Prospect News

The latest news in the mortgage and homebuyer sector helping you keep ahead of the game.

Prospect Mortgage Services

expert advice - professional service

EDITION 18.1

SPECIAL FEATURE
DIFFICULT CASE STUDIES

Planning to buy a home can be daunting for those with current or historical challenging circumstances.

Review some of our recent difficult case studies to see how we have helped clients with challenging circumstances to successfully obtain a mortgage and purchase the home of their dreams.

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WHAT'S NEW?

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Government launches Homes England in homebuilding drive

New national housing agency Homes England has been launched by housing secretary Sajid Javid to help the country build more homes.

Homes England is the overhauled and rebranded Homes and Communities Agency (HCA). Homes England will use the HCA's planning experience along with new land buying powers to lock down useable land for houses. It will also support SME housebuilders and help source brownfield sites for housebuilding. *(Source: www.mortgagestrategy.co.uk)*

Asking prices rise slightly in January according to Rightmove

Property asking prices rose by 0.7 per cent in January to an average of £297,587 in January, according to the latest house price index from property portal Rightmove. Asking prices are now up by 1.1 per cent over the last 12 months.

Legal & General director Jeremy Duncombe says that 2018 has got off to a "realistic start", with asking price growth more in line with inflation that previous years. "Couple this with competitive mortgage rates and a Stamp Duty exemption, and first-time buyers should find it that little bit easier to get on the property ladder," he adds. *(Source: www.mortgagestrategy.co.uk)*

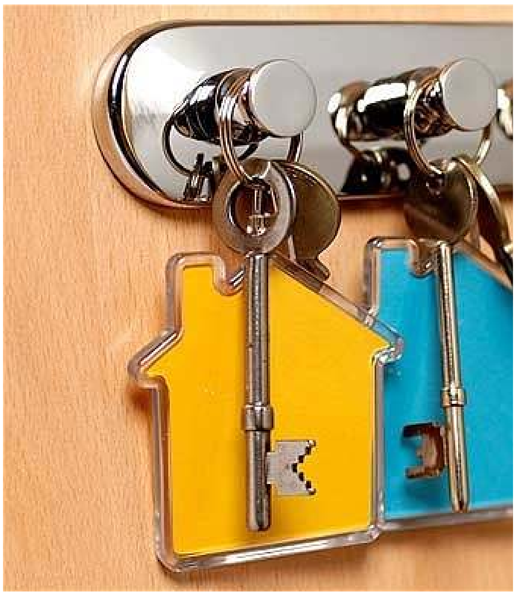
Stamp duty changes fail to revive housing market: RICS

The Government's decision to abolish stamp duty for most first-time buyers has failed to breathe new life into a struggling housing market.

Almost nine out of 10 (86 per cent) of surveyors said there had been no increased demand from first time buyers in December following these changes, according to the latest monthly survey from the Royal Institute of Chartered Surveyors. The survey revealed that two-thirds of surveyors (66 per cent) did not expect the changes to make a significant difference to buyer demand in the months ahead.

Property investment platform Bricklane founder Simon Heawood adds: "Abolishing stamp duty was a drop in the ocean given the affordability challenge of getting Generation Rent onto the property ladder." *(Source: www.mortgagestrategy.co.uk)*

10 YEAR HIGH FOR NUMBER OF HOME MOVERS



The number of people moving home is at its highest level since 2007.

The number of homemovers – current homeowners moving house – across the UK increased by 2% to an estimated 370,300 in the past year, according to the latest Lloyds Bank Homemover Review.

The slight increase in homemovers could be a result of continued low mortgage rates and high demand for homes, which have made it easier for homemovers to take the next step on the housing ladder. The increase in 2017 follows a decline in the number of homemovers reported in 2016, which fell for the first in five years.

The current number is still 43% below the level of 653,700 seen in 2007. (Table 1)

Andrew Mason, Lloyds Bank mortgage products director, said "We've seen a slight increase in the number of homemovers following a weak 2016. This could be down to low mortgage rates, rising house prices and high employment levels.

