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 18.3

SPECIAL FEATURE

PROSPECTS' TOP TIPS

- ***GETTING YOUR CREDIT 'MORTGAGE-READY'***
- ***SAVING A DEPOSIT***

Paying attention to the way you manage credit can make a dramatic difference to your chances of getting approved for a mortgage.

Here are our top tips to help potential borrowers make themselves a more attractive prospect to mortgage lenders.

We also share details of a new online tool to help young people save for a deposit on their first home. The Savings Tool helps savers set realistic amounts broken down into monthly, weekly and daily goals. It also calculates the time it will take to reach their target. **See pages 7-9 for more details**.

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CONTENTS

PROSPECT MORTGAGE SERVICES
The Old Piggery, Cheeks Farm. Merstone Lane, Merstone, Isle of Wight PO30 3DE

Telephone: 01983 616666
www.prospectmortgage.co.uk

WHAT'S NEW?

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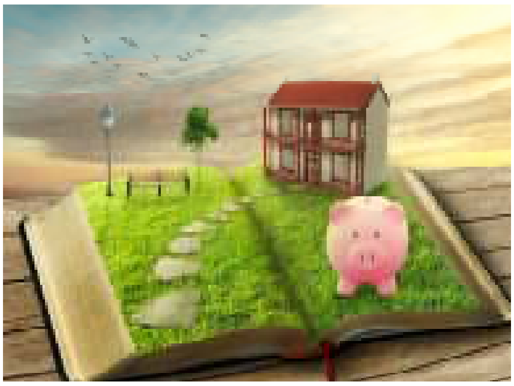
Mortgage lending grows 3.3% in May: Bank of England

Annual growth in mortgage lending remained stable in May, according to the latest figures from the Bank of England. Growth levels for May were 3.3 per cent and have stayed at around 3 per cent since late 2016.

Households were found to have borrowed an extra £3.9bn against their homes in May, slightly higher than the average of the previous six months. *(Source: www.whatmortgage.co.uk)*

Owning a home could save first-time buyers over £2k a year

Owning a home is cheaper than renting and the average first-time buyer could save more than £2,250 a year by getting on the property ladder. New research unveiled today by Santander discovered that in every region of the UK, the average monthly rent is topping mortgage payments by a significant amount. Average UK tenants are paying £912 per month on rent compared to the £723 the average first-time buyer will be repaying monthly to their mortgage lender. It means homeowners could save an average of £189 a month or £2,268 a year compared to renters. *(Source: www.whatmortgage.co.uk)*



Heatwave underlines the importance of an EPC

House buyers are being urged to carefully check the Energy Performance Certificate (EPC) on their new property as the UK's climate becomes more unpredictable.

According to Yorkshire Building Society there are already a number of mortgages available for properties which have high EPC ratings, highlighting the growing importance of this ratings scheme.

But with this year's weather swinging from freezing – courtesy of the Beast from the East – to this summer's heatwave, having a home which can retain the heat in winter and stay cool in summer looks even more essential. *(Source: www.whatmortgage.co.uk)*

PRODUCT SWITCH

OFFERING CUSTOMERS SIMPLICITY & CONVENIENCE

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•

EDITION 18.3

A product transfer or switch is an effective way for borrowers to secure their future borrowing arrangements, long before their current mortgage deal ends. We all want to minimise the time, energy and financial outlay involved in managing our mortgages. Product transfers can help achieve these goals.

A product transfer allows you to choose a secure a new product from your existing lender. You can do this, sometimes up to three or four months before your current deal comes to an end without incurring any early redemption charges.

Working well ahead of this deadline gives you peace of mind and takes away the stress of sorting things out at the last minute.

Other benefits

Often a product transfer will be based on an Indexed Valuation, saving on the added time and expense of getting a physical survey completed. You can select a specific date for your product transfer to complete, so that it ties in with your needs and financial plans.

"You can secure a Product Transfer with a lender sometimes three or four months before your current deal comes to an end"

Recent changes by Lenders add to the simplicity

Over the past months lenders have made the process for administering product transfers much simpler, reducing the requirements from customer's in order to process a product transfer.

