



# 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 18.4



# SPECIAL FEATURE

## FIRST TIME BUYERS – JARGON BUSTING GUIDE

**First-time buyers face many challenges when it comes to taking their first step on the housing ladder and translating jargon is frequently among them.**

In a bid to help potential first-time buyers find the most suitable route to homeownership Prospect Mortgage Services have endeavoured to translate some of the complex terminology faced by someone looking to get on to the property ladder. Given the complexities that buyers often face in the home purchase journey it has never been more important to communicate effectively the different options available to those buying their first home. **See pages 6-7 for more details.**



### IN THIS ISSUE...

---

What's New?

---

Citizens Advice launches super complaint

---

Mortgage rates – when should you fix in?

---

Houses of Multiple Occupancy (HMO) – Rules are changing

---

Equity Release – Double the choice

---

Is it True – Insurers try **not** to pay on claims?

---

Prospect launch new website tools

#### PROSPECT MORTGAGE SERVICES

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

**Telephone: 01983 616666**  
**[www.prospectmortgage.co.uk](http://www.prospectmortgage.co.uk)**



# WHAT'S NEW?

# 18.4



## Average two-year rate continues to drop: Moneyfacts

The average two-year fixed rate mortgage now sits at 2.48%, according to research from Moneyfacts. The average rate nudged below 2.50% for the first time since April, and competition in the space is pressuring lenders to keep pushing the rate down.

Whilst two-year rates have dropped in recent months in the last 12 months **average two-, three- and five-year rates** have all risen, to **2.48%, 2.72% and 2.91%**, with Moneyfacts citing the two Bank of England rate rises that have taken place in the last 12 months as one reason for this. (Source: [www.whatmortgage.co.uk](http://www.whatmortgage.co.uk))

## Property demand up in the UK: Emoov

Data from online estate agent Emoov shows that demand for property in the UK rose 3% in Q3, or 6 per cent on an annual basis. The Hotspots Index measures the number of properties that are sold or under offer as a percentage of total stock listed in a given area.

The biggest annual increases in the third quarter were Durham, with an annual change of 60%, and Hereford, at 49%. Emoov chief executive Russell Quirk says: "[This is] the first time this year that we've seen UK demand driven by the English market while London and perhaps more surprisingly, the commuter belt both take a back seat. (Source: [www.whatmortgage.co.uk](http://www.whatmortgage.co.uk))

## House price growth steady in September: Nationwide

Annual house price growth was unchanged from last month's 2% figure in September, according to the latest Nationwide House Price Index.

On a monthly basis, prices grew 0.3% on a seasonally adjusted basis, taking the average house price in the UK to £214,922 as compared to £214,745 last month.

Nationwide chief economist Robert Gardner says: "Subdued economic activity and ongoing pressure on household budgets is likely to continue to exert a modest drag on housing market activity and house price growth this year, though borrowing costs are likely to remain low. Overall, we continue to expect house prices to rise by around 1% over the course of 2018."

Mortgage Advice Bureau head of lending Brian Murphy says: "This morning's figures should provide a degree of reassurance, as they appear to point towards the housing market continuing to function at a healthy level so far this year, despite the ongoing political and economic headwinds." (Source: [www.whatmortgage.co.uk](http://www.whatmortgage.co.uk))

**TRY OUR MORTGAGE  
CALCULATOR TO SEE WHAT RATES  
YOU COULD BENEFIT FROM**

[www.prospectmortgage.co.uk](http://www.prospectmortgage.co.uk)

# CITIZENS ADVICE LAUNCH NEW SUPER-COMPLAINT

18.4



## Citizens Advice launches ‘super-complaint’ over lender’s treatment of existing customers.

Charity network Citizens Advice has lodged a ‘super-complaint’ with the Competition and Markets Authority as new research shows that longstanding customers are having to pay an extra £4bn a year.

Citizens Advice looked across markets for savings and mortgages, as well as three other “essential” markets including home insurance, mobile and broadband, finding that British consumers are paying a £4.1bn ‘loyalty penalty’ by staying with their providers.

In at least one of the five markets, Citizens Advice says a staggering **80 per cent of people** pay a significantly higher price for staying put, and that average penalties are £877 a year. The charity has called on the CMA to show how it intends to fix the problem, which it says disproportionately affects vulnerable customers.

### The Financial Conduct Authority (FCA) response

The FCA put out its own response to the complaint, noting that ‘the FCA has been concerned about the issue of longstanding customers being charged more for some financial products than new customers for some time’ and that this has ‘informed earlier work on cash savings and mortgages’.