"House price increases will have boosted equity levels for many home owners, enabling movement along the housing ladder. For the first time, homemovers are choosing to pay an average deposit of over £100,000, with Londoners putting down nearly double this. Taking advantage of increased equity levels by putting down a bigger deposit can really make a big difference towards what homemovers can afford and can be the difference between a good home and the right home."

The SouthEast region has the highest number of homemovers at 65,400 – more than double the next highest region

The South East region has the highest number of homemovers at 65,400 – more than double the next highest region, South West with 27,500. Northern Ireland has the lowest number at 4,400.

Table 1: Annual number of Homemovers *(purchasing with a mortgage) – UK*

	Number of Homemovers	Annual % change	Number of First Time Buyers	Annual % change
2007	**653,700**	-8%	**359,900**	-11%
2008	320,600	-51%	192,300	-47%
2009	315,000	-2%	196,700	2%
2010	340,000	8%	199,400	1%
2011	315,800	-7%	193,700	-3%
2012	326,400	3%	217,900	12%
2013	336,200	3%	268,100	23%
2014	361,800	8%	307,900	15%
2015	363,500	0%	309,200	0%
2016	361,300	-1%	339,600	10%
2017*	**370,300**	2%	**359,000**	6%

Source: CML, *LBG estimate

The Lloyds Bank Homemover Review tracks conditions for those who already own a home. The review is based on data from the Lloyds Banking Group house price database, the Council of Mortgage Lenders, the Office for National Statistics and the Bank of England.

Homemover prices and deposits rise to record levels

Over the past five years, the average price paid by homemovers has grown by 44% (£90,879) from £205,852 in 2012, to £296,731 in 2017.

The average deposit put down by a homemover has also increased by 45% in the past five years, from £69,089 in 2012 to £100,387 in 2017. Londoners require the largest deposit of £196,535 towards the purchase of their next home, which is four times the average homemover deposit of £46,032 in Northern Ireland.

However, whilst Londoners pay the highest deposit in monetary terms, homemovers in East Anglia pay the largest deposit as a proportion of average house price – 37% (£110,321), followed by both South East and South West (36%).

(Source: www.whatmortgage.co.uk)

HELP TO BUY SET FOR RECORD YEAR

The Government's flagship Help to Buy equity loan scheme is on track for a record year in 2017.

Figures published by the Ministry of Housing, Communities and Local Government show that more than 32,000 new build homes were purchased using one of the Government-subsidised loans in the first three quarters of last year. This compares to just over 26,000 homes in the equivalent period the year before.

In total, more than 350,000 people have now used the Help to Buy schemes to purchase a property. More than 144,000 completions have taken place using the equity loan scheme, the majority of which (81 per cent) were made by first time buyers.

The remainder of these purchases have used the Help to Buy ISA savings scheme, launched two years ago for first time buyers. More than 1.1m of these tax-efficient savings schemes have now been opened.

The vast majority of these property purchases – 93 per cent – have been made outside of London.

The Help to Buy equity loan scheme offers a Government-backed loan for up to 20 per cent of the purchase price of a new build property (40 per cent in London). No interest is due on this loan for the first five years.

The average value of a property through the Help to Buy scheme falls around £200,000

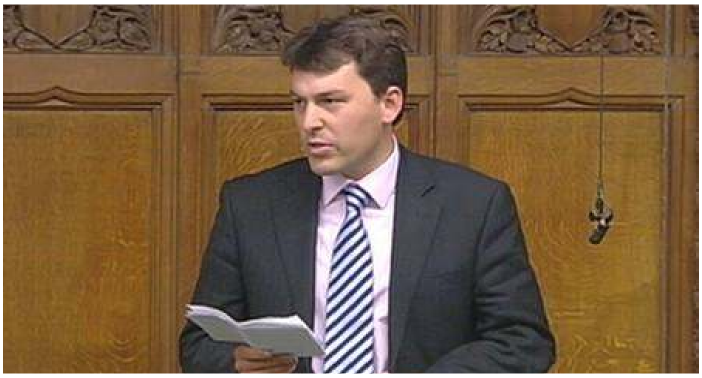
Private Finance director Shaun Church says: "Given that the average value of a property through the Help to Buy scheme falls around £200,000 this scheme is clearly successful in benefiting its intended audience.

