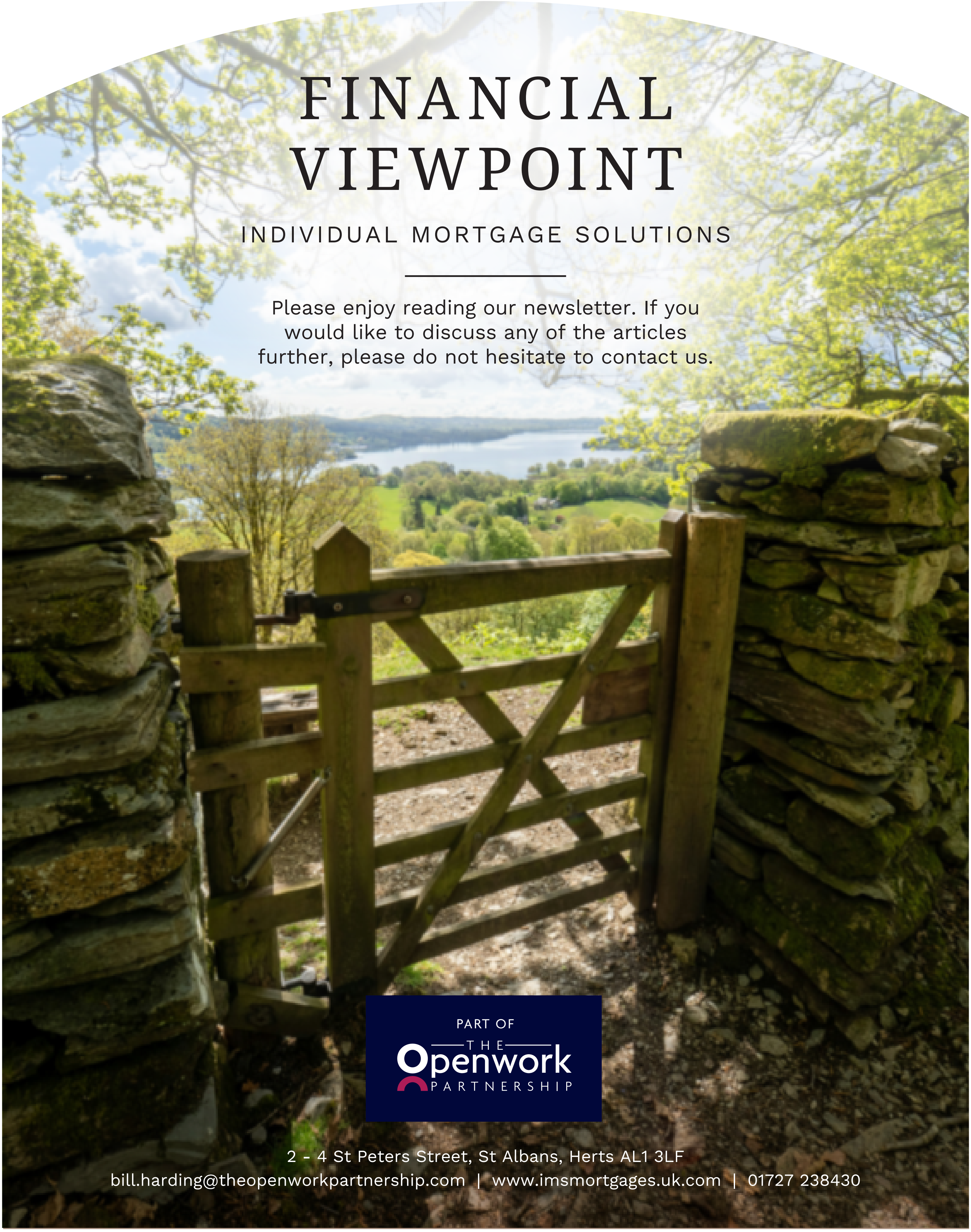

FINANCIAL VIEWPOINT

INDIVIDUAL MORTGAGE SOLUTIONS

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

PART OF THE Openwork PARTNERSHIP

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Considerations for first-time buyers

Being a first-time buyer can be daunting. Not only are you about to make one of the biggest financial decisions in your life, but you'll probably also have family members and friends offering their ideas on the right house, mortgage, lender, conveyancer and even removal company for you.

