



SIMPLY MORTGAGE

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SUMMER

STARTING THE MORTGAGE JOURNEY

Research highlights the average first-time buyer starts saving at the age of 24

MORTGAGE MATTERS

Different types of
mortgages explained

WHEN SHOULD YOU REMORTGAGE?

Start exploring your remortgaging options

STARTING THE MORTGAGE JOURNEY

Research highlights the average first-time buyer starts saving at the age of 24

Thanks to the housing market rebound during 2021, the number of first-time buyers nearly doubled compared to the previous year with volumes up 98% on 2020, according to new data released^[1] and combined consumer research^[2]. This is great news for the economy, as first-time buyers are a crucial part of the housing market.

First-time buyers who got on the property ladder in 2021 paid an average £281,900, which represented a drop from the average price paid in 2020 (£294,500) but a rise from pre-pandemic levels recorded in 2019 (£249,700).

BIGGEST OBSTACLE

The data also shows that the average income of a first-time buyer (buying solo) has risen from £45,900 in 2019 to £50,300 in 2020, and to £50,800 in 2021. The average total income of joint first-time buyers has risen from £63,800 in 2019 to £72,200 in 2020, and to £70,500 in 2021.

Additionally, over half of those surveyed (56%) said they wouldn't have been able to get on the property ladder without family support. The survey respondents cited the struggle to save for a deposit as the single biggest obstacle to home ownership (35%).

DELAYED SAVING

The average deposit paid by a sole first-time buyer in 2021 was £61,100, a figure which fell significantly from £71,400 in 2020. For joint buyers, the average deposit

was £61,000 in 2021 which decreased slightly from £63,800 in 2020.

According to the research, the average first-time buyer starts saving at the age of 24, with the data revealing that the average age at completion is 32, which has remained static for the past three years. Almost three quarters (73%) of those surveyed said that they wish they had started saving for their deposit even sooner.

FINANCIAL SUPPORT

Many first-time buyers are reliant on other methods of financial support in order to raise the required deposit for their starter home. While personal savings remains the primary method of raising funds (62%), over half of those surveyed (56%) said they wouldn't have been able to get on the property ladder without family support.

Over half (55%) of prospective or existing first-time buyers confess they don't know how to go about the process of buying their first property. When asked about their level of awareness around additional costs, 39% said they didn't know they would need to factor in solicitors' fees, while over half (54%) were unaware that they might need to pay stamp duty, if not otherwise exempt.

FIRST HOMES SCHEME

The stark reality of the time, effort and finances involved in purchasing a property has caused high levels of despondency amongst potential first-time buyers. Almost

two-thirds (64%) of those looking to buy their first home believe they will never get on the property ladder.

The cost of living crisis for some first-time buyers will mean they now find it more difficult to be able to afford a property. If you're a first-time buyer, you may be able to buy a home for 30% to 50% less than its market value, under the government's First Homes scheme. The property can be a new home built by a developer, or a property you buy from someone else who originally bought it as part of the scheme. The First Homes scheme is only available in England.

WANT HELP WITH YOUR JOURNEY TOWARDS YOUR FIRST HOME?

We're here to help you find a mortgage that is suitable for your needs and ensure that everything goes through as quickly and with as little fuss as possible. To make an informed decision about the right mortgage for you or to discuss your situation, please contact us.

Source data:

[1] Barclays own data based on first-time buyer completions in 2021

[2] Research conducted by Censuwide in February 2022, polling 2,011 first time buyers (defined as those who are looking to buy their first property and those who have bought their first property within the last 5 years)

MORTGAGE MATTERS

Different types of mortgages explained

There are many factors to consider when choosing a mortgage, and the type of mortgage you choose will depend on your individual circumstances. In essence, all mortgages work in the same basic way, you pay back what you borrow, plus interest.

The reason there are different mortgages on the market comes down to two main things: How interest is paid back and how interest is calculated.

MORTGAGES ARE MADE UP OF TWO PARTS:

- Capital (the money you borrow to purchase the property)
- Interest (the interest due to the lender on the amount you owe)

Repayment mortgage: This is the most common type of mortgage in the UK. With a repayment mortgage, you pay back both the capital (the amount you borrowed) and the interest on the loan each month. The amount of capital and interest you pay each month is usually fixed for an initial period, typically between 2 to 5 years. After this, your payments may increase or decrease depending on the terms of your mortgage.

The main advantage of a repayment mortgage is that it will eventually enable you to own your property outright, provided you keep up with the monthly repayments.

Interest-only mortgage: You only pay back the interest on the loan each month and not the capital. With an interest-only mortgage, you will need to find another way to repay the capital at the end of the mortgage term, typically through the sale of the property. At the end of the interest-only term, the borrower must repay the entire principal (the original loan amount) in one lump sum.

