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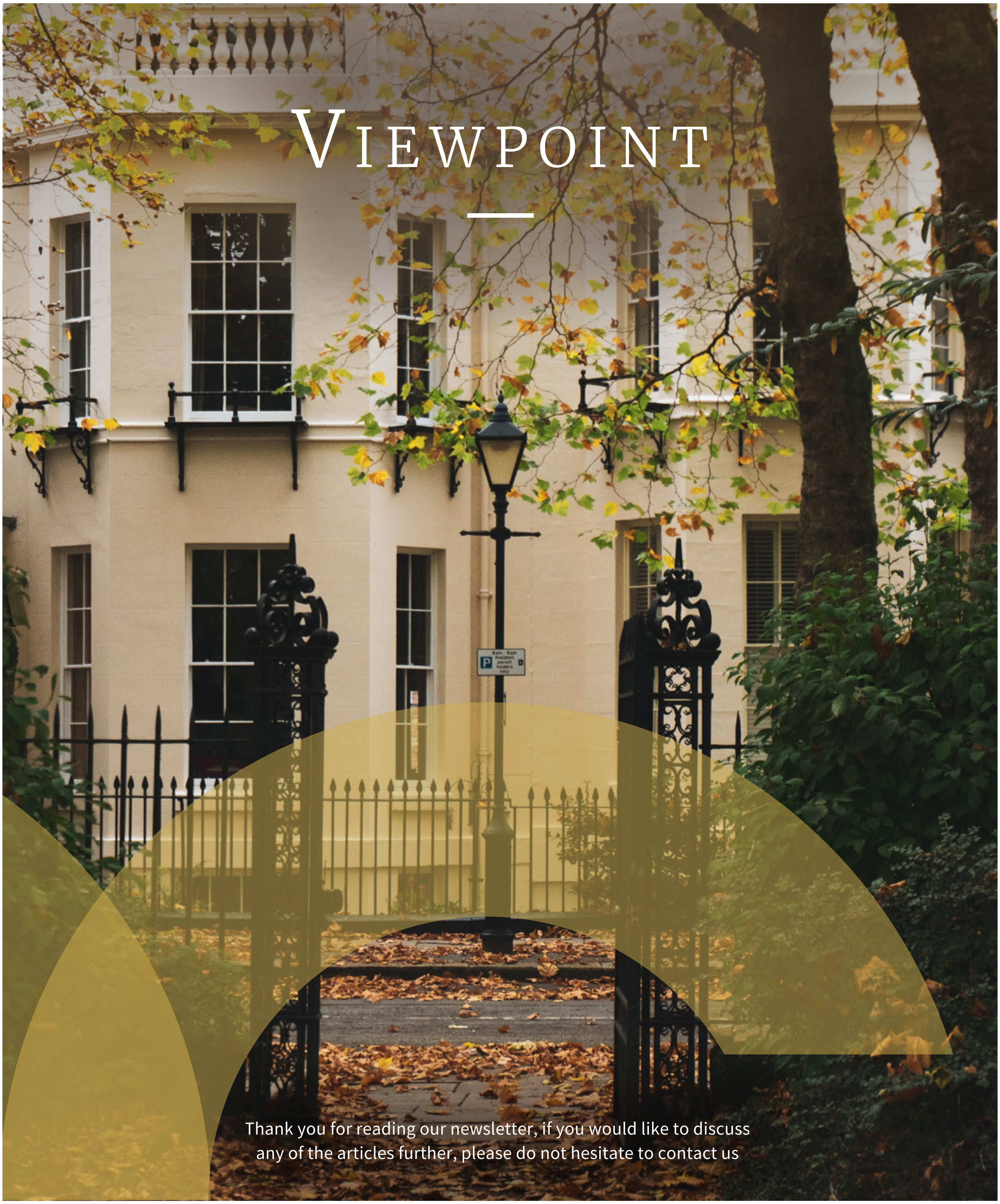

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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Update on mortgage payment holidays

On 17 March 2020, as the country teetered on the brink of lockdown, the Chancellor announced that homeowners struggling financially due to coronavirus would be able to take a three-month mortgage payment holiday.

On 22 May the scheme was extended and widened to support millions of homeowners:

- The deadline for applying for a mortgage holiday was to be extended until **31 October 2020,** potentially supporting borrowers until **January 2021**
- Homeowners would be permitted to **take a break of up to six months,** rather than just three
- Borrowers were now allowed to **reduce their monthly payments in exchange for a longer mortgage term**, rather than stopping payments altogether.

What does this mean for me?

The extended application deadline now coincides with the end of the furlough scheme. This means, if your workplace makes you redundant as the furlough deadline approaches, you will still be able to apply for a mortgage holiday, giving you some breathing room while you search for another job.

One issue with the original scheme was that borrowers were likely to see their monthly repayments increase immediately following the holiday period, as the mortgage term remained the same. The new flexibility introduced into the scheme means that you'll now have the chance to extend your mortgage term instead of stopping payments altogether, meaning that your outgoings will remain more level (albeit over a longer duration).

