MORTGAGEMATTERS
ISSUE 2

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MORTGAGE CHOICE AS HOMES MARKET REVIVES

Much recent evidence suggests the housing market is gathering pace after the lull caused by the financial crisis five years ago. With some regional exceptions, prices have been firmer and mortgage volumes have risen, with the emphasis on first-time buyers, their numbers recently about 40% higher than a year earlier according to the Council of Mortgage Lenders. First-timers helped others move upmarket and the CML also noted increased remortgage activity.

Among the reasons for the market's reawakening is improvement in some key parts of the economy and increased confidence. Other factors have included government initiatives such as the Funding for Lending scheme to stimulate lending activity and Help to Buy, aimed at making mortgages more accessible, including for those with a reliable income but not enough capital for the deposit required.

On 23 July, after a meeting with the Chancellor, CML chief Paul Smee asserted: *"The mortgage market is open for business, and it is clear that government support has helped to create more favourable market conditions for home-buyers. Lenders, whether they choose to participate in the [Help to Buy] guarantee scheme or stay outside, will continue to do their utmost to meet households' needs for mortgages, but always in a way that is responsible."*

Lenders confirm market confidence

Earlier in July, Halifax said average house prices had risen 3.7% in a year. Its chief economist Martin Ellis said: *"Improved confidence in both the housing market and the economy, combined with a shortage of properties available for sale, appear to be pushing up house prices."*

The Halifax findings confirmed a trend reported by Nationwide, whose chief economist Robert Gardner commented: *"Demand for homes has been supported by further modest gains in employment, as well as an improvement in the availability and a reduction in the cost of credit, partly as a result of policy measures."*

Even homebuyers benefiting from new schemes need to know how much they can borrow and how much it will cost: simple questions often with complicated answers and lots of ifs, buts and maybes. That is why it makes sense to consult a professional mortgage adviser, who understands the marketplace and can explain all the options.

The interest rate you pay on a mortgage may depend on whether it is fixed rate or variable rate, or another variant such as a 'tracker'. Now the government schemes bring further variables to some mortgage calculations, so expert guidance on rules and eligibility is vital.

KEY FACTS

- First-time buyer numbers up 40% in a year, said Council of Mortgage Lenders
- Halifax reported that UK average house prices had risen 3.7% in 12 months
- Demand for homes supported by modest gains in employment - Nationwide
- Expert guidance on government schemes, rules and eligibility is vital

COVER LOST INCOME FOR FAMILY'S SAKE

Data from the Association of British Insurers (ABI), which represents the vast majority of UK insurance companies, highlights the importance of protection insurance to the financial health of many individuals and families. The ABI figures show that over 53,000 people benefited from vital financial support in 2012, to help deal with the unexpected impact of serious illness, injury or a family death.

Most people are conscious of the need for life insurance cover, though many remain under-protected in that respect and need a review with an adviser. What is more often completely overlooked is that anyone can suffer a sudden loss of income and, unless their employer's sick pay scheme is exceptionally generous, could very soon face financial distress in the event of prolonged illness or serious accident.

Everyone needs to think very carefully about vulnerability to misfortune and, in particular, the effect this could have on the family. It is reckless to rely on the statistical odds against a serious accident or illness, because it could be any one of us, anytime. Welfare reforms make it wishful to expect adequate support from the state. Support from your insurer can assist recuperation and enable you to recover fully before returning to work and full earning capacity.

Responsibility for protection

So, taking responsibility and dealing with the risk is the way forward and now could be the right moment to get professional advice on appropriate protection. Income protection policies pay out, after any agreed deferral period, if someone becomes unable to work through accident or illness and can sometimes extend to include involuntary unemployment.

Stephen Gay, Head of Life, Savings and Protection at the ABI, recently said this: "In 2012 insurers paid out more than £6 million every day to help families dealing with the financial impacts of death, serious illness or injury. These payments provide valuable support to customers facing very difficult circumstances. Over 13,200 people

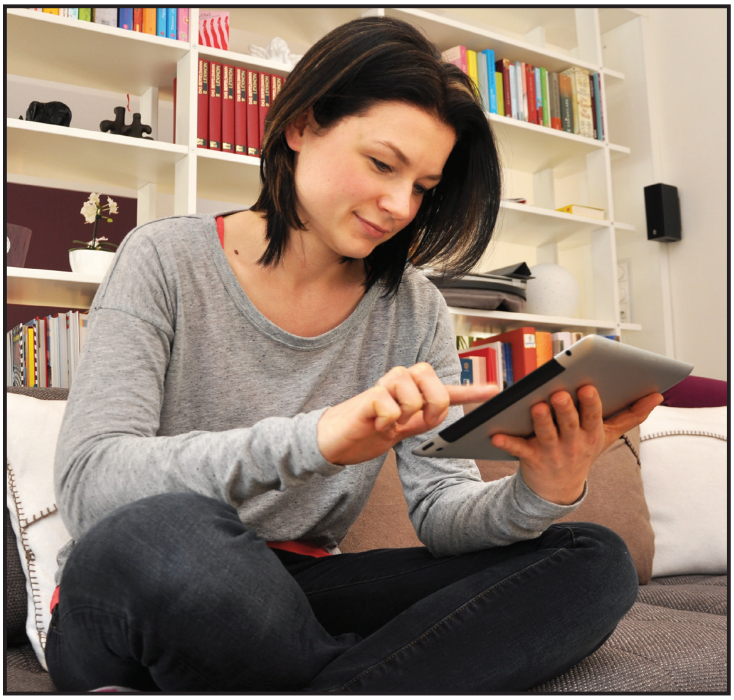
received payments from income protection policies, with insurers paying out an average of just over £9,000 per claimant."

