

# the mortgage

The mortgage bulletin from Hancocks Mortgage Services

Covering mortgages and much more...

Most of us consider ourselves to be fairly healthy. But we never know what life has in store for us, so it's important to make sure we provide financial protection for our family.

## Don't pull the plug!

» Hands up if you think you are in good health. OK, the chances are, you are right now, but what would happen if you had a serious illness and couldn't work?

How would you pay the mortgage, your kids' school fees and medical costs while you're off sick?

One answer is to take out a **critical illness** policy which provides a lump sum payment on diagnosis of a serious illness such as heart attack, cancer or stroke, as well as a number of other conditions, depending on which provider you choose.

Let's consider some facts. According to the British Heart Foundation, someone has a heart attack in the UK every two minutes, which equates to around 268,000 people a year, while Cancer Research UK say that around one in

three people will be diagnosed with cancer during their lifetime.

And, according to the Stroke Association, over 250,000 people are living with disabilities resulting from strokes.

Fortunately, today's medical advances mean that the chances of surviving a critical illness are much improved.

So, if you are unfortunate enough to contract a critical illness, you are more likely to use the lump sum yourself, rather than having to leave it to your family (as with life assurance).

### How it works...

Critical illness premiums are normally paid monthly, with the cost based on your age, sex, occupation, health, your immediate family's medical history and whether you smoke.

And, of course, you might want the option of taking out a joint policy with your partner.

Some policies also extend the insurance to include your children. If one of them suffers from a critical illness, you receive a cash payout (usually a percentage of the amount for which you have insured yourself) to help pay for their treatment, or to allow you to take time off work to care for them.

**Protection, such as 'critical illness' cover is an important consideration for both you and your family.**

**However, as there are a whole host of products out there, why not get in touch with us so that we can discuss the best route for you.**

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**Welcome....** to this newsletter, which covers some of the key issues of the moment that affect mortgages and mortgage-related products - and sets out how it **may help you**.

Inside, we look at the benefits of **Offset Mortgages**, and consider the funding options of living the dream and **buying an overseas property**. If you've recently come to the end of a **fixed rate mortgage**, we set out how we can help you to **remortgage**. And we round off the issue with some top tips for the **first-time buyer**.

■ **Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.**

» Offsets are highly flexible arrangements whereby you can overpay your mortgage debt each month by using your savings.

This can be doubly advantageous as not only are you paying off your debt more quickly, but you legitimately avoid having to pay tax on your savings.

And because savings rates are still relatively low (particularly after tax and inflation), it can be more cost effective to reduce your debt in this way, rather than to take the interest.

Especially, if you consider that interest on bank and building society deposits is currently taxed at source at 20 per cent and, if you are a higher rate taxpayer, you are liable for a further 20 per cent tax.

### Can it work for you?

Some mortgage experts recommend that you need to have at least a third of the size of your mortgage in savings, in order for an offset mortgage to be cost effective.

That means with a £100,000 offset mortgage, you would need around £33,000 in savings. In this scenario, you would have a balance upon which your mortgage interest would be calculated of £67,000.

That's why offset mortgages are not ideal for everyone and the interest rate charged is usually higher than for most fixed, discount and capped rate mortgages. They may be suitable for higher rate taxpayers with sizeable savings and for individuals with an understanding of money management.

Alternatively, if you have a volatile income, from bonuses or commissions which could boost your savings for part of

the year, this could also make offsetting cost effective.

There are also some lenders which allow borrowers to bolt on an offsetting facility onto some of their discount or tracker mortgages.

As there is quite a wide disparity in the interest rates charged on offsets, you really need to take advice in order to let us secure a suitable deal for you.

# Balancing Act

If you are taking out a mortgage and have sizeable savings, it may be worth taking a look at Offset Mortgages.



## Snooper's Paradise!

Ah.... the joys of the internet.... or perhaps it should be renamed 'the snoopers' paradise'.

**No longer do you have to ring up the local estate agent pretending to be a homebuyer in order to find out what the Smiths at no 42 paid for the house they bought last year.**

It's now all available on the internet, and you could try either the Land Registry site

([www.landregistry.co.uk](http://www.landregistry.co.uk)) or [www.nethouseprices.com](http://www.nethouseprices.com).

You may, of course, be a genuine homebuyer, in which case checking out what other people have paid for similar properties

in the area where you are looking is all to the good.

A bit of homework via either of the internet sites mentioned could pay for itself many times over. In the case of the Land Registry, there is a £2 fee to find out information.