FCA chief executive Andrew Bailey says: “Citizens Advice have raised a number of important issues and we will work closely with the CMA as they investigate this super-complaint.

### How can Prospect help?

Due to these long-standing issues in the mortgage industry with customers sometimes not being offered the best deal by their mortgage lender Prospect Mortgage Services would always recommend that customers come and see us for a **free and full financial review** so that they can assess all of their available options.

It may make most financial sense in the long-term to remortgage to a new lender alternatively Prospect offer a product transfer service to our existing customers with no Broker Fee.

(Source: [www.whatmortgage.co.uk](http://www.whatmortgage.co.uk))

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

# MORTGAGE RATES – WHEN SHOULD YOU FIX IN?

18.4



Borrowers looking for a fixed-rate mortgage deal should act now as prices look set to head upwards, expert analysis has revealed.

Figures from Moneyfacts.co.uk show that fixed-rate deals, which allow customers to pay the same fixed rate of interest on their mortgage for a set period of time, hit rock bottom in October 2017.

However, the effect of two Bank of England interest rate rises in the last year has prompted lenders to start increasing these rates.

***‘According to Moneyfacts, anyone who took out a two-year fixed rate mortgage today would be £335 worse off a year – or nearly £28 a month – compared to those who locked into one of these deals a year ago’.***

However, Charlotte Nelson, finance expert at Moneyfacts, said there was **still a window of opportunity for borrowers**. “It could be worse,” she explained. “Since the August rate rise, many would have expected rates to increase further, but instead they are actually falling, with the average two-year fixed mortgage rate standing at 2.49% today compared to 2.53% in August. Five-year fixed rates have also fallen over the same period.”



Nelson explained that lenders know, when there’s a Bank of England rate rise, borrowers will start to think about protecting themselves from future increases. Because a fixed-rate mortgage does just that job, **lenders want to remain competitive** and therefore like to be seen as offering the lowest rates on the market.

But, she added, that while rates are falling now, it’s unlikely they will plummet to levels seen in October 2017.

Nelson concluded ‘With multiple base rate rises predicted for the foreseeable future, it is likely rates will only get higher, so borrowers looking for a fixed deal should act fast to avoid disappointment’.

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

*(Source: [www.mortgagestrategy.co.uk](http://www.mortgagestrategy.co.uk))*

# FIRST TIME BUYERS: JARGON-BUSTING GUIDE



First-time buyers face many challenges when it comes to taking their first step on the housing ladder and translating jargon is frequently among them.

In a bid to help potential first-time buyers find the most suitable route to homeownership Prospect Mortgage Services have endeavoured to translate some of the complex terminology faced by someone looking to get on to the property ladder.

Given the complexities that buyers often face in the home purchase journey it has never been more important to communicate effectively the different options available to those trying to buy their first home.

Getting advice on which scheme might be best can be a challenge in itself and once a buyer has found the best option oftentimes the jargon used around such schemes like Help to Buy or Shared Ownership can prove hard to understand and confusing.

Of course, the Government and housing associations haven't purposely tried to make the buying process confusing but for new home buyers it can add an unnecessary layer of complexity.

We believe that a First Time Buyer knowing their way around the different schemes would allow for them to be able to make the most of the opportunities available.

## Common Jargon:

### *Busting some of the terms you might have come across*

**Part-rent, part-buy:** This is another way to describe Shared Ownership.

**Market Value:** Refers to the total value of your property should you buy it outright. This figure is used to calculate the value of your share when buying through Shared Ownership.

**IFA: Independent Financial Adviser** is a person or a company that can advise on a large range of mortgage products.

**Staircasing:** After an agreed amount of time, you can purchase a larger share of your home, the greater the share you own, the less rent you will have to pay.

**Conveyancing:** A term used to describe the process, conducted by a legal professional or solicitor, of the preparation of documents linked to the buying and selling of a property.

**Service Charge:** Residents of a development pay this as a charge for the upkeep of communal areas such as gardens and hallways.

**Completion:** The point at which the buyer becomes the legal owner of the property. Legal completion is handled by the solicitors of both the buyer and seller.

**Stamp Duty:** A Government tax that you pay on completion.



18.4



**Here is a brief summary of some of the more recent Government or Housing Association schemes that First Time Buyers can take advantage of:**

### **Shared Ownership**

You start by buying a share of a property, usually between 25% and 75%, with a mortgage. The rest is owned by a housing association to whom you pay rent.

