

Summer 2006

# the mortgage

The mortgage bulletin from HD Consultants

Covering mortgages and much more...

There's a massive range of mortgage products to choose from - so many - that most people don't know where to start.

# Relax

## ...we're here to help

» The UK mortgage market is one of the most sophisticated and competitive in the world. So how are you supposed to find your way through the mortgage maze, when there's so much choice?

### Our input

We specialise in finding mortgages for a wide range of clients - from the equity rich, to first-time buyers with no deposit.

And, we have research facilities in place that are constantly updated to reflect changes in the marketplace and this - together with our market knowledge -

enables us to search for the most suitable deals on offer to meet your particular financial needs. We may even have access to a number of deals that are not available to you on the high street.

We would also help with the application process and advise on the best approach to qualify for certain products or lenders. For example, if your income doesn't fit the lender's normal criteria we may be able to take into account unearned income, or money from an additional occupation.

And, don't forget that since November 2004, the Financial Services Authority has regulated most aspects of the mortgage marketplace, so we've had to demonstrate

that we're well-qualified to offer mortgage advice.

### Beyond mortgages...

We can also offer other mortgage-related products such as insurance policies to protect your mortgage, and/or you and your family, in the event of death, critical illness, accident, sickness, or unemployment. Alternatively, we can source other funding routes, such as secured loans (see page 3).

**We're here to help you, so do get in touch with us if you have any questions or require assistance.**

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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**. In this issue we cover what **we can offer you**, look at the options for **purchasing a second home**, and set out how a **secured loan** may meet your needs. And we end with a look at **fixed, discount and tracker mortgages**.

■ **HD Consultants is an appointed representative of Personal Touch Financial Services Ltd, which is authorised and regulated by the Financial Services Authority.**

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

# A different view?

Many of us dream of having a second home to escape to, either in the UK or overseas, and now such dreams can easily be turned into reality.

» It's estimated that 1.1m English households alone own a second home. Other figures show that over 250,000 UK households own an 'overseas' property. Of course, as well as having use of the second home yourself, it may also provide a source of rental income when you're not there.

(Source: Office of National Statistics, 2003/4 figures which appear in the Social Trends Survey, February 2006)

## UK or overseas?

Only you can decide what option best meets your needs. The obvious upside of a UK property is that it may prove to be more easily accessible, with no language issues.

Conversely, an overseas property may deliver a more acceptable climate, along

with the excitement of purchasing within a different culture. And, in general, property prices are likely to be lower than the UK.

According to the Halifax, the average house price in the UK now exceeds £170,000. Whilst *A Place in the Sun* states that the average house price in popular destinations such as France, Spain and Portugal is £150,000, £108,000 and £50,000, respectively. And it gets even better when you look at countries such as Hungary and Romania, where it's £37,000 and £17,000! (Both sources: January 2006)

## Funding the purchase

Whatever your budget, there are plenty of

ways to raise the necessary finance. If you have the cash readily available and can afford to spare it - then that's probably the best route for you.

Alternatively, if you have a suitable amount of equity in your UK property, you could raise capital by remortgaging and release however much you need, providing your chosen lender is happy about it.

Otherwise, for the second UK property, you could arrange a mortgage directly against that.

And for an overseas purchase, you could consider raising the money in the country in which you're making the property purchase. And, if you were part-paid, or expected to receive a regular rental

(contd on page 3) →

If you take out a mortgage, it's only sensible that you arrange cover to protect your mortgage payments (and perhaps more) in the event of facing an **Accident, Sickness or Unemployment**.

**Don't leave yourself exposed!**

» And if you thought it couldn't happen to you, just think that there are around **200,000 people** in the UK who are unable to work due to temporary illness, and about **1.5m people** are unemployed.

(Source: Office of National Statistics, November 2004/January 2006)

And you might think, well at least the

State will come to my rescue. Unlikely! If you bought your property after 1 October 1995, you have to wait 39 weeks before you can receive help with your mortgage interest payments. Yet a lender could start repossession proceedings if you fail to pay your mortgage for just three months.

And, even if you do meet the required

criteria (less than £8,000 in savings, etc), the State will only cover the interest for the first £100,000 of the loan.

## Help is at hand

You can arrange to have your own Accident, Sickness or Unemployment (ASU) cover. An ASU policy usually starts paying out after 30, 60 or 90 days (called the deferment period). The longer you opt to delay receiving payment, the cheaper the insurance becomes.

ASU is designed to provide short-term support, with payouts covering a set period of time, generally either 12 or 24 months.

## It's so easy..

Why not contact us so that we can provide you with a quotation. And if you feel you require longer term cover, then we could look at those options too.

**Do get in touch to find out more.**

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If you're a homeowner and need extra funds, have you considered a **secured loan**?

# Get Started

→ income in that currency - then that too would be a consideration. Although, you'll need to take into account the exchange rate risk, should Sterling weaken against the relevant currency.

Once we know your requirements, we can help identify the most suitable deals on offer. Having a second home is a dream for many of us and we're here to help make it a reality for you.

**Changes in the exchange rate may increase the Sterling equivalent of your debt.**

**The Financial Services Authority does not regulate mortgages on properties overseas.**

» A **secured loan** is designed for homeowners, as it allows them to use the equity in their property as security. This valuable asset can be turned into useable cash for consumers to use on virtually anything they want such as home improvements, debt consolidation, or business investment.

### Who it might be suitable for...

- A secured loan can be especially useful in situations where remortgaging would carry a high early repayment charge.
- If, in some cases, you do not meet your mortgage lenders criteria for a further advance, but your budget can support further borrowing, a secured loan may be an option.

