

NEWSLETTER

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Turning ‘generation rent’ into ‘generation buy’

New 95% mortgage scheme to help first-time buyers

Lenders are now offering a government-backed 95% mortgage scheme to help more first-time buyers onto the property ladder.

The government is hoping to turn ‘generation rent’ into ‘generation buy’ with the help of a 5% mortgage deposit scheme launched on 19 April.

Following the outbreak of the coronavirus pandemic, many lenders withdrew low-deposit mortgages. In just under a year, the number of 95% mortgages available to first-time buyers fell from 391 to just three. It’s hoped the scheme will give lenders the confidence to offer low-deposit mortgages again by taking on some of the risks involved.

What is the 5% deposit scheme?

First announced in this year’s Budget, the programme offers first-time buyers or current homeowners the chance to secure a 95% loan-to-value mortgage on homes worth up to £600,000. It’s available on both new-build and existing properties.

The government hopes the scheme will provide an affordable route to home ownership by helping people who may be renting but are unable to save for a deposit.

Buyers will still only be able to borrow in proportion to their income, typically a multiple of 4.5. As a result, the scheme will particularly benefit buyers in lower-value housing markets such as northern England and Scotland.

What does loan to value mean?

Loan to value is the percentage of the property value you’re loaned as a mortgage – in other words, the proportion you’re borrowing. For example, if you have a 95% mortgage on a house worth £200,000, you would put down £10,000 (5%) of your own money as a deposit and borrow the rest (£190,000).

What’s the catch?

There are a few conditions that you’ll have to meet under the scheme. You’ll need to:

- Buy a property to live in – second homes and buy-to-let properties aren’t eligible.
- Apply for a repayment (not interest-only) mortgage
- Pass standard affordability checks, including a loan-to-income test and credit score assessment.

It’s worth considering the fact that the higher proportion of the property price you borrow, the higher the amount of interest you’ll repay on your mortgage. So it might be good to take a step back and figure out if you can save for a little longer and borrow less.

Speak to your financial adviser about how the 5% mortgage deposit scheme could help you get on the property ladder.



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



Protect your peace of mind when moving home

Moving home can be a hectic and exciting time, but don't forget about protection – taking out the appropriate policies can save you a lot of stress in the long term.





If you've just moved home or are about to, it probably feels like you've been caught up in a bit of a whirlwind over the past few months. With searching for a property during a pandemic, making the move before the stamp duty holiday ends and potentially getting caught up in the resulting conveyancing backlog, protection policies are probably not top of your priority list.

Yet it's important to take the necessary precautions to ensure your new home and possessions are looked after – now more than ever. Here are some of the main types of protection you should be thinking about.

Mortgage protection

If you're unable to work due to illness or injury or because you've lost your job, mortgage payment protection will cover the cost of your mortgage each month. These policies usually last for a year or until you return to work – whichever is soonest.

You can pick how much you want your policy to pay out each month, and this can include a buffer for other expenses, such as bills. It's important to bear in mind though that providers usually set monthly limits of between £1,500 and £2,000. You won't always be able to claim straight away, and there's usually a waiting period of one or two months. The cost of mortgage protection will depend on:

-  your salary;
-  the size of your mortgage repayments;
-  the type of policy you choose; and
-  how soon you want to be covered.

Income protection

Income protection provides you with a regular income if you've lost your job or are unable to work due to illness or injury. There's usually a minimum wait of four weeks before you can start receiving payments. There are different types available:

- A short-term plan covers you for involuntary redundancy, but is usually limited to a set time period.
- A long-term plan will usually cover you until you return to work, retire, die, or the policy ends – whichever is soonest.

Buildings insurance

If you've got a mortgage, you're likely to have buildings insurance to cover the cost of repairing damage or rebuilding the structure of your home if it's damaged. But have you looked carefully through the policy and made sure that it definitely covers everything you need it to? Once you've moved, you may realise that your new home has a slightly more complex structure than you first realised, and it's important to make sure your buildings insurance takes this into account. If you're lucky enough to not have a mortgage, it's still a sensible idea to invest in this type of insurance for peace of mind.

Contents insurance

If you've bought new furniture and gadgets for your home, you might need to review your contents insurance. This type of insurance covers the cost of replacing possessions in your home if they're stolen, destroyed or damaged. It's a good idea to double check which of your items are covered so that you're not caught out if something does go wrong.

Act now

When you're caught up in the excitement of moving, thinking about protection might be the last thing on your mind. But remember that your circumstances can change quickly and it's important to make sure you're prepared now in case things don't go to plan in the future. For more information about protection and to talk about whether your current policies are right for your situation, speak to your financial adviser today.