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Your Window on
Home Finance
AUTUMN 2021

Housing and mortgage recovery to remain strong

Despite challenges presented by the pandemic, the housing and mortgage market is expected to remain robust, with gross mortgage lending projected to reach £285bn this year. The revised figure from the Intermediary Mortgage Lenders Association (IMLA) has been uplifted from a previous forecast of £283bn.

The predictions follow a surge in mortgage lending, stimulated by the strength of the housing market. In the first five months of 2021, lending for house purchase was not only 87% above the same period the year earlier, but 51% above the same period in 2019. Buy-to-let lending has also increased, propelled by house purchase transactions.

A buoyant market
Housing turnover is expected to remain buoyant into Q3, with an additional 120,000 property transactions. However, in light of the high levels of market activity due to the Stamp Duty holiday, IMLA has revised its forecast for gross lending in 2022, reducing it from £286bn to £280bn.

Uncertainty beyond Stamp Duty taper
While rising house prices have been driven by the Stamp Duty holiday, a slightly more subdued picture is likely following the end of the taper (30 September in England and Northern Ireland). In Scotland, where the Land and Buildings Transaction Tax reduction ended in March, data shows that buyer momentum has been resilient and house prices have risen 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."*

Mortgage rates continue to fall
Separate figures[1] show the number of mortgage deals available has increased from 4,512 in July to 4,660 in August. Meanwhile, the average rates for two and five-year fixed rate deals have fallen over the last three months.

Deals aren't lasting long, however, so if you're looking to lock into a low rate, get in touch, we can find the most suitable mortgage for your circumstances.

[1]Moneyfacts, 2021

Lockdown savings? Should you overpay on your mortgage?

Some families have found it easier to save more than normal during the pandemic, due to reduced outgoings on things like commuting, holidays and entertainment. If you have a mortgage, overpaying is one option worth considering.

Benefits of overpaying
In a low-rate environment, savings rates are likely to be lower than your mortgage rate, so any overpayments are likely to save you more in interest payments than you could earn in deposit savings. Even small mortgage overpayments could result in a significant saving in interest payable, as well as reducing your mortgage term.

Considerations
- Before overpaying, make sure that you have a financial safety net that would cover your outgoings if your circumstances suddenly change
- Some mortgages will have a charge for overpaying, so make sure you check the mortgage terms first
- Do you have other debts, such as credit cards or loans, that are likely to have a higher interest rate?
- Are you saving enough for other long-term plans, such as retirement?

Although it can often make financial sense to overpay on your mortgage, this option won't be right for everyone. We can help you to understand your mortgage options.

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

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Interest in equity release

More than half (57%) of homeowners have expressed interest in releasing equity from their property, according to the Equity Release Council. Across all ages, the most popular reason is to boost pension income and savings, followed by paying for care support at home. The total housing equity available to retirees and those approaching retirement rose by £79.1bn[2] between Q1 and Q2 2021 due to the increase in house prices.

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[3]. 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).

Continuing demand for specialist mortgage options

In the wake of the pandemic, many borrowers continue to need mortgage options suitable for irregular incomes or financial complications, such as missed payments or credit impairments. According to the latest data[4], the most searched for criteria include lenders who are willing to consider satisfied repayment defaults, unsecured arrears, borrowers with bankruptcy and those with irregular or contract income.

[2]Canada Life, 2021, [3]Yes Homebuyers, 2021, [4]L&G, 2021

Young adults struggle to understand the mortgage process

It is hardly a secret that young people face significant barriers on their way to purchasing their first home. Quite apart from prohibitive house prices and stringent affordability criteria, a lack of understanding of how the mortgage process works is also holding them back.

According to a survey[5], 52% of adults aged 18–34 say they have a fairly or very bad understanding of the whole mortgage process, while a similar number (53%) also said they had a fairly or very bad understanding of different types of insurance and when they might need them.

Jargon busting

The language used to explain financial products and services may be to blame here. A third (33%) and just over a third (37%) of 25 to 34-year-olds and 18 to 24-year-olds, respectively, said they were not very or not at all confident that they'd understand the relevant terminology.

These results suggest that many young adults do not have the knowledge and understanding they need to make sensible and informed decisions about the best mortgage and protection products for their circumstances.

Here to advise

Not understanding how mortgages work is nothing to be ashamed of – nobody knows everything! That's why we're here. We can guide you through the process from start to finish, explaining everything you need to know in plain English – so please get in touch, whatever your age!

[5]PaymentShield, 2021

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments. Think carefully before securing other debts against your home. Equity released from your home will be secured against it.

