



Fixed or Variable?

Glimmers of hope are appearing on the horizon, with a slow-down in the annual rate of decline for house prices and the banks starting to lend more freely.

» So how will this impact upon mortgage interest rates? With the Bank of England's Base Rate standing at 0.5% (at the time of writing), this has meant that many people have seen their **tracker** rates reduce markedly since last Autumn. Whilst other borrowers may have come off **fixed** or tracker deals and reverted onto attractive **standard variable rates** (SVRs).

With lenders recently requiring far larger deposits than in the past for the better deals, this has resulted in a number of borrowers having insufficient equity to give them access to the full range of options. But the tide does seem to be turning here too - with the return of an increasing number of higher loan-to-value (LTV) mortgage products of 75% plus.

(Source: Moneyfacts, June 2009)

Will interest rates stay put?

If everything stayed as it was, then most borrowers would be sitting pretty. But, as events since last Autumn have shown, with the Base Rate dropping from 5% in September '08 to the current level of 0.5% (at the time of writing), there is broadly only one way for rates to go - and that's up.

It's just a question of when, by how much and how quickly. And there are a number of reasons why the Bank of England may want to increase the Base

Rate across the next couple of years. It could be to curb inflationary pressures, to strengthen the pound, or maybe even to improve the profitability of the financial institutions, ahead of selling off Government shareholdings.

Another issue to consider is the widening gap between both the Base Rate (and the LIBOR rate) and the rates offered by the lenders to borrowers. The gap is partly to enable lenders to offer attractive rates to savers, but lenders are also widening the margin to increase profits. In the current climate it may not be too problematic for borrowers, but if the Base Rate returned to the 5% of last Autumn and margins remained the same - SVRs would be charged at 7% and above!

Decisions decisions...

Whether you fix or go for a variable rate is the big question right now. Your current

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Welcome.... to this newsletter, which covers what we believe are some of the key issues of the moment that affect mortgages and mortgage-related products - and sets out how we **may help you**.

■ BFG Mortgages is an appointed representative of Mortgage Intelligence Limited.

■ **Your home may be repossessed if you do not keep up repayments on your mortgage.**

You know it's **IMPORTANT** to make sure your loved ones are protected should you suffer an untimely **death** - but have you **done** anything about it? If not... read on...

CONSIDER THE FOLLOWING; as life expectancy has increased, life cover rates have dropped markedly - so even in the current difficult economic conditions, this vital cover may be affordable for you.

For example, if you were a 39 year-old, non-smoking male looking for £100,000 of life cover, over a 20 year term, then it may cost around £12.67/month today against around £17.55/month, five years ago! And that disregards inflation!

(Source: Moneyfacts; comparison of the average premium from over 25 firms; June 2009 vs. June 2004)

Term assurance is the cheapest form of life cover as it's designed to cover you for a specific period only - such as the duration of your mortgage. But once the term expires, there's no payout if you die thereafter.

The next step

Life cover, like other protection policies will be contingent on certain terms, conditions and exclusions applying - so you must be honest when completing the forms. This is something we can help with to ensure that your dependants are less likely to face any problems should there be a claim against the policy.

The last thing you want is that they can't receive your life cover payout because, for example, you failed to mention a pre-existing medical condition.

You also need to consider that if you die, any life assurance policy you own will normally form part of your estate and could be hit by inheritance tax. In many cases you can avoid this by writing the policy in trust. By so doing, the proceeds of the policy can be paid directly to your dependents.

Do talk to us to find out more.

The Financial Services Authority does not regulate Taxation and Trust advice.



What's missing?

■ As with all insurance policies, term, conditions and exclusions will apply.



Whilst the Press may want you to believe otherwise, not all small businesses are coming unstuck in the current recession.

