



RJ Mortgage Finance

Spring 2017 Newsletter

Recent Market News

Initial reaction to the snap general election announcement suggests the housing market will not be adversely affected. The Council of Mortgage Lenders said today that it does not anticipate that the prime minister's decision to call a snap election will have a significant impact on market fortunes. A CML spokeswoman added that historically there was little evidence that general elections had a demonstrable effect on the housing market. In addition, the Housing White Paper laid out the current government's stance, making it unlikely there would be significant policy changes proposed in its manifesto.

A report by the Office for National Statistics shows how difficult the market is for those looking at buying a property. The report states the typical property cost 7.6 times average annual earnings of employees in England and Wales. After the financial crisis saw affordability levels plateau the report now shows buyers face paying a record multiple of earnings as the affordability gap widens. In 2007, the typical buyer faced paying 7.2 times their earnings on a property, but this was surpassed in 2015 (7.4 times) and again in 2016 (7.6 times). Of course, it's not possible to get these multiples which is why such large deposits are required - and a large deposit is hard to get, particularly for the first time buyer. However, some lenders have introduced schemes to aid buyers including family assisted schemes, multiple income schemes and even one rent a room scheme.

The Prudential Regulation Authority has relaxed rules around the proportion of high loan-to-income mortgage lending firms can do. Back in the summer of 2014 the Financial Policy Committee recommended the Financial Conduct Authority and PRA should make sure no more than 15 per cent of lenders' new residential mortgages were at LTI ratios of 4.5 or more. Previously lenders had to monitor their lending on a 3-month basis. This has been changed to 12-month basis. This in theory allows lenders to take more business on at say the beginning of the year and then ease off to ensure meeting the 15% rule over the annual period. A PRA statement says: "The limit would still need to be complied with and monitored at the end of every quarter, but the relevant flows of loans for compliance with the limit would now be those during a rolling period of four quarters in total, instead of one quarter as currently applied. In theory, this should lead to lenders looking to be more flexible in their approach to income multiples and affordability issues. *We shall see.....*

A little reminder of how we might help—...

Dates for the diary

General Election Thursday 8th June 2017

Next BOE interest rate meeting 11th May 2017

Next inflation report 16th May 2017

Residential mortgages, Family assistance mortgages for blood relatives, 5 x income mortgages, Interest only mortgages, mortgages for self-employed applicants with one years accounts

Buy To Let mortgages for individuals, Ltd Company applicants, Semi- Commercial applications, HMO applications, Commercial applications,, Bridging finance.* Secured residential and Buy to Let second charge loans,*

Life insurance, Critical illness insurance, income protection insurance, whole of life insurance, family income insurance, mortgage protection insurance. These will be written in trust where appropriate

*introduced to 3rd party



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Other News

INSURANCE MATTERS

In the claims reporting season Aegon UK published its claims data which shows a total of £123.4 million was paid in claims for life (including terminal illness), critical illness (CI) and income protection (IP), helping more than 1,300 families and businesses in 2016. Exeter announced that they have paid 9% of income protection claims in 2016. They have also advised that the highest number of claims were made because of injuries and accidents – accounting for 37% of all those received.

LV reminded us of the need to inflation proof income protection. They tell me they have a client who has been claiming income protection of £373 per month since 1984. If that had been inflation linked the sum being received would now be £1093 per month. When we arrange cover for clients we always recommend RPI increases for exactly this reason. This is less of an issue on some of the budget plans as the pay-out is limited to 2, 3 or 5 years. Note legal— *Payment Protection Insurance is optional. There are other providers of Payment Protection Insurance and other products designed to protect you against loss of income*

Statistics from Red Arc show that the “Insurance plus benefits” like Best Doctors, Second Opinion, Bupa Care, Counselling Services and Winston’s Wishes are found to be very useful by policyholders. The statistics show that Helping Hand and Red Arc have provided support to over 20,000 claimants over the 18 years that their nurses have worked with protection providers with the main claim areas of cancer, cardiac and stroke as well as bereavement featuring highly. Their statistics show that the average use of the service is 9 months and 96% of claimants felt that the service reflected well on their insurance company. **Therefore, when we recommend a plan to a client we also look to recommend a plan that offers these types of add-on benefits.**

Our Building and Contents insurance provider Paymentsshield announced that Modus insurance company have joined our buy to let building insurance panel. This means for each online quotation we carry out for a landlord, we generate 5 simultaneous quotations from different insurance companies for the client. The residential panel of insurers includes the top insurance companies RSA, Allianz, Aviva, L & G, Zurich, Axa, and Towergate

Our Thanks to You

We have recently been interviewing local solicitor firms with a view to arranging a panel of will writers to recommend to our clients. If you would like us to recommend a firm to you please feel free to call us.

We also have interviewed a company that specialises in Equity Release for the elderly. If you wish to discuss a particular situation give me a call and I will be happy to put you together with the firm.

If you haven't yet got around to placing the life insurance we have arranged for you in trust please call us and we will organise this at no cost.