"Consistently growing take-up of the equity loan scheme suggests the market would benefit from more high LTV mortgage products, though the availability of these has improved significantly in recent years."

He points out that the original adopters of the equity loan scheme will start to incur interest charges on these loans this year, which could motivate them to move up the property ladder.

He adds: "Our own analysis shows many areas, particularly the south of England have enjoyed significant house price growth since 2013 putting buyers in good stead to repay their equity loan debt." But he added those who have bought in areas that have experienced "more limited" house price growth will have to look to alternative methods of setting their debts before they can climb the property ladder.

Economic secretary to the Treasury, John Glen says: "Help to Buy is part of our wider plan to tackle the housing challenge and ensure the next generation can get on and climb up the housing ladder."



John Glen

New housing minister Dominic Raab adds: "Thanks to our Help to Buy: Equity Loan scheme the dream of home ownership continues to become a reality for thousands more households across the country."

Dominic Rabb

(Source: www.mortgagestartegy.co.uk)

HOW ARE LANDLORDS COPING?

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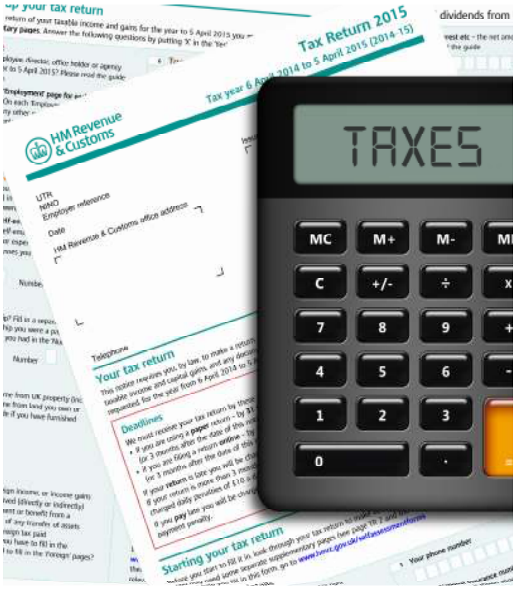

The Buy to Let sector is changing - so how exactly are landlords coping?

You could be forgiven for thinking it's recently been all doom and gloom for the Buy to Let sector. The CML not so long ago revised its growth forecasts for 2017 and 2018, tax changes have begun to bite and we're seeing weakening house prices. It's no surprise that we've found landlord confidence to be slightly more pessimistic than we've seen in preceding years

So here are some stats that may help raise confidence. The value of the sector has risen by £68 billion in the last year, climbing to a record £1.3 trillion. There are now 5.5 million households in the sector and tenant demand is still growing, albeit more slowly. 27% of landlords saw tenant demand increase in the last quarter, which is more than those that saw it decrease. Only 4% of those surveyed reported making a loss and, while costs have been stretched and with rents rising faster than house prices in the first half of this year, yields have edged up to 4.5%. So, it's not all bad news then.

Whichever way you look at it, the Buy to Let market is becoming more specialised. There may be fewer landlords but they'll be more professional, both in size and scale and their needs are changing as well.