Due to these changes we at Prospect Mortgage Services are happy to now be able to **offer a product transfer service to our existing customers with no Broker Fee.**

Of course, we would always recommend that customers come and **see us for a free full financial review** so that they can assess all of their available options. It may make more financial sense in the long-term to remortgage to a new lender.

Prospect Mortgage Services offer a product transfer service to our existing customers with **no Broker Fee**

WHO IS THE MODERN FIRST TIME BUYER?

In the last 10 years, the profile of a first time buyer has changed a lot, with the number of borrowers over 34 years old growing more than 10% in that time. The profile changes, however, are not just age-related as today's first time buyers come from more diversified backgrounds than ever before, with different credit histories, a wider choice of deposit sources and a variety of options for buying their first property.

The number of first time buyers aged between 25-34 has remained largely the same over the past 10 years, but **the number of borrowers under 25 has been in decline.** This demographic now sees the idea of home buying as a faraway dream. The Help to Buy and Shared Ownership schemes were introduced to help young buyers enter the housing market with a lower deposit, yet the figures for under 25s continue to decline – albeit at a slower rate.

As we continue to see 'Generation Rent' suffer from exclusion from the property market, specialist lenders have developed new criteria to suit the growing needs of a modern first time buyer.

Here are a few options to consider:
The Bank of Mum and Dad has become a more common way for first time buyers to afford deposits with parents gifting→

monies to help their children get on the property ladder.

In addition, the number of elder borrowers turning to **equity release** to release funds to support their children or grandchildren's deposits is on the rise too.

In addition, there are a growing number of 'buying together' schemes in the market – such as **Joint Borrower-Sole Proprietor** where parents can act as a guarantor on their children's mortgage without having a share in the ownership of the property.

Greater innovation in the mortgage market means first time buyers now have access to a range of products which are more flexible to meet their needs.

Speak to your mortgage adviser to discuss which schemes might be best for you.

(Source: www.trustpms.co.uk & Vida Homeloans)

HELP FOR THOSE WITH ADVERSE CREDIT

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•

EDITION 18.3

Latest data shows that in 2017, over 1.1million* CCJs were registered against consumers in England and Wales, an increase of 22% on 2016.

The number of CCJs being registered has risen year on year for the past five years with 2017 being the highest since current records began in 2005. An interesting fact is that the average value of CCJs being registered was £1,493, which was a 13% decrease. This data shows that companies are willing to register a CCJ for smaller debts if consumers miss payments.

Demand for payday loans over recent years has continued to rise, despite regulation from the FCA in early 2015 which saw a cap on rates being imposed. When assessing an application, lenders seeing payday loans on credit reports and/ or bank statements may cause concerns or raise initial questions from an underwriter. This concern centres around affordability and whether there is a reliability on additional borrowing to make it to the end of the month, if it can be demonstrated this is not the case and the loan was a one-off, there are lenders who will consider.

A credit score decline with a high street lender can be frustrating for both the customer and you as an adviser. The reason for a decline can range from a historic missed credit card payment or £50 mobile phone default through to recent missed payments or significant CCJs or defaults.

**data from Registry Trust*

It makes good financial sense for a customer to know how their finances appear to lenders.

What can help?

There are now a wide range of options for customers to choose from in order to **obtain a credit report.**

Completely free reports are provided by **Noddle** and **Checkmyscore.**

Equifax and **Experian** are both offering free 30 day trials, however they will collect payment card details on registration and charge a monthly fee if not cancelled.

Checkmyfile provides a multi-agency report using data from all credit reference agencies to provide a comprehensive insight, again they offer a 30 day free trial with a monthly fee thereafter.

However, even after obtaining a report, borrowers will still require guidance. Share your credit report with your Adviser, who being forearmed, knowing of any current or historic CCJs, defaults or missed payments can ensure you approach the right lender for your circumstances with the best chance of success.