With the [nethouseprices.com](http://nethouseprices.com) site, the service is free of charge, but if the search tool doesn't come up with details of the property you are looking for, you can write in for a manual search to be done which may be charged for.

But normally, just typing in the postcode of the property should result in a list of the prices of any houses sold in that street being shown, for any given year since 2000.

**Happy snooping!**

Please note that we are not responsible for the content of the websites.

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# Extend your horizons

» Buying abroad is now simpler than it has ever been with thousands of Brits buying overseas properties every year. Favourite destinations continue to be Spain, France, Australia, Canada and the US, fuelling a property boom in certain areas of these countries, similar to that in the UK.

And buying abroad need not cost you an arm and a leg, as there are now a number of new destinations opening up, such as Eastern Europe, the Balkans and Turkey, which have reasonable properties at jaw-droppingly low prices of as little as £20,000.

But for conventional properties, take a quick look at the overseas property website [www.newskys.co.uk](http://www.newskys.co.uk), and that has a good number of homes for sale in the US, Spain, Turkey, Croatia and Northern Cyprus, many at prices in the £100,000-£130,000 range.

## The next step

Whatever your budget, there are plenty of ways of raising the necessary finance. If you have a large amount of equity in your UK property, the easiest way to raise capital is to remortgage and release however much you need, providing your chosen lender is happy about it.

If you're in the eurozone, another alternative is to take out a euro mortgage, but unless you are paid in euros or expect to receive a rental income in euros, the exchange rate risk could make

Many of us dream of having our own place in the sun, but now such dreams can easily be turned into reality, thanks to inflated UK property prices, low interest rates and easy access to offshore loans.

this an expensive and risky option if sterling weakens against the euro.

For France, Spain and Portugal, rates start from around 1.25 per cent above the EURIBOR rate. Elsewhere in Europe, it's between 1.25-2 per cent above EURIBOR. At the time of writing, EURIBOR was around 2 per cent.\*

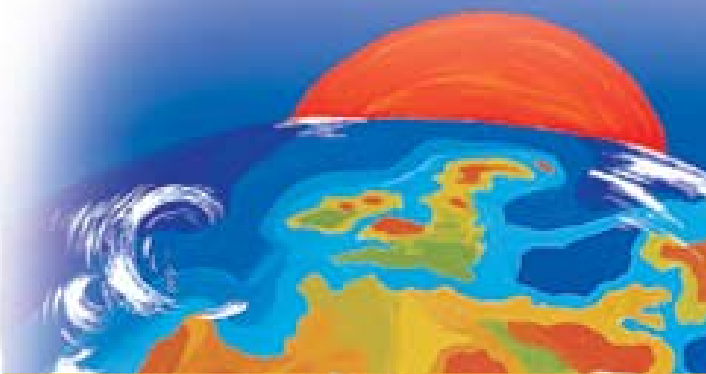
Once we know your requirements, we can help identify the best deals on offer.

Having a property overseas is a dream for many of us and we're here to try to help make it a reality for you.

\* [www.euribor.org](http://www.euribor.org)

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**Changes in the exchange rate may affect the sterling equivalent of your debt.**



## Coming unfixed!

If you are one of the estimated 600,000\* homeowners due to come off a two-year fixed rate mortgage deal this year, you'll be thinking about what type of mortgage to take out this time round. With uncertainty over the direction of the Bank of England base rate, do you go for a fixed, discounted or tracker deal?

As you come off your current deal, you may find your interest rate jumping from your existing fixed rate - which may be around 3.5 per cent - to your lender's standard variable rate of around 6-7 per cent.

Why not let us review your arrangements, and take you through some of the latest deals on offer from both your existing lender and elsewhere.

Particularly as your financial circumstances may have changed since you took out your fixed rate deal - for better or for worse. Or you may just want to benefit from having a larger loan.

Whatever your circumstances, it's our job to find the mortgage that best suits your particular needs. Why not give us a call.

\*Ed Stansfield, Capital Economics

## Stamp duty

Only 5 per cent of property sales in London were for less than the £120,000 stamp duty threshold last year. However, property in areas such as Scotland, Wales and Northern Ireland and the North of England will benefit, with two thirds of the housing market in the North set to be affected, according to Savills, the estate agent.

## Inheritance tax

The Inheritance Tax threshold was raised in the March 2005 budget for the 2005-06 tax year to £275,000. This means that estates worth less than this amount will escape the tax. The following tax year, the threshold will rise to £285,000 and £300,000 for the year after.