**Basically, you buy a bit and you rent a bit.** The scheme is aimed at families or individuals unable to purchase a suitable home on the open market. Your maximum income must not exceed £80,000 outside of London and £90,000 inside London per annum.

***‘There is a common misconception about shared ownership that these properties are inferior. This is untrue’.***

These homes come with a good specification and are built to the same high standards as any new build property.

There are some restrictions on these schemes and unfortunately, there is not a ‘one size fits all’ option for those looking to buy their first home.



### **Help to Buy equity loan**

With a Help to Buy equity loan the Government lends you up to 20% of the cost of your newly built home, **so you’ll only need a 5% cash deposit** and a 75% mortgage to make up the rest.

You won’t be charged loan fees on the 20% loan for the first five years of owning your home.

***Help to Buy allows first-time buyers to get onto the housing ladder a lot sooner than they may otherwise have been able to.***

### **Help to Buy ISA**

If you’re saving to buy your first home, the **Government will top up your savings by 25%** (up to £3,000) and if you’re buying with someone else, they can also get a Help to Buy ISA. This is a great way for people to raise the funds a little quicker for their first deposit.

**To find out more about the schemes available visit:**  
**<https://www.helptobuy.gov.uk/>**

# HOUSES OF MULTIPLE OCCUPANCY (HMO) – RULES ARE CHANGING



The government recently undertook a consultation looking at HMOs and residential property licensing. The past two years have seen an unprecedented amount of change affecting the tax and regulatory environment of the rental sector. The consultation aimed to give councils best-practice guidance on standardising living conditions for HMO properties across the country. The new legislation became enforceable from 1st October 2018 and landlords that fall under the new rules **must apply for a licence or temporary exemption before this date.**

The new rules plan to extend the scope of licensing for HMOs, meaning that a licence will be required for **HMO properties with five or more occupiers.** Previously, the licence only applied to properties with three or more storeys that are occupied by five or more people from two or more households. Ultimately, this will mean more properties will be required to have a licence.

The government has also **proposed a minimum room size** for bedrooms in licenced HMOs. This is something that has been hotly debated between councils and landlords, and is often called out in the press in cases where bad practices have come to light. The new guidance will recommend floor space be no less than 6.51sqm for a single adult and 10.22sqm for two adults sharing.

The new rules are estimated to impact roughly 170,000 properties, on top of the existing 60,000 already under licence.→

## 18.4



Ahead of 1st October 2018 deadline, landlords will have to apply for a licence or a temporary exemption – if they fail to do so it will be considered a criminal offence. It is important to remember that a licence will be required **for each individual property, either from the landlord or property management firm.**

*(Source: TrustPMS/KentReliance)*

### 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. Visit us at [www.prospectmortgage.co.uk](http://www.prospectmortgage.co.uk)



# EQUITY RELEASE – DOUBLE THE CHOICE

## 18.4



Product options for people looking to take out equity release have more than doubled in the last two years, a new report has revealed.

A rise in over-55s needing money to financially support grown-up children and mounting care costs are the main influences on the rapidly expanding range, according to the Autumn 2018 Equity Release Market Report.

It showed the number of products available to those considering later life lending had increased to 139 in August 2018 compared to 58 in 2016.

Prospect Mortgage Services are members of The Equity Release Council, the trade body representing the equity release sector and the organisation which produced the report. The Council explained numbers taking out the product had increased by 81% in the last two years. And the rise in products, it explained, was needed to meet their increasingly complex needs in later life, retirement and family.

The report said property wealth was emerging as mainstream retirement funding choice because the range of products offered greater flexibility to help customers manage their finances in later life whilst limiting costs. The figures showed four in five product options offered consumers the choice to make ad-hoc, penalty-free voluntary partial repayments of their loan, up from 68% a year ago. Meanwhile lifetime mortgages now included the option to ringfence equity, which means homeowners can retain some →

### **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.

of the value of their property as a guaranteed minimum inheritance.

Indeed, considering the needs of their children is a huge influence on many over-55s taking out equity release – particularly with the rise of the Bank of Mum and Dad.

“This innovation has brought more competition to the later life lending arena, while maintaining the standards and protections which ensure equity release products are futureproofed to provide good outcomes for consumers.”