(Source: www.trustpms.co.uk)

AN EDUCATION IN EQUITY RELEASE

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•

EDITION 18.3

With £870 million of lending in Q1 this year alone, there's more demand for lifetime mortgages than ever before, and greater education is needed on the range of options available.

Education on equity release as an effective planning tool for retirement is **now a must as the cost of later life can be steeper than expected**, and the transition into retirement is not as simple as it once was. Recent research from Age Partnership found that 30% of retirees are worried about their finances with 1 in 4 struggling financially. 68% of respondents said they that will or already do depend on the State Pension to fund their retirement even though they are worried about inflation and the cost of living rising faster than their pension pots.

With the state pension age increasing seven years earlier than planned, it's no wonder that those trying to plan their retirement are uncertain.

Further concern has been voiced by the FCA over the problem posed by existing interest-only mortgages. 1 in 5 homeowners are at risk of being unable to pay off their mortgage without savings or other funds to settle the final lump sum and an increasing trend in divorces amongst the over 60s is also contributing to mortgage repayment problems post-split.

With so many unforeseen complications, people are starting to work for longer and since 2008, employment rates have been higher for those aged 50 to 64, than for the 18 to 24s!

It's no surprise then that the role of housing wealth is becoming ever more prevalent in the funding of retirement, with many customers viewing equity release as a reliable source of income in later life. Though it may not be the right solution for all, the recent Housing for Older People report from the Communities and Local Government Select Committee now recommends that older consumers should be signposted to advice on equity release as one of a range of housing finance options that could help them in retirement.

(Source: www.trustpms.co.uk)

Prospect Mortgage Services are now offering advice on Equity Release solutions.

Make an appointment today with a fully-qualified specialist adviser who can discuss your options and help guide you through the equity release journey.

PROSPECTS' TOP TIPS

• GETTING YOUR CREDIT MORTGAGE READY

Paying attention to the way you manage credit can make a dramatic difference to your chances of getting approved for a mortgage. Saving up for a deposit and having a steady salary are important, but lenders also want to see you have a history of being able to manage credit and pay it back in time. This means your credit report needs to be in good shape when you make a mortgage application so it's important to check it first.

Here are our top tips to help potential borrowers make themselves a more attractive prospect to mortgage lenders.

1. Read your credit report

Look at your credit report to see what a lender will see. Look for any dispute any inaccuracies, such as lines of credit that you don't recognise, incorrect personal details or an incorrect financial associate. Noticing something inaccurate in your report and getting it corrected can make a quick and impactful change to your score.

If your credit score is poor because of your own financial behaviour it can take at least six to nine months to improve. While there are no quick fixes, you can think ahead and give yourself time to boost your score enough.

"You can't change anything that has already happened but you can ensure your financial behaviour going forward makes you an attractive prospect for a mortgage"

2. Use credit

You can also impress lenders by actually using credit. Although it sounds contradictory, borrowing a little on a credit card, for example, and then paying it off straight away is a good way to prove to lenders you are responsible with credit.

Before you make a mortgage application demonstrate to lenders you are responsible and can pay back any forms of credit on time each month.

3. Pay off debts

Potential borrowers can also make themselves more attractive to lenders by paying off any big debts they may hold. If you have lots of debt, and it's of high value, lenders might think you are not able to take on any more credit.

So pay off as much debt as you can before applying to give you a healthy income-to-debt ratio. If this ratio is too high then you will limit the number of lenders that will give you a mortgage or worse still find that you are declined.

4. Do your research

When looking at signing up to any financial product it's important to do your research and mortgages are no exception. A mortgage is likely to be the biggest financial commitment you will make in your life so it's essential to get clued up.

Speak to an Independent Mortgage Adviser who can help you understand the jargon and terminology as well as provide you the best tips to get prepared for a mortgage application.

Who are Prospect Mortgage Services?

Prospect Mortgage Services provide independent and comprehensive advice in the arrangement of mortgage and protection products.

Our objective is simple; to help people buy their homes. The home buying process and mortgage market is more complex, more aggressive, and more competitive, than ever before, but through Prospect Mortgage Services, you have access to a team, who specialise in arranging mortgages – day in-day out.

