing for your child's future at an early age, putting them in a better financial situation in adulthood.

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

OW2490 Exp. 12/02/21

Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Advice from your lender

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

Advice from us

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.

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

OW1938 Exp. 16/04/21