

COVID-19 UPDATE

The bulletin from The Mortgage Zone Ltd

In England, we are now seeing the easing of lockdown restrictions.

» Social distancing (and the wearing of masks and gloves) will still be a major consideration. Whether you're returning to the workplace (if it's safe and ok to do so), or perhaps as part of a group of up to six people meeting outside, provided those from different households stay two metres apart.

Housing market is open!

As part of this process, the Housing Secretary announced that (in England) estate agent's offices can re-open; viewings are permitted; show homes can open; and removal firms, along with other essential parts of the sales and letting process, can also re-start.

According to the Housing Secretary, more than **450,000 buyers and renters** have been unable to progress their plans to move since March.

However, activity in this sector can only occur if social distancing and safety rules are properly adhered to. And the government has already produced a document that provides guidance for surveyors, and others, on how to work safely in other people's homes.

Understandably, the marketplace will take time to be fully operational again, and some people may initially be wary of letting others into their homes (or viewing them),



Relax!
We'll liaise however you want

The Furlough Scheme has been extended to run until 31 October 2020
- see page 3 for more...
(Source: Chancellor's announcement, 12 May 2020)

plus others might need to reassess their finances. Conversely, though, after many weeks of lockdown, moving to a larger home may be very high on the agenda!

Mortgage Lending

So, as we return to some semblance of normality, perhaps now is a good time to look at both your **mortgage** and **protection** requirements. If that's the case, then rest-assured **we continue to be available** to discuss these issues with you.

In terms of the mortgage deals on offer, if you're just coming off the average 2-year fixed deal, for example, then two years ago the interest rate was 2.51%, now it's 2.09%!* Also, early on in the crisis some higher Loan-to-Value (LTV) mortgage deals were initially pulled by lenders. However, recent research

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You may have to pay an early repayment charge to your existing lender if you remortgage.

KEY NEWS...

Over 1.8m Mortgage Payment Holidays have been taken up

The first of the 3-month holidays will be coming to an end in June. However, there are proposals in place to look at extending the payment holiday period for a further 3 months for homeowners struggling to pay their mortgage. Lenders will also discuss if the homeowner is able to start making reduced payments.

Others, who have not used the scheme, may be able to apply for a holiday up until 31 October.

(Source: GOV.UK, 22 May 2020)

Around 8.7 million jobs have now been furloughed

With £17.5bn being claimed so far through the Coronavirus Job Retention Scheme. (Source: GOV.UK, 2 June 2020)

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- The Mortgage Zone Ltd is authorised and regulated by the Financial Conduct Authority.
- There may be a fee for mortgage advice. The precise amount will depend on your circumstances, but we estimate that it will be £495.
- The information is of a general nature, and every care is taken to ensure it's accurate at the time of writing (June 2020). However, all information and figures are subject to change. You should seek professional advice tailored to your needs and circumstances before making any decisions.

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



We'll liaise however you want

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has shown that lenders are coming back to the market, with a return of a number of higher LTV deals, and a relaxation of some criteria.**
*(Sources: *Moneyfacts, 1 May 2020; **Mortgage Brain, 29 April 2020)*

Your borrowing requirements

When you consider that the average 2- and 5-year fixed rates are 2.09%, and 2.35%, respectively*, this means that there are many products at a rate less than that! So maybe now is the time to assess your Mortgage (or Product Transfer) plans to meet the following needs:

- Raising additional funds.
- Seeking funding for a property move, or wanting to buy your first home.
- Looking for a new deal, as you're coming to the end of your current one.
- Keen to look at options, as you're still on your lender's more expensive Standard Variable Rate, at an average rate of 4.55%.*

■ Or simply wanting to identify a better mortgage deal than the one you have.

And, with regard to Product Transfers, these are a like-for-like mortgage with the same lender. In which case, they tend to not require a new affordability assessment, meaning existing borrowers who have been furloughed may also be eligible (subject to certain criteria). As can those on a mortgage payment holiday. Ordinarily, the latter would not qualify, but given the current exceptional circumstances, lenders are waiving this rule.

Remortgage elsewhere?

However, as part of the conversation with us, we'll also look at the broader picture. A more suitable route might be to end any payment holiday (if that's in place), and be able to identify a more suitable deal with another lender. Whether or not you then remain with your current lender, it's best to see what's out there in the wider marketplace.

Market developments

As said, the traditional way of purchasing a property may take time to return to normal levels. So some of the initiatives already in place will keep the wheels oiled. For example, an increasing number of lenders have moved to accepting either automated or desktop valuations, and estate agents have increased the number of 'virtual' tours they've created for properties.

Lenders are also mindful of the delays to the property purchase process, and many borrowers would have already benefited from an agreement to extend the mortgage offer by an extra three months for those that have already exchanged.

For those who've just started the property buying process, or have been considering it, then do talk to us. We can discuss the various borrowing options and endeavour to get the ball rolling. This will, hopefully, enable you to be in the strongest possible position once you're ready to proceed.

Do get in touch to hear more.

You may have to pay an early repayment charge to your existing lender if you remortgage.