Despite signs of belt-tightening there is still a huge amount of opportunity out there for Landlords

Specialist lenders are stepping up to meet the more complex requirements in the market

(Source: Pms Discover – Issue 5)

THE REMORTGAGE OPPORTUNITY

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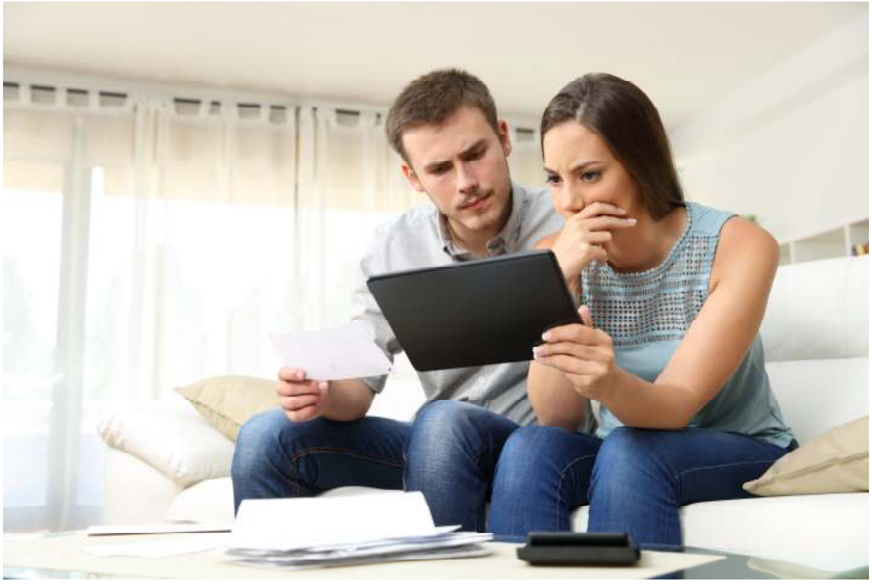
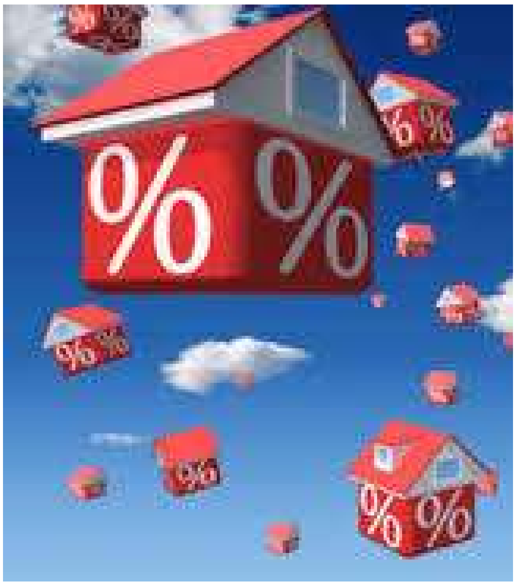




Sustained low interest rates continue to support remortgage activity.

Recent data from the CML shows that property transactions have been relatively steady in 2017 at around 100,000 per month, with increased first time buyer activity offsetting limited activity from homemovers and Buy to Let borrowers.

In the remortgage market, however, lenders are seeing a different picture. The sustained low interest rate environment continues to support remortgage activity. Savvy borrowers are taking advantage of attractive mortgage rates to reduce monthly payments and lock in low rates for longer terms to protect against potential future interest rate increases.

With an **average SVR across the market of 4.62%,** it's easy to see why seven out of ten homeowners could reduce their monthly payments by moving from SVR onto a fixed rate mortgage

Examples of savings on remortgaging to a two year and five year fixed product.

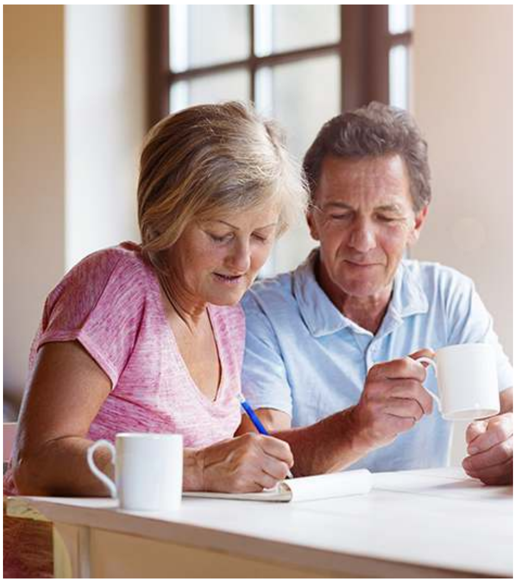
On a £100,000 mortgage, a borrower could save £149 a month, or upwards of £3,500 over a fixed two-year term.