In addition to the 13,200 income protection policyholders that benefited from having policies, there were inevitably many people whose lives were made all the more difficult by serious illness or injury because they had not shown the foresight to take out suitable income protection cover. Why run the risk? Talk to your adviser soon and get guidance on the cover that is right for your situation, giving the protection you need on highly advantageous terms.

KEY FACTS

- **Protection cover meant 53,000 benefited from financial support in 2012 - ABI**
- **Anyone can suffer a sudden loss of income and face financial distress**
- **ABI said 13,200 income protection claimants received an average £9,000+**
- **Many uninsured victims had to get by without such valuable insurer support**

CONTENTS COVER – HOME AND AWAY (UNI INCLUDED)



IMPORTANT POINTS TO CONSIDER

Sometimes the quest for the best combined buildings and contents deal, particularly if searching on the internet, diverts attention from the need to differentiate one provider's contents cover from another's offering. There are important points to consider, so guidance from an experienced broker or adviser is valuable.

MIND THE INSURANCE GAP

The realities of life dictate that many items of value leave the house when we go to work or take a holiday, or offspring head to university. Some situations may be covered by travel or business insurance, but it is vital that nothing falls down the gap between household contents and other cover.

Owner-occupiers are conscious of buildings and contents insurance; for them, the two go together like strawberries and cream, but can be separated for tenants that only need possessions covered. When you need both, it usually pays to use the same provider as this saves admin costs, enabling insurers to offer better deals. Sometimes the quest for the best combined deal, particularly if searching on the internet, diverts attention from the need to differentiate one provider's contents cover from another's offering.

There are important points to consider when you take out contents insurance, so guidance from an experienced broker or adviser is valuable. Some insurers offer 'blanket' cover for contents up to a specified amount, which may be much greater than you require and possibly cost more than necessary. On the other hand, it could be insufficient and leave you underinsured, meaning that any future valid claim could be scaled down . Other contents insurers may use a figure arrived at by calculating the actual value of your home contents – with claims payable either on a secondhand replacement or a new-for-old basis.

Portable items of value

Some possessions, including electronic gadgets and equipment, can be more vulnerable to theft. So, there may be limits on cover for single items of high value or for the total items within a particular high-value category such as jewellery. Special cover may be needed above those limits.

It is also essential to be clear on whether 'contents' really does mean what it says and only relates to belongings while they are within the property. The realities of life dictate that many items of value leave the house when we go to work or take a holiday, or offspring head to university. Some situations may be covered by travel or business insurance, but it is vital that nothing falls down the gap between household contents and other cover.

Meeting your cover needs as precisely as possible is a key function of your insurance adviser. So, think carefully about possessions that need cover, whether they are always kept in the home or are taken from the property on a daily or even infrequent basis. Some providers' policies offer better coverage than others and the same applies to your children's belongings when they go off to university. For the right contents cover, home and away, talk to us. We can also arrange specific cover if your current policy does not address all the risks.

ADVICE ADDS VALUE FOR CLIENTS

The internet has transformed the way the public buys a range of consumer items. Comparing prices of specific branded products is easy online and what the purchaser gets should be the same (with some exceptions, such as through fraudulent websites) regardless of the online supplier chosen. Some things, though, are harder to compare by price on the internet, because they are not identical. Mortgages and insurance products fall into this category.

When you enquire about a mortgage, protection or general insurance, there are a whole range of factors that a product provider must take into account, from your credit and other financial history to the amount and duration of the loan or policy. Quotes via the internet are usually based on your answers to a limited selection of questions, so may not be ideal for your needs. Also, the products being accessed online will probably not have identical features, preventing proper comparison.

Right product from well-chosen provider

Price comparison websites represent one of a number of mortgage and insurance marketing channels and some leading providers favour other ways of connecting with customers without handing their cash over to website operators. Prominent among those alternative channels are brokers and other intermediaries, who offer another key benefit – expert advice – to help find the right product for the job, from a well-chosen provider.

The mortgage market has become increasingly complex. There are fixed rate and variable rate, plus sub-species such as ‘trackers’. With a fixed rate, you know how much the monthly interest will be until a specified future date; with a variable rate, the interest will change from time to time. You may also hope to benefit from one of the government schemes such as ‘Help to Buy’; your adviser will know the rules about who can qualify and what kinds of property may be eligible.

With insurance, as with mortgages, input from a professional intermediary can help you steer the right course – though they are much more than a financial satnav, because their advice can fully reflect your unique requirements in a way that technology alone cannot match, which may help you to avoid over-paying. They can also guide you on holding protection policies in trust so they are not part of your estate for Inheritance Tax purposes. So, to be sure about your mortgage and insurance decisions, talk to your adviser.

PROVIDERS NEED FULL DETAILS

When you enquire about a mortgage, protection or general insurance, there are a whole range of factors that a product provider must take into account. Quotes via the internet are usually based on your answers to a limited selection of questions, so may not be ideal for your needs.

MORE THAN A FINANCIAL SATNAV

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