We've put together some ideas to try and take away some of the stress and confusion and give you confidence to move through the home buying process as smoothly as possible.

Get the right advice

Of course, we're going to say that – it's what we do! We'll review your circumstances and look at your income, debt, day-to-day outgoings, employment and the size of your deposit, to assess what you can afford to borrow now and in the future. We'll talk you through the types of mortgages we think are right for you and the lenders who offer them.

Save as much as possible

Buying a house is going to be expensive so it's important to save, save, save to get yourself in the best position possible. Some lenders will accept a minimum deposit of 5% of the cost of the house you're buying but aim higher. The bigger your deposit, the smaller the mortgage (and monthly mortgage payments) making you more attractive to a lender.

Compromise

We can all admit that it is easy to get a little carried away when looking for our 'dream' home, but sometimes buying your first house is all about compromise. Deciding what you're prepared to compromise on is an essential step when considering your first home. Whether it's the luxury of having extra bedrooms or a bigger garden, it's unlikely that you're going to get everything you want at a price you can afford.

Know your budget

Your hard-saved deposit and monthly mortgage repayments aren't the only expenses you need to be mindful of when buying your first home:

- Some lenders will charge for a **valuation fee** to help them establish how much they are prepared to lend you.
- You'll also need to factor in the cost of a **survey** (depending on the type of property you're buying and the lender you choose to go with you might need a basic mortgage valuation, a homebuyers report or a full structural survey).
- In Scotland you also need to budget for **Land and Buildings Transaction Tax** on properties over £175,000.
- In Wales you'll need to budget for **Land Transaction Tax** on properties over £225,000.
- In England or Northern Ireland, you'll need to budget for **Stamp Duty Land Tax** on properties over £425,000.
- You'll also need to pay your **solicitor** or **conveyancer** for any legal work and local searches they do on your behalf.

Talk to us and we can help with practical financial advice on your first and future home purchases.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Approved by The Openwork Partnership on 16/03/2023.

OW4332 Exp. 16/03/2024

How to improve your chances of passing a mortgage affordability assessment

Getting on the housing ladder can feel like one of the hardest and longest processes in the world and the cost of living crisis is probably not helping. You need to come across as attractive buyers for lenders to consider you, but there are many factors that can reduce how much lenders are willing to let you borrow for your home.

How do lenders decide whether to offer you a mortgage?

If you're applying for a new mortgage, remortgaging or increasing your current mortgage, lenders are required to carry out an affordability assessment. This involves a variety of checks designed to make sure you can afford to repay what you borrow. According to the Independent, some two thirds of first-time buyers are rejected for a mortgage at their initial attempt. So, what can you do to boost your chances of passing an affordability assessment?

Evidence stable employment

Many lenders ask for three years' proof on income, although some will accept less. Even simply switching from one employed position to another can affect your chances of success. Some lenders like to see that you've been with an employer for at least three to six months before they'll consider you.