Is a mortgage payment holiday right for me?

A mortgage payment holiday does not equate to free money. The capital outstanding does not reduce, and interest will continue to accrue on your remaining debt. This will make your repayments larger once the holiday period ends or, if you've chosen to extend your mortgage term, you'll end up paying more interest than you would have across your original term.

The decision to apply for a mortgage holiday should therefore not be taken lightly. If you think you can afford to continue making repayments, then it is probably best to do so to avoid a longer-term impact on your finances.

Talk to us

If you are experiencing financial difficulties, talk to us before making the decision to apply for a mortgage holiday. We can help you assess your finances and assist you in creating a plan for getting through this difficult period.

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

OW2929 Exp. 30/11/2020

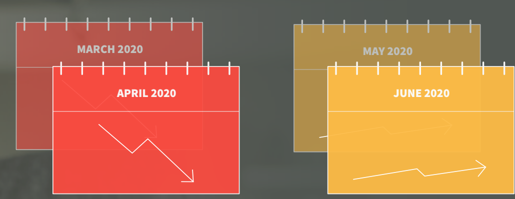
Mortgage affordability in a post-COVID world

Back in March, the Bank of England slashed interest rates to an all-time low of 0.1%, in a bid to alleviate the severe economic pressure caused by coronavirus. As the base rate cut fed through to mortgage rates and with the continuing pressure of a closed mortgage market, lenders responded by withdrawing mortgage offers, increasing rates and pulling products from the market.

Between March and May:

- 2,656 mortgage products were withdrawn, many of which were high loan-to-value (LTV) deals (i.e. those requiring a smaller deposit).
- 396 two-year fixed and 374 five-year fixed deals at 90% and 95% LTVs were pulled from the market

2020: A steep downturn, followed by a cautious return?



Lenders make a cautious return

As certain social distancing restrictions began to be lifted in May and the property market reopened for business, lenders began relaunching higher LTV deals and products aimed specifically at first-time buyers, such as Help to Buy loans.

With the property market still in the early stages of recovery, it's worth being pro-active and following some of these tips to maximise your chances of mortgage approval:

- **Save as much as you can** – while many people are experiencing financial difficulties during the pandemic, many of us are also spending a great deal less than usual. Getting your deposit as high as possible will increase your chances of mortgage success.
- **Clear your debt** – when considering your application, lenders will look at any outstanding debt. Clearing as much debt as possible, as well as closing any unused accounts, will increase lenders' confidence in your ability to repay your mortgage.
- **Understand your credit score** – the better your credit rating, the higher the likelihood you'll be accepted for the best mortgage deals. Understanding your credit rating and how to improve it is key to moving forward with a successful mortgage application.
- **Keep excellent records of self-employed earnings** – providers can be more nervous about lending to self-employed people, so having excellent records of your earnings over the past two or three years (depending on the lender) can really improve your chances.

Consult the experts

We're on hand to make sure you get a great deal for your circumstances, and one that gives you the highest chance of success. Whether you're a first-time buyer or a second stepper, we're here to guide you through this difficult period.

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

The world is changing – so should your insurance

The world is changing rapidly in a way that nobody could ever have expected, meaning your personal and financial circumstances are likely to have changed. It is important to regularly review all aspects of your finances and that includes reviewing your protection insurance, to make sure your policy provides adequate cover for your changing needs.

Underinsured

If you don't regularly review and update your policy, any pay-out you do receive from your claim may not be enough to cover you and your family's needs if you were to die or if you are unable to work due to illness.

Say you took out a life insurance policy covering you for a certain amount. After several years, you may have children, resulting in a move to a larger house. If you take a larger mortgage; your monthly outgoings would increase, and you would have bigger bills to pay. Therefore, the lump sum paid out to your family upon your death would no longer be sufficient to sustain their lifestyle and might leave them facing financial hardship.

New policies offer better protection

Like any industry, the insurance industry has evolved over time. Modern policies can offer you better protection and more extensive cover.

When comparing a critical illness policy sold in 2007 with one sold in 2017, the more modern policy may have better claims wording, provision for part-payment and other advantages.

If you have simply been paying your premiums on the same policy for years, it is likely that, as well as facing the risk of being underinsured, you also won't be benefiting from the kind of comprehensive cover offered by today's policies.

Let us protect you

With so many different types of protection insurance on the market, it's not surprising that many people just stick with the cover they have. It may not be the best cover for them. We can assist you in finding the very best policies for your circumstances, so you have the peace of mind that you, and your family, will be protected should the worst happen.

Please note: Older policies may cover illnesses which modern policies do not. Premiums may be cheaper due to the age of the policy. Certain cover may be excluded on a new policy due to pre-existing conditions.

Always get professional advice when reviewing your insurance policies.

As with all insurance policies, conditions and exclusions will apply

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