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Your Home Finance Autumn 2021

Inside this issue

Humble mortgage overpayments add up

A boost in UK savings as a result of reduced expenditure on travel and leisure during lockdown could be the key to cutting thousands in interest and months from the terms of mortgages, according to research[1].

With Bank of England figures suggesting Brits saved an extra £200bn during lockdown, overpaying on your mortgage could prove more fruitful than squirrelling away this cash into low interest savings accounts.

Overpayment benefits

It is estimated that fewer than half of people take advantage of overpayments, despite most mortgages allowing borrowers to overpay on either a regular or ad hoc basis without penalty. Yet paying an extra £90 a month towards a £200,000 mortgage from the first payment onwards would reduce the loan's total cost by more than £16,800 and the term by more than three years, says the data.

Overpayments don't have to start early in the mortgage to make a noticeable impact either. Paying an extra £90 each month from the mortgage's 10th anniversary could still save £5,300 in interest and shave 18 months off the term.

Mortgage overpayments won't be suitable for everyone, however, and you should consider your personal and financial circumstances first.

[1]Halifax, 2021

Robust recovery for housing and mortgage markets

Projections produced by the Intermediary Mortgage Lenders Association (IMLA) suggest gross mortgage lending will reach £285bn this year. This revision, upgraded from a previous forecast of £283bn, points to the housing and mortgage markets' continued strength in the face of pandemic-related challenges.

A strong housing market has caused a surge in mortgage lending. In the first five months of 2021, lending for house purchase was 87% higher than the same period in 2020 and 51% above the same period in 2019. Buy-to-let lending has also increased, propelled by house purchase transactions.

Peak buying

Housing turnover is expected to remain buoyant into Q3, with an additional 120,000 property transactions. However, after the high levels of market activity during the Stamp Duty holiday, the IMLA expects gross lending to dip in 2022, reducing its forecast from £286bn to £280bn.

Quieter spell to come?

While the Stamp Duty holiday has fuelled rising house prices, a slightly more subdued picture is likely to emerge following the end of the taper (30 September in England and Northern Ireland). This isn't certain, however: in Scotland, where the Land and Buildings Transaction Tax reduction ended in March, buyer momentum has remained resilient and house prices have continued to rise at pace.

Kate Davies, Executive Director of the IMLA, commented, *"With the Stamp Duty holiday soon coming to an end, and the Help to Buy scheme due to conclude in 2023, there is still a need for a coherent, long-term housing strategy from the government that embraces the public as well as the private sectors."*

More deals, lower rates

Separate figures[2] show the number of mortgage deals has risen from 4,512 in July to 4,660 in August. At the same time, the average rate for two-year and five-year fixed rate products has fallen to 2.52% and 2.75% respectively.

The best deals aren't lasting long though. If you're looking to lock into a low rate, get in touch now and we can find the most suitable mortgage for your circumstances.

[2]Moneyfacts, 2021

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

In the news

Rising interest in equity release

More than half of homeowners are interested in releasing equity from their property in later life[3], with the majority aiming to boost pension income and savings or pay for care. The amount of equity available for release in British homes has also reached a record high of £730bn[4], with the South East having the largest available equity by region at £140bn.

Biggest homebuyer turnoffs

Subsidence, Japanese knotweed, overgrown gardens and visible power lines are some of the biggest homebuyer red flags which could knock up to 20% off the value of your home[5]. Subsidence is the biggest cause for concern, with the potential to reduce the value of a home by £51,000 for the average UK property. Japanese knotweed can knock 15% (£38,000) off the value, unkempt gardens 14% (£36,000) and new power lines 13% (£33,000).

Continued demand for specialist mortgages

Mortgage options suitable for irregular incomes and repayment blemishes continue to be sought after[6], with demand for lenders willing to consider satisfied repayment defaults remaining in the top three most desired criteria points. Searches for unsecured arrears and unsatisfied defaults appeared in the top 15 most searched-for terms, while searches for borrowers with bankruptcy jumped 24%.

[3]Equity Release Council, 2021, [4]Canada Life, 2021, [5]Yes Homebuyers, 2021, [6]Legal & General, 2021

Mortgage process a mystery to many young adults

It is not only prohibitive house prices and stringent affordability criteria that are making it hard for young people to get on the property ladder. A new survey has revealed that the mortgage process is poorly understood by more than half of all young adults.

In the survey[7], 52% of 18 to 34-year-olds rated their understanding of the whole mortgage process as either fairly or very bad. This incomprehension was reflected across other financial products too: 53% said they had a fairly or very bad understanding of different types of insurance and when they might need them.

Lost in translation

For many young adults, the language used to explain financial products and services acts as a barrier to their understanding. More than one in three 18 to 34-year-olds said they were not very or not at all confident that they would understand the relevant terminology.

These results suggest a significant proportion lack the required knowledge and understanding to make sensible and informed decisions about the best mortgage and protection products for their circumstances.

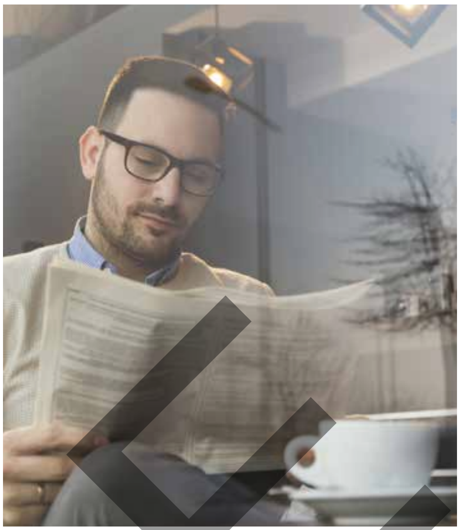
Here to help

When making important financial decisions, it's always a good idea to seek expert advice. We'll guide you through the mortgage process from start to finish and explain everything you need to know in plain English. Get in touch – whatever your age!