## Buy-to-Let

According to the Association of Residential Letting Agents (ARLA), less than 40 per cent of agents throughout the country believe there is an oversupply of rental property, although nearly 30 per cent believe demand and supply is in balance. However, there is a substantial oversupply of properties in central London, where 50 per cent of ARLA members report more properties than tenants.

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# First-time buyers...

## 1. Buy with a group of friends

If you are buying in London and the South East, there is little option but to club together with family or friends. Just make sure you have a written contract on how you deal with friends who want to leave and sell their share. Alternatively, you could rent one or more of the rooms to tenants to help pay the mortgage.

## 2. Guarantor mortgages

Special guarantor mortgages allow parents to help their offspring to borrow on the back of their income - typically four times the parents salary, plus one times the child.

The parents effectively act as guarantor to the mortgage, thereby allowing their offspring to borrow far more than would otherwise be possible. But the parents will have to be able to prove that they have the disposable income to service their child's mortgage.

## 3. First-time buyer mortgages

Most of the main lenders offer special deals for first-time buyers, by providing high loans to value and without higher lending charges. These mortgages often come with help on legal fees, valuations and so on, to help save on costs.

## 4. Affordable homes initiative

The Government has unveiled some of the sites for its new, cheap, homes initiative, which will use ex-NHS land.

These include Newport Pagnell, Basingstoke and Maidstone which will

The doubling of the 1 per cent stamp duty threshold to £120,000 from £60,000, should give a welcome boost to the ailing first-time buyer market.

The Council of Mortgage Lenders figures show that of the 1.8m properties sold last year, about 438,000, or 24 per cent, cost £120,000 or less. However, for those in London and the South East, where first-time buyers have to pay on average around £165,000 for a property, the measure will be of little help.

But lenders are bending over backwards to help this sector of the housing market, acutely aware of the importance of the health of the first-time buyer market for the well being of the rest of the market.

So here are our **top five tips** to help first-time buyers.

provide 400 homes, with the Government due to release another 100 ex-NHS sites for the plan. Buyers will only pay the construction costs.

Around 200,000 new homes are expected to be built this year, the highest number for 15 years as the Government tries to address the problem of the lack of affordable housing for first-time buyers and key workers.

## 5. Shared equity mortgages

The Chancellor announced in May plans for shared equity schemes, whereby you buy half the property and a housing association buys the other half.

The half that you don't own is rented back to you, but at a later stage you have the right to buy the housing association's half.



The idea is that the initial outlay to buy a home is far smaller than is usually the case, but that you can increase your share in the equity as your salary increases. The Government says 100,000 extra people could be helped onto the property ladder over the next five years.

■ We treat all the information provided by you with the utmost care and security. Any details you give will remain confidential and will only be disclosed at or with your consent, where we are legally obliged to do so or where we have a duty to the public to disclose that information. The information collected by us will be used only for the purposes stated by us. Where we use your personal details to communicate to you information about other products and services we will give you the opportunity to tell us that you do not wish for it to be used in such a manner. Please do not provide your details to us if you do not consent to the above.

## PLEASE GET IN TOUCH WITH ME!

I would like to discuss the following ticked topics with you. I understand that the request is without obligation. Also, by providing my telephone number, I give you permission to call.

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Critical illness   | <input type="checkbox"/> Offset mortgage              | <input type="checkbox"/> Buying a second home  |
| <input type="checkbox"/> Remortgage choices | <input type="checkbox"/> First-time buyer             | <input type="checkbox"/> Mortgage health check |
| <input type="checkbox"/> Buy-to-Let         | <input type="checkbox"/> Insurance products           | <input type="checkbox"/> Protection products   |
| <input type="checkbox"/> Secured loans      | <input type="checkbox"/> General mortgage information |  |

Other (please specify) \_\_\_\_\_

Please do not send any further issues

Name (Mr/Mrs/Ms) \_\_\_\_\_

Address \_\_\_\_\_

Email \_\_\_\_\_

Tel (+ best time to call) \_\_\_\_\_ Signature \_\_\_\_\_

Please put the coupon in an envelope and post to:

**Hancocks Mortgage Services, The Office, 89 Howard Avenue, Bexley, Kent DA5 3BA**

**Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.**

**We provide an information and advice service. We will confirm our recommendations in writing. We charge a fee of between £250-£500, depending on client circumstances. This fee is refunded if the loan is not offered. We will also receive a fee from the lender and will advise you in writing of the amount.**

■ The contents of this newsletter are believed to be correct at the date of publication (January 2005).

■ Every care is taken that the information in *The Mortgage* newsletter is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.