



MORTGAGE & PROTECTION NEWSLETTER

JOHNSON SAVAGE CONSULTANCY LTD

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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Get on the property ladder with the Help to Buy scheme

All you need to know about upcoming changes to the government's Help to Buy equity loan scheme.

If you're looking to buy your first home, you probably already know about the government's Help to Buy equity loan scheme. It's proved popular since launch in 2013, with almost 300,000 properties bought as part of the initiative so far. But some aspects of the scheme are changing later this year, and it's important you understand whether you'll still be eligible for help.

Are you eligible?

The new Help to Buy equity loan rules apply from April 2021 to March 2023. To qualify, you must:

- be a first-time buyer in England;
- have a deposit worth at least 5% of the property you're looking to buy;
- borrow a minimum of 5% and up to a maximum of 20% (40% in London) of the full purchase price of a new-build home from the government; and
- buy the property from a homebuilder registered with the scheme.

What are the price caps?

The price of your home can't exceed the maximum figure outlined by the government. These limits vary depending on where you're looking to buy.

Region	Maximum property price
North East	£186,100
North West	£224,400
Yorkshire and the Humber	£228,100
East Midlands	£261,900
West Midlands	£255,600
East of England	£407,400
London	£600,000
South East	£437,600
South West	£349,000

What if the value of my home changes?

The amount you have to pay back is based on the market value of the property when you choose to repay. If the market value of your home rises, so does the amount you owe on your equity loan – if it falls, the amount you owe also falls.

Rest assured we are here to help if you have any questions about Help to Buy mortgages

How does it work?

The total cost of buying your home will be covered by the government equity loan as well as your deposit and mortgage. The percentage you borrow from the government is based on the market value of your home when you buy it.

For example, if the property is worth £200,000, you might ask the government for a 20% equity loan (£40,000) to add to your 5% deposit (£10,000) and 75% mortgage (£150,000).

The loan is interest free for the first five years, and from the sixth year you'll be charged interest at 1.75% each month. This rate increases every year after that in line with the consumer price index, plus 2%. You'll continue to pay interest until you've fully repaid the loan.

You can repay all or part of the equity loan at any time, but a part payment must be at least 10% of what your home is worth at the time.

You'll need to pay the equity loan back in full if you:

- reach the end of the equity loan term
- pay off your mortgage
- sell your home
- do not follow the terms set out in the equity loan contract



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



Protect your possessions with accidental damage cover

Insurance claims for accidental damage increased over the past year as more people worked from home, so it's a good time to check your own coverage.

Figures from some of the country's biggest insurance providers have shown a sharp rise in claims of accidental damage during the lockdown.

With many millions now working from home, the chances of accidents and damage to property have inevitably gone up. Halifax Home Insurance reported a rise of 35% for claims between July and September 2020 compared with the same period in 2019.

Types of accidents included damage to computers and other electrical items, broken windows and water leaks. With holidays cancelled, children home schooling and everyone staying in, appliances were used a lot more than normal, along with central heating systems.

Millions paid out in home insurance claims

One Insurance provider paid out £33 million in home insurance claims in 2020, with 15% going towards accidental damage claims. General claims not related to accidents accounted for 25% and were mostly related to appliance and pipework damage.

The biggest rise in claims related to damage to computers and electrical equipment because of spillages. As working from home turned many of us into amateur office managers, the usual health and safety measures within a normal office environment were not easy to replicate – especially with children and pets in the picture.

Admiral reported its accidental damage claims increased by 28% since the lockdown started in March 2020, compared to the previous year. Damaged laptop claims increased by 31% and claims around damage caused by home renovation also rose.

Check your accidental damage coverage

It's a good time to see what your home insurance policy includes when it comes to covering accidental damage to your property.

1. Check that you have the accidental damage cover in place, because it's often offered as an optional extra to your home insurance.
2. Check the limits and exclusions on your accidental damage cover, making sure there is enough to cover any new gadgets or equipment you bought during lockdown.
3. If you have made renovations and upgrades to your home during lockdown, try to calculate the extra value they bring to your home to ensure your home policy covers it.

How to avoid accidental damage in your home

Sometimes, accidents just happen. But there are ways to reduce the likelihood of an accident, like keeping drinks in a closed cup, away from computers, or tidying cables to avoid tripping.

With many homeowners installing wooden flooring, it's worth keeping rugs secure with non-slip backing, and encouraging children to be aware of risks in the home when they are playing.

And it's always a good idea to have your insurers' telephone number and the policy details handy for when you need them.

Along with helping you check the small print in your accidental damage policy, your financial adviser is here to help you find insurance plans that work best for you and your family, to make sure you're best protected.

Jargon and lingo – talking about mortgages

From agreement in principle and loan-to-value to freehold and leasehold, we've compiled a list of terms you're likely to come across when buying a property and what they actually mean.

Buying a property can be a complicated process, and even more confusing when you're confronted with various terms you've not come across before. To help you make sense of it all, we've listed some key definitions you'll need to know.

This list should give you a good head start when it comes to understanding the jargon around mortgages. To help you take the stress out of buying a property, speak to a financial adviser about how they can help you find the most suitable mortgage and guide you through the process.

Agreement in principle	A document from a mortgage lender with an estimate of how much money you may be able to borrow. You can use this to prove to a seller that you can afford to buy their property.
Annual percentage rate (APR)	The overall cost of a mortgage, including the interest and fees. It assumes you have the mortgage for the whole term.
Arrangement fee	A set-up fee for your mortgage.
Base rate	The interest rate the Bank of England charges other banks and lenders when they borrow money.
Buildings insurance	Covers you for damage to the structure of your home – you'll need to have a policy in place when you take out a mortgage.
Capital	The amount of money you borrow to buy a property.
Conveyancing	The legal process you go through when you buy or sell a property done by a licensed conveyancer or solicitor.
Deposit	The amount you need to put down in cash towards the cost of a property.
Equity	The amount of the property that you own outright – your deposit as well as the capital you've paid off on your mortgage.
Fixed-rate mortgage	The interest rate on the mortgage stays the same for the initial period of the deal. Your rate won't change with the Bank of England base rate during this time.
Flexible mortgage	Allows you to underpay, overpay or take a payment holiday from your mortgage – they are usually more expensive than conventional mortgages.
Freehold	You own the building and the land it stands on.
Gazumping	When an offer has been accepted on a property but a different buyer makes a higher offer, which the seller accepts.
Guarantor	A third party who agrees to meet the monthly mortgage repayments if you can't.
Help-to-Buy	The government has introduced various Help to Buy schemes to make buying a home easier, including equity loans, mortgage guarantees, ISAs and specific schemes for Scotland and Wales.
Interest-only mortgage	You only pay the interest on your mortgage each month without repaying the capital.
Joint mortgage	A mortgage taken out by two or more people.
Land Registry	The official body responsible for maintaining details of property ownership.
Leasehold	You own the building but not the land it stands on, and only for a set period.
Loan-to-value	The size of your mortgage as a percentage of the property value.
Porting	Allows you to transfer your borrowing from one property to another if you move, without paying arrangement fees.
Repayment mortgage	You pay off interest and part of your capital each month.
Stamp duty	You'll need to pay stamp duty land tax when you buy a property over a certain price.
Standard variable rate (SVR)	The default interest rate your lender will charge after your initial mortgage period ends.
Tracker mortgage	The interest rate on your mortgage tracks the Bank of England base rate at a set margin above or below it.
Valuation survey	Lenders will carry one of these out to check whether the property is worth around the amount you're paying for it.

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