As we are truly independent we survey the entire marketplace before making any recommendations to you.

We are not tied to any single builder, estate agent or mortgage provider – which essentially means we work solely for our customers.

Our dedicated and friendly team work hard to deliver a unique and personalised service keeping customers updated and supported from beginning to end during the mortgage application process.

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The Old Piggery, Cheeks Farm, Mertsone Lane, Merstone, Isle of Wight PO30 3DE

Tel: 01983 616666
Email: info@prospectmortgage.co.uk

PROSPECTS' TOP TIPS

• SAVING A DEPOSIT

A new online tool has been launched by Experian to help young people save for a deposit on their first home. The Savings Tool will help savers set realistic amounts, which it breaks down into monthly, weekly and daily goals. It also calculates the time it will take to reach their target.

It is estimated that more than a quarter of 21 to 35 year olds still live at home and are saving an average of £205 a month by staying with their parents. Experian research shows that the most popular savings aim amongst people of this generation is buying a home with 34% of those questioned admitting they were putting money away to get onto the housing ladder.

Whilst receiving some help from parents whilst living at home it is important for young people to also be conscious of building a positive credit profile. For example, remaining on track for repayments such as credit card, household bills and mobile phone contracts.

Here are Prospects' Top Tips for savings success for prospective first-time buyers:

Tip 1: Consider paying off debt before you start a savings pot. This may help you reduce the amount of interest you pay and improve your credit score. Your score reflects your ability to borrow money at the best rates.

Tip 2: Balance your short-term goals (such as a holiday or new furniture) **with your long-term goals** (like a house deposit or pension). Even if you don't have a savings goal at the moment, it never hurts to have a rainy-day fund.

Tip 3: Consider setting up a direct debit to put money into a savings account automatically each month, ideally just after payday.

Tip 4: Research the most appropriate savings account for your needs (for example instant access, cash ISA, regular saver) and shop around for the best returns.

The right account for you may depend on what you're saving for, how long you'll be saving for, and how much you can put away each month.

EXPERIAN'S SAVINGS CALCULATOR - View it here:
https://www.experian.co.uk/consumer/help-discover/discover/savings-calculator.html

FIXED RATE MORTGAGES - IS 2 OR 5 YEAR BEST?

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•

EDITION 18.3

The gap is narrowing between the price of a two-year fixed rate mortgage and a five-year deal, according to recently published analysis by Moneyfacts. Data gathered has shown the difference between the two products is the smallest it has been in nearly five years.

For any borrowers weighing up the pros and cons of these deals, the two-year offerings currently have the edge on price. Mortgages in this sector currently offer an **average rate of 2.52%**.

But the five-year fix is snapping at its heels. Indeed, **the average deal in the five-year market is currently at 2.92%** putting it at just 0.40% higher than the typical two-year rate. This represents a reduction of 0.16% in the difference between the two in just one year.

Uncertainty over the Bank of England base rate is, according to Moneyfacts, the main reason for the narrowing gap. It has prompted a sharp rise in two-year rates while the five-year deals have been increasing at a much slower pace. Meanwhile, lenders are also trying to tempt borrowers into longer-term options ahead of any future base rate rises by keeping their five-year deals competitive.

Security – a key factor

Charlotte Nelson, finance expert at Moneyfacts, said: "Borrowers seem to be just as eager to secure their future, as many are moving away from the traditional two-year fixed-rate deals, with re-mortgage demand for five-year fixed rates increased to 47% – **almost half of the re-mortgage market".**

Borrowers are now considering a five-year fixed rate mortgage, as this deal may only cost them a little more for three years' extra security.

Nelson highlighted "this would represent on average just £40.87 more per month for opting for the five-year deal instead of the two-year fixed mortgage".

Current deals are great news for borrowers looking for long-term security, however, it is worth noting that five-year fixed rate deals are starting to creep up so the opportunity may not last forever.

Nelson's advice is "Borrowers considering a deal should act fast to ensure they do not miss out on the best possible products."

(Source: www.whatmortgage.co.uk)

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