It's all MINE

» In fact, there will be a whole raft of firms that have money in the bank, are doing relatively ok - and are on the lookout for recession-hit opportunities. One of these may be to **purchase their own Commercial Property.**

In the current climate, you may be able to buy at an excellent price, enabling you to throw off the shackles of having a commercial landlord and perhaps even

see a return on the money you previously 'wasted' on your rent or lease.

Not only can renting from a commercial landlord seem like money down the drain, but also there may be substantial tax breaks if you buy a commercial property within certain types of pension scheme (although you will need professional pensions advice if you consider this option).

So why not compare what you'd be

paying on a mortgage in relation to your current landlord costs (of course, don't forget that you'll probably need to provide a decent-sized deposit and take into account any purchase and renovation costs).

Additionally, you may even be able to lower your monthly payments, if you are able to sub-let a portion of the property to another business (should your lender agree).

And since the onset of the credit crunch it has become harder to obtain funding, but there are still a number of lenders, in addition to the normal High Street banks, which may be willing to lend. So talk to us and we can look at all avenues for you.

The Financial Services Authority does not regulate most Commercial mortgages.

■ Your property may be repossessed if you do not keep up repayments on your mortgage.

Working for YOU...

With lenders having tightened their lending criteria and being more discerning about whom they lend to, this may affect your ability to access some loans.

» That's why it's important to seek out professional advice to help you through the current lending environment, whatever your financial needs.

We have research facilities in place that are constantly updated to reflect developments in this ever-changing marketplace and this - together with our market knowledge - enables us to search for the most suitable deals on offer to meet your own particular financial needs.

Once we establish your requirements, we can help guide you every step of the way by liaising with all chains in the mortgage process, and hopefully reducing the amount of time you may need to devote to your application.

Your credit rating

Another benefit of using us is that we may be able to help protect your all-important credit rating. Each time you apply for credit, this may be recorded on the files held by the credit reference agencies. And could result in a downgraded rating for you, as the system may (probably mistakenly) think you are desperate for funds - which could ultimately make the cost of borrowing higher for you. As we should have a better

steer on where you may secure an offer, we can limit the number of lenders that need to be approached, ensuring that it's less likely that your rating would be affected.

Beyond mortgages...

As you may be aware, we can also cover a number of financial products beyond mortgages and are happy to discuss those wider requirements with you too.

So do get in touch with us if you have any questions or require assistance.



Bridge that gap

Bridging Loans are a specialist area of the marketplace and can be an option for people looking to secure short-term funds quickly - albeit it can be a more expensive form of borrowing.

These funds could enable borrowers to help obtain a property (at auction perhaps), or make enhancements to their current property, while waiting for a loan from their mortgage lender or other source to come through.

The Financial Services Authority does not regulate some aspects of Bridging Loans.



BAG A BARGAIN!

» In some respects 'below market value' (BMV) is a slight misnomer as you'd be setting the price for it - so that **IS** the current value of that property. But if you feel you've done your homework and secured a 'good deal' on a property that can either be a future home, one that you can quickly 'beautify' and sell on, or as a potential buy-to-let investment, then it may be the route for you.

With 12,800 repossessions in the first quarter of this year (up 50% on the

comparable quarter in 2008)*, in addition to some people needing to sell quickly, there will be a good number of opportunities in estate agent windows and auction houses up and down the country.

(*Source: Council of Mortgage Lenders, May 2009)

Whilst estate agents are the obvious route, auction houses give you another option, as that's an easy and quick way for lenders to shift repossessed properties. However, buying property at auction is not for the fainthearted. For example, you should get a full survey done, but if

your bid fails, you will have wasted your money. Either way, you should always try to obtain as much information about the property in advance, unless you are prepared for possible nasty shocks.

And once the gavel comes down in your favour, the property is yours and you have to immediately stump up usually 10% of the purchase price (and generally a buyer's fee too). You then have around 28 days to complete the conveyancing and pay the balance in full.