Reduce your debts

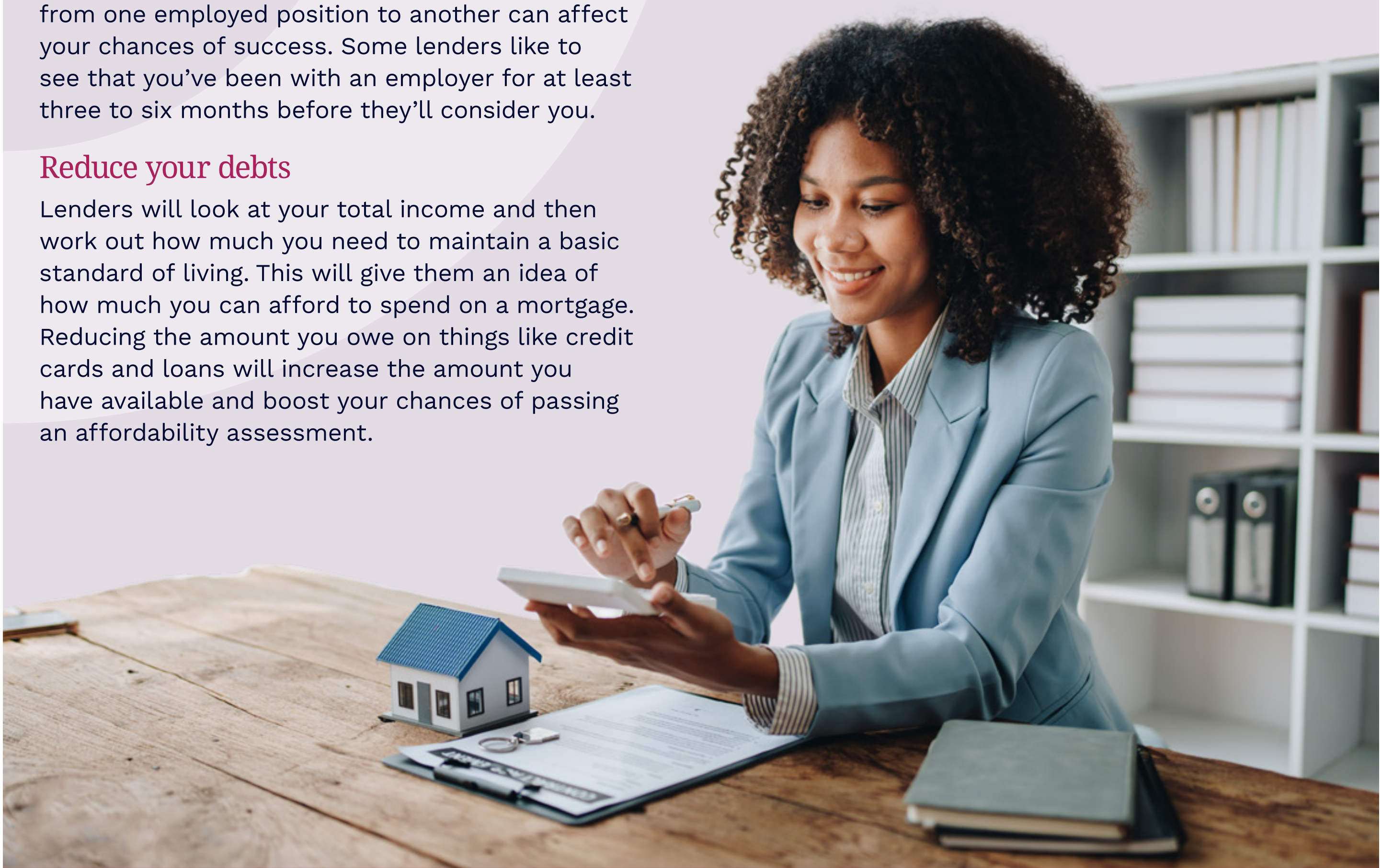
Lenders will look at your total income and then work out how much you need to maintain a basic standard of living. This will give them an idea of how much you can afford to spend on a mortgage. Reducing the amount you owe on things like credit cards and loans will increase the amount you have available and boost your chances of passing an affordability assessment.

Check your credit report

Before offering you a mortgage, lenders check your credit report. A poor credit history could affect the amount they're prepared to offer or cause them to turn you away altogether. However, there are simple ways to improve your credit rating. Before applying for a mortgage, check your credit report for errors, avoid applying for new credit in the six months leading up to the application and make sure you're well within any existing credit limits.