Best ways to add value to your home

Several months of double-digit house price growth has benefited homeowners looking to sell. However, if you want to boost the asking price of your home even further, it's important to understand which projects will add the most value once you've factored in the cost of the job itself.

The most valuable projects
Loft conversions can add valuable space to a property and, according to research[6], can also boost a home's value by as much as 20%. Based on an average property price of £255,000, this is an increase of almost £51,000 and once the work costs of around £33,000 are factored in, could leave you more than £17,000 in profit.

For a simpler project, a downstairs toilet can add 5% - or £12,731 – in value. With a cost of £3,000, that's a profit of £9,731. Similarly, a new kitchen could add £14,000 in value and could leave you £6,000 in profit once costs of £8,000 have been factored in.

Other projects that add value once work costs are accounted for include an extensive lick of paint (£4,993), a new boiler or central heating (£2,463), a new roof (£2,393), a conservatory (£2,206), a new bathroom (£1,195) and double glazing (£1,389).

What to avoid
Conversely, homeowners should be wary of projects such as fitting solar panels, as these can add around £1,273 in value, but the average fitting costs £2,727.

Figures for all improvements vary widely according to the size, type and location of property, so it's advisable to get estimates and valuations.

[6]GetAgent, 2021

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Do you know your SVR?

As a nation, we aren't great with our financial acronyms and terminology. Life is busy enough, without having to worry whether we know our ERC from our LTV!

If you are a mortgage holder, it could be a good time to become familiar with one important acronym worth knowing – SVR or Standard Variable Rate.

You may find that you are automatically switched to an SVR when your existing mortgage deal, whether that be a tracker, fixed rate or discounted mortgage, comes to an end. This could mean you end up paying over the odds, perhaps without even realising, because SVRs rarely offer the most competitive rates and the SVR interest rate is usually linked to a percentage above the bank's base rate, meaning the rate can rise and fall. This makes you more vulnerable to potential interest rate rises in the future.

Cut through the jargon
In a complex environment, getting good, clear advice can really pay. If you're currently locked into a mortgage deal that has exit charges, you don't have to wait until it has come to an end as we 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 low levels, so it makes sense to see if you can save money by switching to a better rate.

Just in case you were wondering, LTV is 'loan-to-value', and an ERC is an 'early repayment charge.'

Annexes: not just for Granny

Converting existing outbuildings into residential space used to be the preserve of those whose elderly parents had grown too frail or dependent to live alone – hence the term 'Granny annex'.

Now, however, annexes are coming in useful for a wide variety of purposes. So popular are they, in fact, that councils received approximately 9,000 planning applications for them in 2019/20[7]. Viewed in the context of the past 18 months, it becomes obvious why extra space has become quite so attractive. Confined to our homes and trying to work at the dining room table or on the sofa, the thought of a home office or gym was one many found appealing. And there's another reason to add one to your own home – research found that an annex adds an average of £91,000 to the value of a property!

Where to start?

Firstly, what is your annex for? A home office is relatively simple, requiring a single room and perhaps toilet facilities. On the other hand, hosting Airbnb guests will probably require several rooms, including a full bathroom, kitchen facilities, living space and a bedroom.

It's all in the planning

Next, it's time to think about planning permission. If you're converting an existing outbuilding, like a garage or shed, you might not even need it. You'll likely need to submit a planning application for larger projects, though.

Gaining planning consent before you sell your property, even if you don't build a single thing, can still raise your property's value, as it is an indication to prospective buyers that they will be able to build their own annex should they wish.

[7]Churchill Home Insurance, 2021

Government invests heavily in flood alleviation

The government is investing over £860m during 2021-22 to protect homes and businesses from flooding and coastal erosion. It is part of a £5.2bn package to be spent over the next six years, the details of which are set out in the Flood and Coastal Erosion Investment Plan, published on 29 July. It will, the government pledges, help prevent £32bn of economic damage and protect 336,000 properties by 2027.

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. We can help you find the right cover.

Strongest seller's market in ten years

Nearly seven in ten properties up for sale (68%) across the UK found a buyer in the year to June 2021, according to Rightmove data[8] – the highest percentage in a decade.

This is significantly higher than the average 53% of homes that found a buyer between 2012 and early 2020.

Scotland leads the way with 89% of homes finding a buyer, with London trailing behind on 48%. The next most successful area is Yorkshire & the Humber, with 77% of homes selling.

Buyer demand begins to tail off

Recent analysis of conveyancing quotes from comparison site reallymoving suggests that buyer demand is beginning to slow from its March peak, dropping by 13% between April and May and by a further 18% in June. 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."*

[8]Rightmove, 2021

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