Essentially Mortgages

Hope in the housing market

Paying a mortgage in retirement

Your mental health safety net

Q4 2023

- Landlords holding firm – for now
- Interest-only mortgage searches soar
- Extra hours to pay the mortgage?

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In this issue

Mortgage Charter: a helping hand

Amid a turbulent mortgage market and with many experiencing cost-of-living difficulties, Chancellor Jeremy Hunt has announced a new Mortgage Charter to bring relief to residential mortgage customers suffering from rising interest rates.

Talk, swap and security

The Mortgage Charter launched in June has three key elements:

– 1. Anyone can talk to their bank or mortgage lender for information and support, and this will have no impact on their credit score

– 2. People can choose to swap to an interest-only mortgage or extend their mortgage term, with the option to switch back to their original mortgage deal within six months with 'no questions asked' and no impact on their credit score

– 3. Customers won't be forced to have their homes repossessed within 12 months of their first missed payment.

Improved flexibility

There are also additional measures to provide more flexibility to customers approaching the end of a fixed-rate deal. Under the new Mortgage Charter, customers will be able to lock in a deal up to six months ahead and still apply for any better deals that are available right up to the start of their new term.

Affordability checks will be waived for those switching to a new mortgage deal if they are up to date with their payments when their fixed term ends.

"On the side of households"

In the foreword to the Charter, Jeremy Hunt commented, *"These measures should offer comfort to those who are anxious about high interest rates and support for those who do get into difficulty. As we have consistently shown through the pandemic, and the consequences of the war in Ukraine, we will always be on the side of households."*

Hope in the housing market

The Bank of England (BoE) has been raising Bank Rate at a rapid rate throughout 2023 in an effort to lower surging inflation. With new predictions suggesting that Bank Rate might have peaked, is it time for optimism to take hold again?

After reaching 11.1% year-on-year last October, CPI inflation has since come back down to 6.7% (year to August) and is widely forecast to fall further by the end of 2023. Hopes that rates have peaked heightened in September. After 14 consecutive meetings where rates were increased, good news came when the Bank of England's Monetary Policy Committee voted to retain Bank Rate at 5.25%.

Sellers taking a hit

One less optimistic sign for homeowners is falling house prices. Analysis[1] has revealed that the proportion of homes on the market that have had at least one price reduction is at its highest level since 2011, with 36% of listed properties seeing their asking price fall at least once.

Hope takes hold

With many experts now predicting a smoother ride for inflation and interest rates, a greater sense of stability might soon be returning to the housing market. This should help mortgage holders prepare for the future and homeowners retain the value of their home.

[1]Rightmove, 2023

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Landlords holding firm – for now

Two in three buy-to-let landlords have no plans to sell any of their properties in the upcoming year, according to new research[2] that puts a different perspective on the predicted backlash to the Renters Reform Bill.

Selling spree?

The Renters Reform Bill was introduced to Parliament in May 2023 and includes several measures that landlords fear will reduce their returns. While some had predicted a selling spree in response, it seems that most landlords are holding onto their investments – for now.

One, two, three

Landlords with a single property (75%) and those with two or three (69%) are most likely to hold onto all their properties. For those looking to sell, rising interest rates are the main motivation for six in 10, a 15% jump on the previous survey.

[2]Landbay, 2023

Protection is for the tough times

It can be tempting to cancel your protection when times are tough and you're tightening the purse strings. But removing the vital support that protection cover offers might not be the wisest move.

Take a step back

Some households are considering reducing their level of protection, potentially leaving themselves vulnerable to financial shocks. With higher household bills and mortgage or rent costs, protection is more important than ever right now. Sometimes the instinctive response is not the best one!

Think it through

By cancelling or postponing taking out cover there is a risk that, should the worst happen, you and/or your dependants will be left in a difficult financial position. Have you considered how your family would be able to afford all the monthly outgoings if they were to lose the income of the primary earner through death or illness?

Unique needs

Protection is an essential part of long-term financial planning. We can help you find the right cover for your unique needs.

By cancelling or postponing taking out cover there is a risk that, should the worst happen, you and/or your dependants will be left in a difficult financial position

Paying a mortgage in retirement

Much ink is spilled discussing the difficulties that young people face to get onto the housing ladder. At the other end of the spectrum, a growing number of people now expect to be paying their mortgage off into old age.

Longer loans

More than three in 10 homeowners now expect still to have a mortgage at the age of 65, a survey[3] has revealed, a figure that has risen from 26% just two years ago. Increasingly, lenders are happy to give an ordinary mortgage to older borrowers, something that used to be less common.

Options for older borrowers

Specialist mortgage options exist too. Retirement Interest Only (RIO) mortgages are the newest addition to later-life borrowing options, with over 55s able to apply for a loan between 50% and 70% of the value of their home. With RIO mortgages, borrowers only pay the interest, a feature that makes the mortgage more affordable in retirement.

More than three in 10 homeowners now expect still to have a mortgage at the age of 65

Mixing pension and mortgage

Retirement planning can be a complicated business, working out exactly how much money you need to live on when you are no longer working. Adding mortgage payments into the mix adds a further layer of complexity.

But the main thing to remember is that there are lots of options for borrowing later in life. There is no need to panic: speak to us to see how we can help you find the most suitable mortgage for your needs.

[3]HL, 2023

Interest-only mortgage searches soar

With a growing number of borrowers seeking new ways to lower their monthly expenditure, it was revealed[4] that the number of searches relating to interest-only mortgages had skyrocketed by 53%.

