



# VIEWPOINT

JARVIS FINANCIAL LTD

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us



West Lancashire Investment Centre, White Moss Business Park, Maple View, Lancashire, WN8 9TG

info@jarvisfl.com | 01695 570576 |

Price cap for properties eligible for Help to Buy Equity Loan Scheme from April 2021 to March 2023:



# More hope for first time buyers with the Help to Buy Extension

Since it was launched in 2013, the popular Help to Buy scheme has enabled almost 170,000 households to buy homes; who may not otherwise have been able to.

An extension to the successful scheme was announced in the Autumn 2018 budget, now making it available until 2023 for first time buyers only 'to ensure future support is targeted at those who need most help'.

This could benefit tens of thousands of extra buyers who are purchasing a new-build property, who under the scheme can get an extra 20% (40% in London) government loan, which is interest free for five years. If they also secure a mortgage from a bank or building society for 75% (55% in London), this means buyers themselves need to only find a 5% deposit.

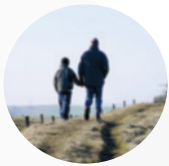
As part of the changes, the government has also introduced new caps on house prices for qualifying properties in different regions, to reflect the huge variations in prices across the country. London will continue with a £600,000 cap, whereas the caps in other regions have been changed to 1.5 times the average forecast first time buyer price in an area.

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



# 'Mortgage prisoners' may be able to remortgage

You may have heard the term 'mortgage prisoners' but not know exactly what it is. Mortgage prisoners are those who are trapped in their current mortgage deal and are unable to remortgage or move.



## How did Karen and Richard become mortgage prisoners?

"Unfortunately my work circumstances changed last year, meaning Karen and I can't pass the affordability check. If we were able to switch we could save a lot of money by having a lower interest rate."

The Financial Conduct Authority (FCA) has estimated around 150,000 borrowers are stuck as 'mortgage prisoners'. Some of the main reasons are —

- **A change in circumstances, such as credit issues or a lower income since they bought their home.**
- **Not meeting the affordability rules which changed in the 2014 Mortgage Market Review**
- **Negative equity - which could be due to the 2007/08 financial crisis**

Being stuck on your current mortgage deal can be a costly frustration. Those that come to the end of their existing deal may be moved onto a lender's Standard Variable Rate which can be expensive, with average rates higher than many available deals. In some cases, this could be more than double the rate of interest.

## There may be hope on the horizon...

After a campaign by a group of 'mortgage prisoners', who originally mobilised via social media, the FCA has proposed plans to help people move to a cheaper deal.

Customers who are both up-to-date with payments and looking to remortgage without additional borrowing will be given a more appropriate affordability assessment to assert whether they can afford the new loan. This will make it easier to find the right mortgage for their needs. The FCA is also asking lenders to work with more innovative tools to help customers better identify what mortgages they may qualify for.

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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 mortgage 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 and save some more to get yourself in the best position possible.

Many 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.

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



## 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:

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Some lenders will charge for a **valuation fee** to help them establish how much they are prepared to lend you.

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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 homebuyer's report or a full structural survey).

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In Scotland you also need to budget for **Land and Buildings Transaction Tax** and in Wales you'll need to budget for **Land Transaction Tax**. If you live in England or Northern Ireland, you won't pay any **Stamp Duty Land Tax** on properties worth up to £300,000.

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You'll also need to pay your **solicitor** or **conveyancer** for any legal work and local searches they do on your behalf.

**Your home may be repossessed if you do not keep up repayments on your mortgage**