[7]PaymentShield, 2021

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. Equity release may require a lifetime mortgage or a home reversion plan. To understand the features and risks, ask for a personalised illustration.

Switch from SVRs for better rates



Navigating the labyrinth of financial acronyms can leave even the savviest money managers with a headache. But if you are a mortgage holder, it might be time to become familiar with one important abbreviation: SVR or Standard Variable Rate.

Ups and downs

There's a good chance you'll be switched to an SVR when your existing mortgage deal comes to an end. Whether you currently have a tracker, fixed rate or discounted mortgage, being moved to an SVR might mean you end up paying over the odds, perhaps without even realising.

This is because SVRs rarely offer the most competitive rates. The SVR interest rate is usually linked to a percentage above the bank's base rate, which means it can rise and fall. As a result, you'll be more vulnerable to potential interest rate hikes in the future.

Switch and save

In a complex environment, getting clear advice can really pay. If you're locked into a mortgage deal with exit charges, you don't have to wait until it ends: we can help you find a deal three or six months before your lock-in period finishes. After two Bank of England base rate cuts last year, mortgage rates have remained at record lows, so now could be the perfect time to see if you can save money by switching to a better rate.

Boost the value of your home

Homeowners have benefited from double-digit house price growth in the last few months and many people are looking to boost the value of their home even further. Whether you're planning extensive renovations or finishing touches, it's important to understand which projects will add the most value.

Aim high

Loft conversions can add valuable space to a property and, according to research[8], boost a home's value by as much as 20%. After factoring in costs, this can represent a significant boost of more than 7% to the property's value.

A privy price

Another big installation that might be worth forking out for is a shiny new bathroom. By maintaining the existing layout, you can keep the costs down and reap maximum profits. For a simpler project, a downstairs toilet can add about 5% in value.

Keep it simple

The research suggests that one of the best ways to add value to your home is by giving it an extensive lick of paint. This easy, low-cost solution could add almost £5,000 to the asking price, based on an average property value of £255,000. Another project that will boost value without blowing the budget is installing a new boiler or central heating. Doing so could offer an estimated profit of about £2,500. Likewise, investing in double glazing might provide returns of around £1,400.

Think twice

There are some projects, however, that might not be worth the investment. Installing solar panels just before you sell might leave you out of pocket. The average fitting will set you back £2,727, nearly £1,500 higher than the expected boost to value (£1,273).

[8]GetAgent, 2021

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Annex army on the march

The words *'Granny'* and *'annex'* may go together like salt and pepper but converting existing outbuildings into residential space is no longer the preserve of those needing to home elderly parents.

Lockdown syndrome

The events of the past 18 months may have given annexes a new lease of life. Councils received approximately 9,000 planning applications for annexes in 2019-20[9], perhaps unsurprising given that lockdown has made extra space increasingly desirable. Confined to our homes and trying to work from the dining room table or sofa, the thought of a home office has appealed to many.

A desire for extra space may be a major motivation to convert an old shed, but it isn't the only reason to add an annex to your home. Research suggests an annex adds an average of £91,000 to the value of a property and generates greater interest among buyers.

To host or not to host

If you are thinking of joining the annex army, you first need to be clear what your conversion is for. A home office is relatively simple, requiring a single room and perhaps toilet facilities. On the other hand, if your ambition is to host airbnb guests, you'll probably need several rooms, including a full bathroom, kitchen facilities, living space and bedroom.

Plan your planning

It's important to consider planning permission too. If you're converting an existing outbuilding, like a garage or shed, you might not need it. However, you probably will need to submit a planning application for larger projects.

Even if you don't build anything, acquiring planning consent before you sell can boost your property's value because prospective buyers will know they have the option to build their own annex should they wish.

[9]Churchill Home Insurance, 2021

New investment for flood alleviation

The government has pledged to invest £5.2bn over the next six years to protect homes and businesses from flooding and coastal erosion.

The Flood and Coastal Erosion Investment Plan, published on 29 July, aims to prevent £32bn of economic damage and protect 336,000 properties by 2027. In 2021-22, over £860m will be spent on the design and construction of more than 1,000 schemes across England.

More protection

In autumn, the government is also due to publish a consultation on how it can better protect those communities most at risk of flooding.

Flooding can cause devastating damage to your property and possessions, incurring repair costs that can run into tens of thousands of pounds. Household insurance therefore forms a vital part of your protection requirements. We can help you find the right cover.

Percentage sales at decade high

Analysis[10] suggests that almost seven in ten UK properties for sale, found a buyer in the year to June 2021, the highest rate in a decade.

Regional differences

Scotland led the way with 89% of homes finding a buyer, while Yorkshire & the Humber was the second most successful area at 77%. Property hotspots included Falkirk and Sheffield, where 94% and 83% of homes were sold respectively. In contrast, London's figure of 48% was below the average rate of 53% recorded between 2012 and early 2020.

Demand cools

Recent analysis of conveyancing quotes from comparison site reallymoving suggests that buyer demand is beginning to slow from its March peak, with successive drops between April and May (13%) and May and June (18%). This is likely to ease pressure on prices as we move further into the second half of the year.

Rob Houghton, CEO of reallymoving, commented, *"With the influence of the Stamp Duty holiday now largely expired alongside early signs that buyer demand is returning to more normal levels, we can expect prices to follow suit and return to a more stable trajectory."*

[10]Rightmove, 2021

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

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It is important to take professional advice before making any decision relating to your personal finances.

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