



SIMPLY MORTGAGE

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SUMMER

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FIXED RATE MORTGAGES

Is now the right time to fix and for how long?

In the realm of mortgages, a fixed rate mortgage refers to a financing option where the interest rate remains unchanged for a set initial period, which could span anywhere between two to five years, and occasionally longer.

With historically low base interest rates, fixed rate mortgages have surged in popularity and are now the most sought-after type of mortgage. It is important to note, however, that not every fixed rate mortgage is ideally suited for all individuals in the market for a new home or seeking to remortgage their current mortgage.

AVAILABILITY OF TEN-YEAR FIXED MORTGAGE DEALS

The mortgage market has recently seen a rise in the availability of ten-year fixed mortgage deals. However, it is important to weigh the advantages and disadvantages of opting for such a mortgage. Despite

mortgage interest rates increasing across the board, the hikes have not been as significant in the case of ten-year and lifetime fixes (mortgages that remain fixed throughout the entire term, usually spanning 25 years).

If you are a first-time homebuyer planning to purchase this year, fixing your mortgage rate will be an option you are more than likely going to explore. Fixed rates offer the security and predictability of knowing exactly how much you will pay each month over the life of the mortgage loan. This can provide peace of mind as it helps shield you from potential interest rate rises over time.

DECISIONS ABOUT WHETHER OR NOT TO FIX

However, if interest rates fall during the time period for which your fixed rate is locked in, you could end up paying more than necessary with a fixed rate compared to

what you would have paid with a variable or adjustable-rate loan.

Consumer price inflation still remains high, although many experts believe it is likely to have peaked. That's why it's important to obtain professional mortgage advice to weigh the pros and cons carefully before making any decisions about whether or not to fix your mortgage rate.

REPAYMENTS IN TIMES OF FINANCIAL UNCERTAINTY

There are both advantages and disadvantages to fixing your mortgage rate. On the plus side, it offers a degree of stability since you know what your payments will be for the duration of the fixed period.

This can ease concerns about making loan repayments in times of financial uncertainty when interest rates may rise quickly.

UNDERSTAND ALL OF THE COSTS INVOLVED

On the other hand, fixing your mortgage rate means that you won't benefit from any potential drop in interest rates during the fixed period and this could be costly if market conditions change significantly before your mortgage is repaid. There may also be penalties for early repayment or switching lenders which could further reduce savings.

Whichever path you choose, it's important that you understand all of the costs involved in taking out and repaying a mortgage so that you can plan effectively for the future. With careful planning and budgeting, fixing your mortgage rate could be beneficial in securing long-term financial stability, but ultimately, fixing your mortgage rate is a personal decision.

ADVANTAGES

Get assured with consistent payments – By fixing your mortgage for two or more years, you can be sure of how much you will have to pay each month. This could be a valuable help amid the present-day cost of living

crisis caused by high degrees of inflation. **Shield yourself from increasing payments** – If inflation is not tackled and the base rate rises further this year, this could lead to higher mortgage payments for those on variable rates.

DISADVANTAGES

End up paying more than needed – If you fix your mortgage when many are predicting the base rate will go down, you might end up paying more than required. However, you'll only realise that in hindsight!

Miss out on the benefit from future rate decreases – If inflation falls faster than predicted and so does the bank base rate, you won't be able to take advantage of future lower mortgage rates until your fixed deal ends.

Pay early redemption charges to get out of the agreement – If rates do fall and you choose to switch your mortgage or relocate during your fixed-rate period, you may have to pay an early-exit fee which can cost thousands of pounds. It's also important to remember that there could be limits on how much you can overpay as well. ■

LOOKING FOR A MORTGAGE, OR GOT A QUESTION?

Get an idea of how much you could borrow. To discuss options to lower your mortgage costs, for more information, please contact us.

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BANK OF ENGLAND RAISES INTEREST RATES FROM 4.5% TO 5%

Many homeowners witness an immediate surge in monthly payments

The Bank of England's recent decision to raise interest rates from 4.5% to 5% has undoubtedly created waves among homeowners. This move particularly affects those whose fixed-rate deals are set to expire by December 2024. An estimated 1.6 million UK homeowners will be confronted with steeper costs when they seek to remortgage. Furthermore, over 1.4 million individuals on tracker and variable rate deals are expected to witness an immediate surge in monthly payments due to this interest rate increase.

However, there are several approaches homeowners could potentially consider to manage these escalating costs:

Remortgaging: Homeowners whose fixed-rate deals are ending soon should consider

remortgaging to a new deal. This might help them lock in a lower interest rate and save money in the long run.

Overpaying Mortgages: If finances permit, homeowners could consider overpaying their mortgage to reduce the total amount of interest paid and shorten the mortgage term.

Fixed-Rate Mortgages: Those on tracker or variable rates could consider switching to a fixed-rate mortgage. This would ensure their monthly payments stay constant, regardless of future interest rate hikes.

Professional Mortgage Advice: Seeking advice from a professional mortgage adviser is essential. We can provide

tailored guidance based on individual circumstances and financial goals.

These strategies are not exhaustive or suitable for everyone, but they provide a starting point for homeowners grappling with the impact of the recent mortgage rate hike. Remember, these strategies are general suggestions. Individual circumstances may vary, so seeking professional mortgage advice before making any decisions is crucial. ■

READY TO DISCUSS YOUR OPTIONS?

To learn more, please get in touch with us for more information.

DOES IT MAKE SENSE TO DOWNSIZE?