- If your income has faced a downturn, you may not secure the mortgage amount you need, and a secured loan may help instead.
- If you wanted to pay off your credit and storecards and consolidate your debts into one manageable loan. With average household debt (excluding mortgages) standing at almost £8,000, plenty of people will have sizeable amounts sitting on their credit and storecards. (Source: Credit Action, March 2006)

And as repayments are set over an agreed timeframe, it's an effective and disciplined way to pay off your borrowings. If you do require further information, please contact us.

**THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE OR ANY OTHER DEBT SECURED ON IT.**

**The Financial Services Authority does not regulate Secured Loans.**

Here's a ready reckoner for you, so that you can work out potential mortgage payments against a range of interest rates.

## PAYMENTS CALCULATOR

With an **interest-only mortgage**, you only pay interest during the term of the mortgage, while paying into a separate saving scheme to build up a lump sum to pay off the capital. However, most savings schemes do not guarantee to repay the mortgage.

**Repayment mortgages** require you to pay off part of your capital and part of the interest on your loan each month, so the monthly amount you have to pay to the lender is higher than for the interest-only option.

But with a repayment mortgage, you don't need to take out a savings plan alongside the mortgage, because the capital will have been paid off by the end of the term, provided you have made all the monthly repayments.

**Here's how to use the calculator:  
A £100,000 mortgage over 25 years,  
charged at a 5.50% interest rate would cost  
100 x £6.14 (for repayment) = £614 per month.**

Monthly payments for a mortgage per £1,000 borrowed over 25 years

% Interest rate	Interest-only* Payment (£)	Repayment Payment (£)
4.00	3.33	5.27
4.25	3.55	5.41
4.50	3.75	5.55
4.75	3.96	5.70
5.00	4.17	5.84
5.25	4.38	5.99
5.50	4.59	6.14
5.75	4.80	6.29
6.00	5.00	6.44
6.25	5.21	6.59
6.50	5.42	6.75
6.75	5.63	6.90
7.00	5.84	7.06
7.25	6.05	7.22
7.50	6.25	7.38

(Source: Halifax, March 2006)  
\* Excludes any payment to a savings scheme

## The Schoolrun

UK parents are likely to spend an extra £18bn on homes to help ensure they are in the right catchment area to get their child a place at a top State school.

(Source: ING Direct, January 2006)

On average, today's parents with children under the age of 15 are prepared to pay nearly £15,000 more for their home if it gets them into the right catchment area, with this figure rising to almost £25,000 for those living in London!

If this is an issue for you too, then the following websites may be of interest:

www.ofsted.gov.uk  
www.goodschoolsguide.co.uk  
The *Good Schools Guide* website covers both fee paying and some State schools.

**We are not responsible for the content of the websites.**

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Whilst a good percentage of mortgage borrowers are still on their lender's **Standard Variable Rate**, a growing number have recognised that there's the possibility of better deals out there. We take a look at three of the most popular options, but first we set out what the Standard Variable Rate (SVR) entails.

# CHOOSE YOUR ROUTE

SVR is the lender's rate of interest that varies in line with the Bank of England's Base Rate (which itself is decided each month), although the gap between SVR and the Base Rate does widen and narrow from time to time. Most of the special rates below tend to revert to the SVR at the end of the deal period.

fixed rate period. In some cases, the ERC may even extend beyond the deal period (called overhanging ERC's). As a general rule, the lower the interest rate on offer, the more onerous the ERC may be. Of course, if you plan to stay in the whole period, then the ERC shouldn't be an issue.

## Tracker

Twelve per cent opted for a tracker in 2005. These follow or 'track', by a set percentage, the Bank of England's Base Rate, so that every time the latter changes, your mortgage payments will change accordingly.

This works in your favour when the rate's falling, as you benefit immediately, but not so good when the base rate is rising. These products may also carry ERC's.

*(Source: Council of Mortgage Lenders, 2005 figures)*

## Fixed

Fixed rates were extremely popular in 2005, accounting for **61 per cent** of all mortgages taken up. They are offered for certain periods of time such as two, three, five, 10 or even 25 years. This means that you have the security of knowing exactly how much you will have to pay for the fixed period.

Some lenders lock you in by imposing an Early Repayment Charge (ERC) if you pay off your mortgage before the end of the

## Discount

This gives you a discount on your lender's SVR for a set period, which means that whether interest rates go up or down, you will always be paying less than the SVR for the length of the deal.

Discounted rates can be a good deal if you believe the rate will average out below the fixed rate products on offer at the time, and 13 per cent of mortgages took this path in 2005. But again, you may find that ERC's may be applied.

## Best route for you?

The most suitable deal for you would depend on aspects such as your personal and financial circumstances, your aversion to risk, and what you think is likely to happen to interest rates into the future.

Get in touch with us, as we can provide valuable assistance in this decision-making process.

■ 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.

- Mortgage health check
- Secured loans
- Buy-to-let
- Fixed, Discount or Tracker mortgages
- Buying a second home
- Remortgaging
- Protection products
- General mortgage information
- ASU cover
- First-time buyer
- Insurance products

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:  
**HD Consultants, 19 Headgate, Colchester, Essex CO3 3BT**

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

**The Financial Services Authority may not regulate Personal Loans.**

**We are Independent Mortgage Consultants and there may be a fee for arranging a mortgage. The precise amount will depend on your circumstances, however, it will be no more than 1% of the mortgage advance.**

■ The contents of this newsletter are believed to be correct at the date of publication (April 2006).

■ 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.

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