Interest-only mortgages were originally introduced for homebuyers who expected their incomes to increase significantly

over time and who planned to sell their home before the end of the interest-only term. However, many borrowers found themselves unable to sell their home or refinance into a traditional mortgage when the time came to repay the principal. As a result, interest-only mortgages have become much less common in recent years.

HERE, WE TAKE A LOOK AT SOME OF THE MOST POPULAR TYPES OF MORTGAGES

Different mortgages suit different people for different reasons. There are many different types of mortgages available, and each one is suited to a different type of borrower.

Fixed rate mortgages: As the name suggests, a fixed rate mortgage has an interest rate that is set for a specific period of time, usually between two and five years. This means that your monthly repayments will stay the same during this time, even if interest rates rise. This can give borrowers peace of mind, as they know exactly how much they need to budget for each month. However, it is worth noting that once the fixed rate period comes to an end, the interest rate will usually revert to the lender's standard variable rate, which could be a higher rate.

Tracker mortgages: A tracker mortgage is where the interest rate is set at a certain percentage above the Bank of England (BoE) base rate. For example, if the base rate is 1.5%, and your tracker mortgage has an interest rate of 3.5%, then your actual interest rate would be 5.0%. The big advantage of tracker mortgages is that they usually start off with a lower interest rate than fixed rate mortgages, so your monthly repayments could be lower. However, as with fixed rate mortgages, once the initial period ends (usually after two or five years),

the interest rate will usually revert to the lender's standard variable rate.

Discount rate mortgages: A discount rate mortgage is where the interest rate is discounted for an initial period, usually between two and five years. For example, if the lender's standard variable rate is 4%, a borrower with a discount rate mortgage might only pay 3% interest for the first two years. After the initial period ends, the interest rate will usually revert to the standard variable rate.

Capped rate mortgages: A capped rate mortgage is similar to a tracker mortgage, in that the interest rate is set at a certain percentage above the BoE base rate. However, with a capped rate mortgage, there is a limit (or 'cap') on how high the interest rate can go, even if the base rate rises. For example, if the base rate is 1.5% and your interest rate is capped at 3%, then your interest rate will never go above 3.5%, even if the base rate rises.

Offset mortgages: An offset mortgage is where your savings are offset against your mortgage balance, so you only pay interest on the difference. For example, if you have a mortgage of £100,000 and savings of £20,000, you would only pay interest on £80,000. Offset mortgages can be a great way to reduce the amount of interest you pay over the life of your mortgage, as well as helping you to clear your debt more quickly.

TIME TO DISCOVER YOUR MORTGAGE OPTIONS?

Whether you're stepping up, moving on or staying put, when it comes to finding competitive rates and a mortgage deal that's right for you, talk to us about your requirements – please contact us.

WHEN SHOULD YOU REMORTGAGE?

Start exploring your remortgaging options

There are a number of reasons why you might want to remortgage your home. Perhaps you're looking to save money on your monthly payments, or you need to raise some extra cash for home improvements. Whatever your reason, it's important to know when the best time to remortgage is.

In general, the best time to remortgage is when interest rates are low. This means that you'll be able to get a better deal on your new mortgage, and you'll end up saving money in the long run. However, it's also important to consider other factors, such as how much equity you have in your home.

INTEREST RATES ARE RISING

In light of the recent announcement that interest rates are rising, and with further increases to the cost of borrowing expected later this year, now might be the right time to consider switching to a cheaper deal while mortgage rates are still relatively low.

If you have a variable rate mortgage, the Bank of England's (BoE) base rate changes will directly affect your repayments. This is particularly the case for tracker mortgages, as they're based on the BoE's base rate. In

contrast, fixed-rate mortgages won't feel the effects of any base rate changes until they're fixed to the lender's Standard Variable Rate (SVR).

SWITCH TO A NEW DEAL

Maybe you're contemplating a remortgage if you have six months or less remaining on the introductory rates period of a fixed-rate mortgage. Remortgaging could save you hundreds a month, so switch and fix if you find a better rate.

When your mortgage deal comes to an end, you will be automatically moved to your lender's basic deal – an SVR, which will probably mean you'll end up paying a higher rate than you're used to. In most cases, you could save the most money by switching to a new deal rather than moving onto your lender's SVR.

NEED TO UNLOCK EQUITY

Therefore, remortgaging can be a useful option when your deal is coming to an end because you'll likely find a more favourable interest rate. What's more, if there's a better deal to be had elsewhere, you can change lenders.

You might also choose to remortgage when you've built up a certain amount of equity in your home or if you need to unlock equity and release it from the property. If your home has increased in value since you took your mortgage out, this means you'll end up in a lower loan-to-value bracket (LTV).