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

PROTECTION INSURANCE for YOU

It's often difficult to contemplate needing a Protection policy until... **'YOU REALLY NEED IT!'**

Meeting your needs

However, the current challenging times may well have focused your thoughts on having some protection cover in place.

This could be, for example, a policy that's designed to deliver a lump sum to your family, if the insured person dies.

Or it could be a lump sum payout if you suffered a critical illness.

Or, a plan that delivers a regular income should you be off work long-term through illness or injury.

In terms of what's most suitable for your needs, this is something we can discuss with you.

Have cover in place

If you already have one, or more protection insurance policies in place, then you're in a better position.

However, even here it's worth having a conversation (if it's not a policy that we've recently set up for you), as there's been so much innovation over the last few years with the products offered by insurers.

Alternatively, in light of the current crisis, you might be thinking about saving money and cancelling a policy (which could prove to be more expensive, with more caveats and an age weighting, should you return to

start a new one with the same insurer). The insurers are mindful of this and some will allow you to stop paying premiums for an agreed period, with certain rules.

Also, don't forget that your policy may have value-added benefits, such as medical and fitness support to tap into, which may deliver vital help, information or inspiration to see you through the COVID-19 crisis.

Do talk to us, as you may be surprised by both the cost and value offered.

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



Financial Support: a recap of what's on offer

» Whilst delivering protection to the NHS is the government's primary focus, there is also a whole raft of multi-billion pound packages in place, such as:

Mortgage payment holiday

Mortgage lenders have agreed to support customers (including buy-to-let borrowers) who are experiencing issues with their finances due to COVID-19, including payment holidays of, initially, up to 3 months. However, as set out on page 1, there are proposals to **extend this holiday period**.

Whilst a payment holiday may deliver much-needed financial help, do consider if it's the most suitable route forward for you.

First, it's not so much a 'holiday', but more a mortgage 'deferment'. This is because the money owed is not being waived, it's simply added to the overall outstanding amount.

Second, you need to agree this with your mortgage lender, so you can't just stop making payments, as that might impact your credit rating.

Finally, there may be other options to consider (if on offer), such as extending the length of the mortgage term to help reduce the immediate monthly payments. You may be able to pay a lower amount each month, or even switch to just paying the interest for a defined period (where the capital amount that's outstanding would remain the same).

Coronavirus Job Retention Scheme

This scheme will now run until the **end of October**. Under this scheme, all UK employers are able to access support to continue paying part of their employees'

salary for those employees that would otherwise have been laid off.

It's applicable to those designated as 'furloughed workers' (these are people absent temporarily from work), and currently HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month.

From 1st July, **furloughed workers can return to work part-time**, with the employer paying for the days worked, and the furlough scheme covering the rest.

That said, until the end of October - the furloughed worker could receive 80% of their wages up to the capped monthly figure of £2,500, if furloughed 100% of the time.

However, in September the levels of contribution will change. HMRC will reduce its payment to 70% of wages for the hours the employee does not work (with employers contributing the 10% difference).

In October, this scenario will reduce to 60% of wages, with employers paying 20%.

Also, from August, employers will be asked to pay NI and employer pension contributions.

Business support

If you run, or are responsible for, a small or medium-sized business, you will be aware of the wide range of initiatives to deliver assistance in areas such as reclaiming Statutory Sick Pay, business rates help, possible grants, more time to pay tax, and deferring VAT payments.

Loans are on offer too. Initially, one of the main schemes here was the Coronavirus Business Interruption Loan Scheme, where the government is underwriting 80% of

the risk. However, some businesses were complaining about the difficulty to secure loans, and in response to this the **Bounce Back Loans scheme** has additionally been launched, where the government will now underwrite 100% of loans between £2,000-£50,000, with less hoops to jump through. Application is available via a short and simple online form. If successful, the cash will arrive in days. You will not be required to make any repayments across the first 12 months, and this period will also be interest-free, with a 2.5% interest rate, thereafter, agreed between the government and lenders. **Further information about the various initiatives can generally be found at www.gov.uk (then search for covid-19).**

SELF-EMPLOYMENT INCOME SUPPORT SCHEME

■ ELIGIBILITY CRITERIA

With up to £14,070 on offer across the two grants, self-employed individuals, including members of partnerships, are eligible if they:

- submitted their Income Tax Self-Assessment tax return for the tax year 2018-19;
- continued to trade in 2019-20 and intend to keep trading in 2020-21;
- carry on a trade which has been adversely affected by COVID-19;
- have average self-employed trading profits of no more than £50,000 and at least equal to their non-trading income.

Individuals can continue to work, start a new trade or take on other employment.

■ FIRST GRANT

Eligible individuals can claim a taxable grant worth 80% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profit, and capped at £7,500 in total.

Applications opened on 13 May 2020, and will close on 13 July 2020.

■ SECOND AND FINAL GRANT

Eligible individuals can claim a taxable grant worth 70% of their average monthly trading profits, paid out in a single instalment covering three months' worth of profit, and capped at £6,570 in total.

Applications will open in August 2020.