Get professional advice

Finding the right mortgage is important so we can assess your circumstances and get the right deal for you. We can save you the headaches and ensure you're less likely to be turned down for a mortgage.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

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OW4077 Exp. 16/03/2024

Self-employed - tips before applying for a mortgage

Self-employed workers have always faced additional challenges when trying to get on the property ladder. But stringent affordability tests mean it's becoming even more difficult to secure a mortgage.

Government statistics show in May to July 2023 there were 4.24 million people were self-employed. So, the barriers for self-employed workers are something thousands of aspiring homeowners need to overcome every year.

According to the *Telegraph*, it's "never been harder" to get a mortgage if you're self-employed.

If you don't have a predictable income, lenders are likely to ask you more questions. However, lenders are reportedly asking self-employed workers questions that weren't common in the past, such as which energy supplier they are with or if they can supply a reference from their accountant about the strength of their business.

As lenders are being more cautious, it's estimated they rated only 65% of self-employed mortgage applications as "affordable" at the end of 2022.

So, if you're self-employed and seeking a mortgage, what can you do?

1. Check your credit report

Anyone seeking a mortgage should check their credit report. It's one of the tools lenders will use to assess how much of a risk you pose. Going through your report before you apply gives you a chance to uncover potential red flags first.

Things like payday loans or large credit card debt could lead to your application being rejected, even if you're confident you could meet the repayments.

There may be things you can do to improve your credit report, such as registering on the electoral roll or paying off an overdraft.

2. Prepare evidence of your income

You will need to prove your income when applying for a mortgage. This is usually done by providing your self-assessment tax returns.

You will typically need a minimum of 12 months of accounts to be eligible for a mortgage. However, some lenders may require evidence of your income for two years or more.

Getting your paperwork in order before you apply for a mortgage could help you identify potential gaps and ensure you have everything to hand.

3. Be mindful of how steps to reduce tax liability could affect your mortgage application

When taking an income from your work, you may take steps to minimise your tax liability. While this can help your money to go further, you should be mindful that it could affect your mortgage application.

For example, not every lender will consider "retained profits" as part of your income as a self-employed borrower.

Your income is used to calculate how much you can borrow – a typical amount is 4.5 times your annual income – but this varies between lenders and will depend on your circumstances. So, managing your tax bill could have a knock-on effect on the amount you could borrow or even mean a lender rejects your application.

4. Keep track of your contracts

If you have a pipeline of work or long-term projects, having your contracts to show lenders could be useful. It can demonstrate that you'll have an income in the future and boost their confidence that you'll meet repayments.

Borrowers that pose a lower risk could benefit from a more competitive interest rate and lower repayments as a result.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOANS SECURED ON IT.

5. Save a larger deposit

You could access a mortgage with a 5% deposit. However, if you want to improve your chances of success, a larger deposit could tip the scales in your favour – the larger the deposit, the less risk you pose to a lender.

Taking some time to save more for your deposit might be frustrating, but it could make all the difference.

6. Look beyond high street banks

There are lots of mortgage lenders to choose from. While your first thought may be to approach a familiar high street bank, alternatives may be more likely to approve your application, allow you to borrow more, or offer a lower interest rate. So, searching the market could help you reach your home ownership goals.

Searching the market and understanding which lenders could be right for you can be difficult. Working with a mortgage broker could be valuable here and improve your chances of success.

We can make your mortgage application process smoother

As mortgage brokers, we can lend support throughout the mortgage application process. From identifying the lenders that are most likely to approve your application to going through your paperwork, we'll be there every step of the way. Contact us to talk about your mortgage needs.

OW4850 – Exp 27/11/2024

How to protect your mortgage

Strengthening your ability to keep up with mortgage payments is important and will give you some peace of mind if your circumstances change.

Life insurance is the form of protection most of us would name as one that could pay down or pay off a mortgage. Yet there are other situations (apart from death) that could mean it's very difficult or even impossible to keep up with mortgage payments for an extended period – without the help from other types of coverage.