LOWER MORTGAGE RATES

Typically, the lower the LTV, the more equity you own and subsequently, you're far more likely to be eligible for lower mortgage rates when you come to remortgage.

When changing mortgage lenders, you'll need to consider all the associated costs that might come with switching, from arrangement fees to legal fees.

LOOKING TO REDUCE YOUR PAYMENTS, CHANGE YOUR TERM OR BORROW MORE MONEY?

If you want to look at your options for switching your current mortgage rate to a new deal, to discuss your requirements, please contact us.

'MORTGAGE READY!'

Get your finances fit to purchase your first home

Determining how much money you need to buy a property may seem daunting for first-time homebuyers. To work that out, you need to consider how much of a deposit you will need, as well as considering other costs involved in buying your first home and moving.

It's a good idea to consider just how much you really need to save for as early as possible, so you can budget properly and avoid over stretching yourself financially. Let's face it, it can be hard to save to buy a property, but not impossible.

START BUILDING A DEPOSIT

In order to buy your first home you need to save a deposit. Your mortgage deposit will normally need to be for at least 5% of the value of the property you want to buy. So if you want to buy a home costing £250,000, you'll need to save up a deposit of at least £12,500. Ideally though you would save more than 5%. The larger the deposit, the wider range of mortgages you'll be able to access and at more competitive rates. This is because with a larger deposit you're perceived as lower risk by mortgage lenders.

SAVING A DEPOSIT WITH A LIFETIME ISA

Lifetime ISAs can give your property savings a big boost. With a Lifetime ISA, you can save up to £4,000 annually (tax year 2022/23) with the government adding a 25% bonus annually. If you want to use a Lifetime ISA to buy a home, there are a few considerations you need to keep in mind. Only first-time buyers can use Lifetime ISAs to buy a home. That means you can't own, or have owned, a home in the UK or anywhere in the world.

You'll also need to be buying a home for no more than £450,000. You must be buying a home you plan to live in. The scheme isn't for buying a home you want to rent out, or a holiday home and you must use a traditional repayment mortgage.

CHECK YOUR CREDIT SCORE

You'll need to consider your credit score. This is because your credit score will impact your ability to obtain a mortgage. If you have a good credit score, you'll likely be able to get a more competitive rate. However, if your credit score is poor, it could make it more difficult to obtain a mortgage or make it more expensive. Lenders want to see you are a reliable borrower when they are assessing your mortgage application.

That's why it's important to check your credit score before you start looking for a property. Once you know your credit score, you can start searching for properties that are within your budget. And, if you have a good credit score, you may be able to negotiate a better mortgage rate.

CLEAN UP YOUR CURRENT ACCOUNT

Now it's time to get your finances looking in good shape in preparation for when a lender starts looking. One of the most important things to think about are your monthly outgoings. You need to make sure that you have an accurate figure of your monthly outgoings so that you can budget correctly for your new home.

To get an accurate figure of your monthly outgoings, take a look at your bank statements and work out all of your regular expenses. This includes things like rent payments, utility bills, council tax,

gym memberships, subscriptions, credit agreements and any other regular outgoing payments. Once you have an accurate figure of your monthly outgoings, you can stop making any unnecessary payments and make sure that you showcase your finances in the best light.

UNDERSTAND THE COSTS OF BUYING AND OWNING A HOME

There are a number of costs that you need to be aware of when buying and owning your first property. Some of the main costs involved start with saving for a deposit and Stamp Duty Land Tax (SDLT). However, as a first-time buyer if you are paying £300,000 or less for a residential property you will currently pay no SDLT. Between £300,000 and £500,000 you will pay SDLT at 5% on the amount of the purchase price in excess of £300,000.

There will also be legal fees and mortgage costs (valuation fees and arrangement fees), moving costs, contents insurance and home insurance. And once you finally own your first home, you'll discover there are also a lot of other costs involved in running it that you may never have had to deal with before. This includes ground rent, service charges, ongoing maintenance costs and utilities.

LOOKING FOR HELP TO GET STARTED ON YOUR HOME OWNERSHIP JOURNEY?

Get your foot on the property ladder. We're here to help you open the door to a place of your own. Talk to us about your mortgage options – please contact us.



When it comes to mortgages, taking advice can be a daunting process, whether you are looking to take financial advice for the first time or you've taken financial advice in the past.

Finances often take a low priority for many people because they are complex, but at Simply Mortgage our clients appreciate our ability to make the mortgage-arranging process both simple and enjoyable.

At Simply Mortgage, we ask the questions, look into your future, give straightforward advice and find the right mortgage solution for you.

Contact us today to begin your journey – we look forward to hearing from you.

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