So if you are considering buying at auction or seen what you believe to be a BMV property via an estate agent, be sure to give us a call, so that we can look at the various financing options available to you. **The Financial Services Authority does not regulate most Buy-to-Let mortgages.**

There may be initial signs that property price falls are getting 'less bad'. However, the current buzzwords are 'below market value', relating to some of the properties out there.

■ Your property may be repossessed if you do not keep up repayments on your mortgage.

Debt MANAGEMENT



- ✎ Households with unsecured loans have an average debt of £21,570.
- ✎ This year, 1 in 33 people in work are estimated to become unemployed.
- ✎ One person every 4.35 minutes is declared bankrupt or insolvent.

(Source: Credit Action, June 2009)

Consolidate your debt

If you have debt problems, it is essential that you contact your creditors immediately and explain that you are having trouble making repayments.

Thereafter, we may be able to make your debt more manageable by consolidating all your debt into one loan at a lower rate, possibly using a mortgage. This may prove to be the cheapest form of borrowing (although this may entail extending the term of your borrowing over a longer period, resulting in paying more in interest payments overall). However, this route should reduce the amount you have to pay on a monthly basis and save you the hassle of dealing with multiple creditors.

But remember, if you convert unsecured debts into a consolidated loan secured against your home, this means that if you fail to make the monthly payments, your home could be at risk.

IVAs

If your debt problems are more serious, it may be advisable to take out an Individual Voluntary Arrangement (IVA). Normally your personal debts must be above £15,000 (with three or more different creditors) and that you're capable of repaying some of the debt.

An IVA is a legally binding agreement between you and your creditors, which freezes interest charges and sets an affordable monthly amount, which you have to pay over an agreed, fixed

period of typically five years.

Thereafter, this allows you to write off the remaining unsecured debt you cannot afford to repay, protects you from further action by your creditors and is confidential (unlike bankruptcy).

In Scotland, IVAs are known as 'Trust Deeds' (and will differ slightly from the above), while in Northern Ireland, IVAs work in a similar way to that applicable in England and Wales.

Bankruptcy

If your debt problems are extremely serious, for a fee you can ask the bankruptcy court to be declared bankrupt. Filing for bankruptcy means that most of your debts will be written off, your creditors barred from taking further action and you will be discharged, usually after 12 months. But you will almost certainly lose your home, business, car and any luxury items and be debarred from certain professions.

The rules regarding bankruptcy in Northern Ireland are broadly the same as in England and Wales, but in Scotland, bankruptcy is known as 'sequestration', and again the terms will differ slightly from the above.

Do talk to us, as we may be able to help you in a number of ways, depending on the nature and seriousness of your debts.

The Financial Services Authority does not regulate Debt Management.

■ 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 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.

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choices could be to stay with your existing deal, remain on (or revert to) the SVR, seek out another variable tracker offering, or take the view that the current crop of fixed rates are fairly tempting.

And an increasing number of borrowers are now opting for the longer term fixed rate deals. In fact, if you want the certainty of knowing what your home loan payments will be over the longer term, the 5-10 year fixes may be the option for you.

Of course, you need to be aware of any 'early repayment charges' should your existing lifestyle change markedly, and

longer term fixes tend to have a slightly higher interest rate. But on the upside, your set-up fees would cover a longer loan period and most mortgages are portable these days, should you move home.

Also, if you think some of the current deals on offer are quite appealing (fixed or variable tracker), then did you know that if you are coming towards the end of your loan term, the current (or an alternative) lender may be willing to set aside a new mortgage for you three months prior to you needing it.

Lots to digest, so do get in touch to discuss the best options for you.

■ We cover mortgages, insurance and protection products along with a number of other financial areas, so do contact us if you'd like to discuss your financial needs:
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THINK CAREFULLY BEFORE SECURING DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

There may be a fee charged for Mortgage Advice. The amount will depend on your circumstances, but we estimate it will be £250.

■ The contents of this newsletter are believed to be correct at the date of publication (June 2009).

■ 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.