



FINANCIAL VIEWPOINT

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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.

The value of mortgage advice from a financial adviser

Harry and Sam have been staying with Harry's dad in his two-bedroomed terrace for just over a year while they save up a deposit for their first house. The lack of space and privacy has proved challenging to say the least and would now like to start searching for their own house.

Despite having saved up a good deposit, friends have warned the couple they would have no chance of getting a mortgage due to their working situation. Sam is a self-employed, successful roofer, but has only been working for himself for two years. His friends have told him, he'll need at least three years of accounts before a lender will go anywhere near him. They say any mortgage the couple can get will be based on Harry's income alone. Harry works as a hairdresser and his salary is nowhere near enough to secure the kind of mortgage they're hoping for.

The value of mortgage advice

Harry and Sam should resign from listening to their friends as when making such an important financial commitment like this, the only guidance they need is from a qualified mortgage adviser. Here are four ways they can make a difference to a mortgage search:

1 They know the market

If, like Harry and Sam, your needs or circumstances are 'out of the ordinary', your options may indeed be more limited than those of other buyers. However, this doesn't mean you don't have options. They know the lenders who are willing to consider buyers in your situation and will check you're likely to meet their specific lending criteria before submitting a formal application. This will save you time and avoid unnecessary searches on your credit file.

2 They know what a good deal looks like

An attractive rate may seem like your best bet when choosing a mortgage but you also need to factor in things like fees, loan conditions and the mortgage term. They look beyond the headline rate and can help you understand how the length and type of loan will affect how much you pay in the long term. They'll also highlight any additional expenses like administration and booking fees, and valuation costs.

3 They do the hard work for you

As well as helping you select the right mortgage, they'll work with you to complete all of the necessary application forms and liaise on your behalf with solicitors, valuers and surveyors. They can also recommend products that provide financial protection should the unexpected happen.

4 They're professionally qualified

They're fully qualified to advise you on a wide range of lenders and products unlike high street banks and lenders. This way you'll gain from genuine choice coupled with quality advice.

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.

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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 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.



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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.