Here are some protection policies you might want to have in place (alongside life insurance) to give your mortgage some security if you are unable to keep up with mortgage payments. Your adviser can help you work out the best option for your situation.

Critical illness protection pays out a one-off, lump sum if you're diagnosed with a critical condition or disability that is covered by your policy. It can be offered when you buy for life insurance, as extra coverage.

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. Depending on the terms, you'll receive a regular income until you either return to paid work, retire, pass away or if the policy term comes to an end.

Mortgage payment protection insurance (MPPI) pays your monthly mortgage payments if you're unable to make them due to an accident or illness.

What's the difference between income protection and MPPI?

Income protection insurance is seen as more comprehensive than MPPI as it covers a proportion of your income and not just your monthly mortgage payments. It could also help to cover monthly bills aside from your mortgage. The period you're protected with income protection tends to be longer than MPPI, too.

Your adviser will help you find a policy that works for you and your needs, in terms of the length of cover you want and how much the premium might be. MPPI premiums could be lower than those for income protection and more affordable.

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OW4126 Exp. 27/09/2024

What is critical illness cover?

Whether you need critical illness protection depends on your situation as well as any existing policies you might already have in place.

Critical illness insurance pays out a one-off, lump sum if you're diagnosed with a condition or disability that is covered by your policy. It can be offered when someone applies for life insurance – as extra coverage.

In a similar way to some life insurance plans, critical illness covers a set number of years. You can specify whether you want the payout to rise over the course of the term (so it keeps up with inflation) or the opposite – decreasing because your aim is to cover something specific like your mortgage.

If you're thinking about critical illness cover, it's important to speak to your financial adviser who can help you decide how much cover you'll need and how long the term should last.

What does critical illness cover?

Products vary depending on the provider. Certain illnesses are covered as standard by most insurers, including, cancer, heart attack, stroke, organ failure, multiple sclerosis, loss of arms or legs and Alzheimer's and Parkinson's disease.

Some providers may allow you to add additional illnesses to your policy, which you'll pay more for. Your children could also be covered as part of your policy so it's worth asking your adviser about these options if it's something you're keen to have in place.

What does critical illness not cover?

Although a diagnosis of a critical illness can mark the start of a claim in some policies, others may only begin to offer protection once your illness hits a certain level of severity. For example, if you are diagnosed with cancer, payments may only begin when permanent symptoms have been officially diagnosed. Additionally, not all types of cancer are necessarily covered by critical illness protection.

It's important to work with your financial adviser when reviewing a policy and all the small print before you commit to make sure you are sufficiently covered – and aware of areas not included.

Pre-existing conditions

Just like the life insurance application process, critical illness protection requires you to disclose any pre-existing conditions. If you don't then your policy could be invalid.

Your adviser can search the market for a suitable plan, but you'll probably have to pay more in premiums and there will likely be some extra exclusions. The price you pay will vary, based on things like age, occupation, state of health, lifestyle and how much coverage you need and for how long.

Do you need critical illness cover?

There are things to consider if you're worried about being diagnosed with a critical illness and the impact on your income and ability to keep up with bills (which would not be covered by state benefits when you're unable to work).

Your adviser will help you look at the following areas:

- Your employer's coverage – is there any paid leave for illness or disability and for how long?
- Do you have an existing life insurance policy and if so, does it have any illness coverage included?
- Could you consider income protection insurance as an alternative to critical illness?
- Do you have sufficient savings and investments you could use in place of critical illness cover?

If you want to proceed, it's important to work with your adviser to see how much protection you'll need. This means looking at your monthly outgoings and how much you and your family require to live comfortably. You might want to add in any potential costs from medical treatment you may need.

During these important decisions it's easy to lose track of the small details, which is why your adviser can help make the process easier for you and your family and give you some peace of mind.

We can examine your needs and existing policies and then find you the right cover that protects your finances – and your family – should anything happen.