Equity release appears in a prime position to help homeowners who require access to extra cash. This might be to repay borrowing, such as an interest-only mortgage, to improve their standard of living in retirement or even to assist their families to get on the property ladder themselves.

*(Source: [www.mortgagestrategy.co.uk](http://www.mortgagestrategy.co.uk))*

### **Prospect Mortgage Services**

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

**Tel:** 01983 616666

**Email:** [info@prospectmortgage.co.uk](mailto:info@prospectmortgage.co.uk)

# IS IT TRUE?: INSURERS TRY NOT TO PAY CLAIMS

18.4



It is the perception of many people that insurers are quick to take money, but not so quick to pay it out.

Yet last year, the best insurers customarily paid out about 97% of all protection claims received, supporting over tens of thousands of their customers and families.

Aviva reported that lack of trust is a major reason people don't take out financial protection. In fact 65% of UK adults don't have any form of protection\*.

***Incredibly people don't look at protecting their loved ones in the same way as they do protecting their house, car or even their pet.***

**Why?...**because of lack of trust that insurers will pay out on a potential claim.

## **Perception versus reality**

According to Aviva's 2018 protection claims report they spoke to several customers who claimed in 2017.

Before claiming, a number of customers thought they would need to go through a rigorous process to get their money. And they were pleasantly surprised to find that wasn't the case. As an →



example, in 2017 Aviva paid out over 97% of all claims totalling £900 million to their customers.

In fact reputable insurers, contrary to popular opinion, will often actively look for reasons to pay out, making it even more frustrating that negative perceptions stop people from getting the cover they might so desperately need in future.

## **Changing perceptions**

Reputable insurers publish their claims reports every year. If you are thinking of purchasing a protection plan for you or your loved ones do your homework – check the insurers claim statistics. All insurers have a small number of cases where they don't pay out but in the report they will outline the reasons why (usually non-disclosure or suffering a condition that does not meet the insurers own definitions).

Most insurers will also publish customers' stories on their websites to help prospective customers understand processes and break open the myth that insurers make it as difficult as possible for people to get the money they often desperately need and are due. (Source: TrustPMS/Aviva)

\*Understanding the financial lives of UK adults, Findings from the FCA's Financial Lives Survey 2017

# PROSPECT LAUNCH NEW WEBSITE TOOLS

18.4

**Prospect Mortgage Services**  
expert advice - professional service

HOME OUR SERVICES LATEST NEWS DOCUMENTS CLIENT PORTAL ABOUT US CONTACT

## MORTGAGE CALCULATOR AND BEST BUY TABLES

Learn More >

Getting a mortgage can be a challenging and complicated process. To help our customers, who often lead busy lives, we have developed some **new webtools** to help smoothen the process of working in partnership with us:

**Online Client Portal:** A secure way to share sensitive and personal documents. Your personal user account is unique to you and password protected. The data is held securely and encrypted. The portal also allows us to upload documents to share with you as the mortgage journey progresses to offer, exchange and completion. Each time we upload a new document you will automatically be sent an email enabling you easy access to the correspondence.

**Expanded content:** The content of our new website has been significantly increased providing you even more information on potential options and explanations of various types of mortgages. New features include a step-by-step guide for those considering a **self-build**, details related to options for **Equity Release** and **Affordable Housing Schemes** and a detailed section related to **Changing Personal Circumstances** (inc. Adverse Credit, Limited Income, Changes in Employment and Changing Family Circumstances).



**Mortgage Calculator:** Ever wonder how much a mortgage deal will potentially cost you per month? Or the difference in costs of a repayment deal vs interest only? Our new mortgage calculator will help you calculate all of these various permutations. In addition, our 'best buys' tables will help you understand the very best deals in the market for residential and buy-to-let purchases and re-mortgages.



**Insurance Calculator:** We all hear from time to time of a friend or relative that has suffered injury or been diagnosed with a serious illness or has unexpectedly died. Use our 'risk reality' calculator to determine the potential chances of such events happening to you or your loved ones. A personalised report can be downloaded for your review and use. **Prospect can provide personalised protection estimates for you and your loved ones.**





### **PROSPECT MORTGAGE SERVICES**

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

**Telephone:** 01983 616666

**Web:** [www.prospectmortgage.co.uk](http://www.prospectmortgage.co.uk)

Prospect Mortgage Services Ltd are authorised and regulated by the Financial Conduct Authority 647962. Registered Office Address: 25 Oakwood Road | Haylands | Ryde | Isle of Wight PO33 3JT Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.