Interest spikes in interest-only

Indeed, the research showed that *'interest-only mortgages'* had become the most common mortgage-related search term, attracting more interest than other staples like *'buy-to-let'* and *'fixed-term.'*

Analysts suggested that the jump could be linked to the Mortgage Charter launched in June to support homeowners. This means that many borrowers now have the choice to swap to an interest-only mortgage for up to six months, if needed.

It is important to remember that help is available if you are struggling to keep up with repayments.

[4]L&G, 2023

Is it time to remortgage?

Remortgaging means changing your existing mortgage to a new deal, either with a new lender or the same one. With every penny crucial, switching to a new deal could save you a considerable amount.

1. Deal about to end?

- When your fixed-rate deal comes to an end, you will likely be switched to a standard variable rate that will probably in current mortgage market conditions be higher than you had been paying. So, finding a new deal could save you a considerable amount of money.

2. Want a different mortgage type?

- With mortgages, there is a lot to think about. One of the key decisions is fixed, tracker or variable mortgage. Different options will work better for different borrowers, depending on their unique circumstances.

3. Home value has increased?

- If the value of your home has risen significantly since you took out your mortgage, which is likely to be the case for anyone who bought their home more than three years ago, your loan-to-value ratio will have decreased. If this is the case, you could be entitled to better rates.

4. Want to overpay?

- An overpayment is an additional payment over your usual monthly mortgage payment, they can be a one-off lump sum or a regular overpayment. Depending on your mortgage and lender, limits and Early Repayment Charge's (ERC) could apply.

5. Want to borrow more?

- On the other hand, there are times when you might want to take out a higher loan. For example, if you plan to build an extension or want to pay off other debts, it might be worth remortgaging to a find a lender that will let you raise more money on lower rates.

Talk to us

There's a lot to think about when it comes to remortgaging. The best way to get the most suitable deal is to start looking early and talk things through with us.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE.

Extra hours to pay the mortgage?

In the face of rising bills, most advice to consumers tends to be focused on cutting costs and reducing outgoings. A new study[5] has shown that a growing number of homeowners are thinking about the opposite end of the scale: boosting their income.

Some three in 10 homeowners said that they are picking up extra work to boost their savings ahead of their mortgage repayments increasing.

Financial resilience

Some three in 10 homeowners said that they are picking up extra work to boost their savings ahead of their mortgage repayments increasing.

Putting in more hours might not be possible for everyone but those with the option are increasingly making use of overtime or seeking new employment opportunities in order to create a financial buffer.

Protection at the forefront

Whether or not working more is an option, protection remains a crucial safety net.

Even for those doing extra hours, the peace of mind that protection provides means that you and your loved ones will not face the worst consequences should you be unable to work.

[5]Indeed Flex, 2023

Not all doom and gloom

With mortgage rates reaching their highest level in 15 years, many homeowners are feeling the pinch and fearing worse to come. Thankfully, there are reasons to be cheerful.

Mortgage Charter

The new Mortgage Charter promises relief to residential mortgage holders. You can talk to your bank or lender for information and support and can swap to an interest-only mortgage without any impact on your credit score. Borrowers are now also safe from forced repossession within 12 months of a first missed payment.

Job security holding firm

A positive economic indicator has been the jobs market, which has remained resilient throughout the past year. Between May and July 2023, average total pay (including bonuses) grew by 8.5%, according to official figures[6].

Equity in your home

Since house prices have risen considerably over the past two decades, many homeowners now hold more equity in their home, providing some added financial resilience.

Facing the facts

It is undeniable that the past year has been tough for many mortgage holders but there are plentiful reasons to be positive. Speak to us to see how we can help.

[6]ONS, 2023

What happens if I can't pay my mortgage?

A mortgage is a serious commitment and paying it back requires discipline and planning. But if you're struggling support is always available, especially with the introduction of the new Mortgage Charter. If you can't pay, what should your next steps be?

1. Don't panic

First things first, remember to keep a cool head. If you're struggling to make payments, lenders seek in the first instance to come up with a payment plan to help you get back on your feet.

You're not going to lose your home overnight: repossession is a last resort. Indeed, in the first three months of this year, only 750 homes and 410 buy-to-let properties were repossessed[7].

2. Talk to us

If you are finding it hard to keep up with costs, the best thing to do is communicate with us early. By tackling the problem head on, you can prepare and adapt before you end up in a difficult position.

You're not going to lose your home overnight: repossession is a last resort

The good news is that several options exist to mitigate the higher bills. Examples include extending the term of your mortgage, which can reduce the burden now but will ultimately result in more being paid back in total. It is also possible to switch to an interest-only mortgage, reducing the amount you'll pay your lender each month.

3. Protection is key

Lenders say the most common reasons for people falling behind on mortgage payments generally involve life-changing events such as a job loss or serious illness. This highlights the importance of protection policies such as income protection or critical illness cover.

In short...

Keep calm and call us!

[7]UK Finance, 2023

One

Don't panic

Two

Talk to us

Three

Protection is key

Your mental health safety net

We all know that life can be unpredictable and in recent years global events have conspired to put extra pressure on people's finances and mental health. In a turbulent environment, it can be comforting to have the support of protection cover.

Look after number one

Paying for protection is a selfless act: it ensures that your loved ones and dependents will be secure should the worst happen to you.

It is also a key safety net for you. It provides crucial peace of mind, helping you sleep a little easier.

Important information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.