

MONEYMATTERS



MONEY TIP

Mortgages are more affordable than ever, according to the Council of Mortgage Lenders (CML). The CML said the average homeowner spent 17.7 per cent of their monthly income on their mortgage in September, compared with 23.7 per cent eight years ago when interest rates were much higher.

It was certainly steady as she goes for September with borrowers getting on with it and securing mortgage deals at rock-bottom rates. The cut in base rate in August further pushed mortgage rates, which were already at historic lows, down further still and with lenders keen to do business before the end of the year, there was a flurry of cheap mortgage products available. However, there is a potential blot on the horizon for borrowers in the form of rising Swap rates which may feed through to higher mortgage rates in the short term. Borrowers who have their eye on a cheap rate should certainly think about securing it while they can – they are so low anyway, it is unlikely to be a move you will regret.

Gareth Lowman, SPF Private Clients

IT FIGURES

House purchase approvals picked up in September from its 20-month low last month to reach nearly 63,000 approvals, according to the latest figures. As a result, the Bank of England revised up its forecast for approvals from 56,000 to 65,000 after conceding that the housing market is doing better than it expected back in August. House purchase approvals tend to lead property transactions a few months. So given the weakness in approvals in August, transactions in October are likely to be at or around the same level as September, before recovering slightly in November.

CURRENT BEST BUY MORTGAGES

Source: SPF Private Clients

Lender	Rate	Until	Reversionary Rate	APR	Max. LTV	HLC	ERC	Product Fee	Exit Fee	Notes
Platform	1.19%	1/31/2019	4.49%	4.0%	60%	n/a	2%/1% until 31/12/2018. £1000 overpayment p.c.m	£1499 Product Fee	£74	Max loan £1.5m. Free Valuation. Free Legals for remortgages
Leeds BS	1.19%	12/31/2018	5.44%	4.7%	75%	n/a	3%/2% until 31/12/18. 10% overpayments p.a. without penalty	£1499 Product Fee	£199	Mx £500k
Natwest	1.45%	1/31/2019	3.75%	3.4%	80%	n/a	2%/1% until 31/01/19. 10% overpayments p.a. without penalty.	£995 Product Fee	-	Max loan £1m. Free valuation & free legals for remortgages
Virgin Money	1.83%	4/1/2022	4.29%	3.4%	65%	n/a	5% until 01/04/22. 10% overpayments p.a. without penalty.	£995 Product Fee	-	Max loan £1m. Free valuation & free legals for remortgages
Coventry	2.39%	12/31/2026	4.49%	3.2%	50%	n/a	5/5/3/3/3/1/1/1/1/1% until 31/12/26. 10% overpayments p.a. without penalty.	£999 Product Fee	£125	Mx £1m. Free Valuation. Free Legals for remortgages

Fixed Rates

4.6%

The average annual rise in UK house prices to October

£970

The average fee paid by mortgage applicants, up 9% in two years

NUMBER CRUNCHING

The average UK house price, which is six times average annual earnings

£205,904

The interest on Yorkshire building society's discounted mortgage, the lowest on the market

0.98%

WHAT'S AHEAD IN 2017?



Are there surprises to come, asks Duncan Farmer

Looking back over 2016 it was a year of surprises: Britain voted to leave the EU, Donald Trump won the US presidential election and Leicester City won the premier league. The one certainty throughout the year of shocks was that property prices carried on rising and the economy – with the exception of the pound – appeared to take all the excitement in its stride. Interest rates even came down,

although Theresa May did say that she felt that was unnecessary.

Looking ahead to 2017, many analysts experts are predicting more of the same and a rise in interest rates still appears a distant worry. Unemployment has been falling and while inflation has risen it has not yet passed the Bank of England's target of 2 per cent. Wages are also rising, which means that anyone with a job is seeing their income rise at a time when their mortgage payments are at worst stable and at best coming down.

Some analysts suggest that the Bank of England's Monetary Policy Committee may even drop rates again to zero, but the one fly in the ointment is Trump's presidential election victory. Apart from his pledges to build a wall on the Mexican border (even though it already has a big fence) and to see Hillary Clinton imprisoned (he's since rowed back on that), the one pledge he appears to be sticking to is a multibillion dollar spending plan on infrastructure. That, say some experts, could lead to much higher inflation in the US and that could easily spread to these shores. If that were happen to an increase in UK interest rates is likely to follow.

One problem that neither Brexit nor Donald Trump can resolve is the shortage of UK property, which the Council of Mortgage Lenders says is the biggest driver of prices. "The problem is that demand (from buyers) is still not being met with a supply response (from sellers). New instructions to sell have fallen, or been relatively flat for more than three years now. This has led to the average number of properties per surveyor falling to its lowest level for nearly 40 years," it said. If that trend continues prices can go only one way.

MAKING A MOVE

It used to be the case that first-time buyers made up a third of the mortgage market, but that figure has risen dramatically to a half. While first-time buyers have been supported by various Government schemes, the real weakness is coming from second steppers and other home movers, whose activity has continued to be subdued since the financial crisis.

Factors limiting activity include uncertainty surrounding the economy, affordability pressures and mortgage rules announced in 2014, which are being reviewed. The results of the review are expected shortly, but while a change in the rules may help to a certain extent the real pressure is a lack of supply of suitable properties.

Variable Rates

Lender	Rate	Until	Rev. Rate	APR	Max. LTV	HLC	ERC	Product Fee	Exit Fee	Notes
TSB Bank	1.19%	Tracker over base until 28/02/19	3.74%	3.4%	60%	n/a	3% / 1% until 28/02/19. 10% overpayments p.a. without penalty	£995 Product Fee	£265	Purchase Only. Mx £1m
TSB Bank	1.29%	Tracker over base until 28/02/19	3.74%	3.7%	75%	n/a	3% / 1% until 28/02/19. 10% overpayments p.a. without penalty	£995 Product Fee	£265	Mx £1m. Purchase Only
Nationwide	1.64%	Tracker over base for 24 months	3.74%	3.6%	85%	n/a	None	£999 Product Fee	£65	Mx £500k. Free Valuation. Free Legals for remortgages
HSBC Bank	1.74%	Variable rate for term	n/a	1.8%	60%	n/a	None	£99 Booking Fee £900 Product Fee	£125	Mx £5m. Free Legals for remortgages

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There will be a fee for mortgage advice. The precise amount will depend upon your circumstances and loan amount. We estimate that the fee will be 0.67% of the amount borrowed.

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