Moving to a five-year fixed rate deal would save £131 a month on a £100,000 mortgage. Over the five-year term, that's more than £7,800.*

*Rates valid from 12.07.17 based on 65% LTV with a £995 product fee. Savings based on moving from market average SVR to Virgin Money's 2 or 5 year fixed rates, with a £995 fee, added to the loan, over a 15 year term, on a repayment mortgage.

(Source: Pms Discover – Issue 5)

SPECIAL FEATURE: DIFFICULT CASE STUDIES



CASE 1

Unemployed applicant – asset rich / cash poor purchasing a Buy to Let.

An applicant was moving to the Isle of Wight to downsize. Following the move they were left with a sizeable lump sum which they wanted to invest by purchasing a property to rent to provide them a small monthly income. The applicant was not working which would be a significant hurdle for most high street lenders. With a thorough search of the market a mortgage was agreed on a buy to let basis.

CASE 2

Recent changes in income and circumstances.

The clients had recently experienced changes to their salaried income and tax credit income. The applicants were desperate to get off the renting merry-go-round and onto the property ladder. Having previously met with other mortgage advisers and been told that a mortgage application would not be successful at this time the applicants had begun to lose heart that purchasing their own home was going to be feasible. However, following extensive research a niche part of criteria was identified with a lender fitting their profile. A full mortgage offer was subsequently issued.

CASE 3

Applicant currently in a debt management plan.

A client currently in a debt management plan had been to see their bank and been told that nobody would be able to offer them a mortgage under their current circumstances. Following an independent review of the mortgage market a specialist lender was identified. The debt management plan remained in place and a mortgage offer was granted.

What is a debt management plan?

A Debt Management Plan is an agreement between you and your creditors to pay all of your debts. Debt management plans are usually used when either: you can only afford to pay creditors a small amount each month. you have debt problems but will be able to make repayments in a few months

www.gov.uk/options-for-paying-off-your-debts/debt-management-plans

CASE 4

Poor credit history & IVA (Individual voluntary arrangements).

Due to redundancy and a bad investment decision the clients ended up with an IVA. The banks they had been to see had informed the applicants that nobody would be able to help them at this time due to the IVA which is treated similar to bankruptcy. Even a specialist adverse credit mortgage lender had previously been unable to help. Following significant liaison with the lending underwriting teams at a further lender, with certain conditions being met regarding current financial activity the mortgage has been agreed in principle.

CASE 5

Applicants previously declined by lenders.

The applicants had seen a property on the island that they absolutely loved and were desperate to purchase. Their current mortgage adviser had tried two separate mortgage lenders and the application had been declined. Subsequently the applicants had been recommended by their Estate Agents to speak to us. Following a thorough review of the applicants circumstances and obtaining necessary proofs to support these an alternative mortgage lender was selected. An application was quickly undertaken and went through first time! The property purchase was salvaged and the clients are now enjoying their dream home.

At Prospect Mortgage Services we endeavour to provide independent and comprehensive advice to help people buy their homes. The home buying process and mortgage market is more complex, more aggressive, and more competitive, than ever before, so having Prospect Mortgage Services, a team specialising in arranging mortgages, in your corner will help you get the best deal for your circumstances.

As a truly independent organisation, we survey the entire marketplace before making any recommendations to you.

What is an IVA (Individual Voluntary Arrangement)?

An Individual Voluntary Arrangement (IVA) is a formal and legally-binding agreement between you and your creditors to pay back your debts over a period of time. An IVA must be set up by an insolvency practitioner.

An IVA can be flexible to suit your needs but it can be expensive and there are risks to consider. Most debts can be paid off through an IVA but there are some exceptions. This page tells you what debts can be included in an IVA.

www.citizensadvice.org.uk/debt-and-money/debt-solutions/individual-voluntary-arrangements

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