30% of British homeowners have already considered changing their living arrangements

Typically, a larger home is acquired to accommodate a larger family. However, once the children have grown up and left, it may not be financially feasible to keep the current home. Apart from the unused rooms, larger houses have higher insurance rates and maintenance expenses.

Downsizing your home can be an exciting and liberating experience, but it also requires careful planning and preparation. According to a new research, 30% of British homeowners have already considered changing their living arrangements to tackle the increasing cost of living^[1]. But despite the apparent advantages, it is important to consider various factors before committing to a move.

BIGGEST COST OF LIVING IMPACT

The research indicates that basic household bills, such as energy costs and grocery bills, are having the greatest impact on people's finances, while only one in three homeowners with mortgages suggested that mortgage rates were the biggest cost of living impact they faced.

The research also highlights that downsizing, relocating or cohabiting are

among the options being considered by those who want to reduce their largest single household expense – rent or mortgage. Although just 4% of respondents had moved to a smaller home, nearly two-thirds (60%) said they would consider doing so.

SIGNIFICANT FINANCIAL BENEFITS

Reduced cost of living was identified as the primary benefit of downsizing, with 72% naming it as a benefit and a third (33%) ranking it first. By selling larger homes, moving to lower monthly mortgage payments, or both, homeowners can realise significant financial benefits from downsizing.

The main disadvantages of downsizing are the high moving costs (39% of respondents listed this as a top concern) and the lack of space for personal belongings (38%). Other top concerns include being far from family and friends (29%) and living in an unfamiliar area (28%).

STAYING CONNECTED WITH LOVED ONES

Interestingly, people's expectations about how close they could move to find

a smaller home were quite ambitious, with an average expected distance of 29 miles. However, those who have already downsized moved an average of 54 miles away, which could pose challenges for those concerned about staying connected with loved ones.

While downsizing can lower mortgage costs and provide financial flexibility, it's important to consider the potential challenges such as the time it takes to move, distance from loved ones and reduced living space. ■

WANT TO TALK ABOUT YOUR MORTGAGE OPTIONS?

We're here to help you find a mortgage that is suitable for your needs and will explain the different options to find a mortgage type that matches your new circumstances. For more information, please contact us.

Source data:

[1] Halifax_Downsizing_could less be more? – 16/11/22.

MORTGAGE LENDING INTO RETIREMENT

The changing landscape for older borrowers

It can often be difficult to secure a mortgage past the age of 65 or 70, depending on the lender. Even if you have the income to support a mortgage, your application may be declined because your income is likely to decrease with retirement. Smaller lenders are more likely to approve loans beyond the age of 75 and some might even lend up to 85.

GETTING APPROVED MAY STILL BE CHALLENGING

Although many borrowers will be able to continue earning past retirement and have the financial means to back a mortgage, getting approved may still be challenging. If you're 50 and intending to retire at 60, the chances are higher that your application could be denied.

And if approved, you may still need to repay the loan before turning age 70, reducing the term of 25 years to 20, in turn making monthly payments more expensive while your income decreases with age.

PAYING THE LOAN BACK OVER TIME

Alternatively, you may want to look into retirement interest-only mortgages which are specifically designed for older borrowers who may find it hard to get approved by mainstream lenders due to their age.

If you're in your fifties and looking to get a mortgage, there are several steps you should take to increase your chances of approval. First, have a plan for paying the loan back over time. Know your budget and what kind of monthly payments you can afford to make.

MONTHLY REPAYMENTS AFTER RETIREMENT

Additionally, check your credit report and work on improving your credit score before applying for a mortgage. All these factors will help you secure the best loan possible.

When considering a mortgage for those over 50, it is important to show proof of adequate income to cover the monthly repayments after retirement. Your lender will also assess your regular expenditure to determine an affordable borrowing amount. As you get closer to retirement, lenders may need a statement with a forecast of your income in retirement.

CONTRIBUTING TO PENSION SCHEMES

If you are more than ten years away from retirement, some lenders may also look at whether you have been contributing to any pension schemes over the years. If this is the case for you, take time to go through your records and check if you have documented details of all the different pensions that may have been contributed to.

If you're looking to port your mortgage, you'll typically have to apply for your current loan as if it's a new one. Your lender will reassess you based on the current affordability criteria, so even if nothing has changed in your financial situation, they may still reject you.

DESIRED TERM FOR THE MORTGAGE

They may also take into account any forthcoming reductions in your income post-retirement. Additionally, they could have a cap on the upper age limit, which

could mean that depending on your age, you won't be able to get the desired term for the mortgage. If porting is not an option for you, early repayment charges might be applied.

Don't think that a rejection from one lender ends your mortgage journey; there are likely to be alternative options to consider. Both mainstream and specialised lenders will offer mortgages specifically tailored to those over 50 years old.

SECURED AGAINST YOUR HOME

Alternatively, you could opt for a lifetime mortgage which is secured against your home. While it may not be the cheapest option, due to higher interest applied to the loan, you only have to pay back what you borrow upon selling your home.

Lastly, if you're looking to purchase a home or refinance your current mortgage, a retirement interest-only mortgage could be the right option to consider. You won't be subject to the same affordability tests as you only need to prove that you can cover the interest payments and not the total capital amount borrowed. ■

LOOKING TO BORROW INTO RETIREMENT?

Lifestyles have changed and with them the financial needs of older borrowers. Today, the age limit for securing a mortgage varies amongst lenders and depends on your individual circumstances, so it is essential to obtain professional mortgage advice. To find out more about how we could help, contact us for more information.



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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