

the mortgage

The mortgage bulletin from iBusiness Finance



Which route

Do you fix, or go for a variable rate?

» With both the current uncertainty in the money markets and interest rate movements over the last year, anyone remortgaging in the next few months faces the tricky question of whether to fix or opt for some form of variable rate mortgage.

(Source: Bank of England Base Rate statistics to August 2007)

Regrettably, there is no sure-fire way of predicting how the markets will move and the future...

Do you opt for a tracker rate and accept the risk that your monthly payments may rise? Or do you go for a fixed rate in case interest rates increase, but be prepared for the fact that mortgage rates might fall. In which case you could be locked into an uncompetitive rate compared to other mortgages.

And if you go for a fixed rate, should you opt for a two, three, five, 10 or even 25 years fix (the latter of which the



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So what is the best course of action if you are one of the two million or so homeowners whose fixed rate mortgage is due to come to an end in the next 12-18 months? *(Source: CML figures, June 2007)*

...to see a greater priority of ... and rate ... it did in 2003 (3.5 per cent). It also makes life difficult if your circumstances change, through events such as job loss, job change, divorce, bereavement, or relocation abroad.

→ (contd on page 2)

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Welcome....

to this newsletter, which covers some of the key issues of the moment that affect mortgages and mortgage-related products - and sets out how it may help you.

■ There may be a fee for mortgage advice. The precise amount will depend upon your circumstances, but we estimate that it will be up to 1.5% of the loan value / typical £495.00.

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

Times are hard for First-Time buyers, and the Bank of Mum & Dad is where many may turn.



children's mortgage, their offspring could buy a property while at university or when they get their first job. Either way, their child may rent spare rooms to friends to help pay with the mortgage repayments.

By putting down a deposit of around 25 per cent of the purchase price, a number of lenders will allow sub-letting in this way, but as a guarantor, the parents are jointly and severally liable for the mortgage with their offspring and may have to put up their home for security.

For the first-time buyer, turning their first property purchase into a buy-to-let** may be highly tax effective as they could exploit the numerous tax breaks associated with rental property, such as being able to offset mortgage interest against rental income.

In addition, the sale of the property will be largely free of capital gains tax, because the property is partly their offspring's principal residence and partly buy-to-let property, both of which carry significant capital gains tax breaks.

This is a specialist area in which you will need specialist advice in order to get the mortgage elements right, and you will need to know more about the risks involved.

Mortgages are not covered by the Financial Services Authority.

» The cost of a first-time buyer mortgage is now on average rising at 10% per year in London, according to Nationwide's quarterly house price index. (Source: Nationwide, 2nd quarter 2007)

Small wonder, then, that the average first-time buyer loan now stands at 3.39* times their income, resulting in more and more of them turning to the Bank of Mum

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... Which route (continued)

Attitude to risk

If you want peace of mind, don't like taking risks and can afford the monthly repayments of a fixed rate mortgage, this may be the option to consider. You then have to decide if you want to play really safe with a long-term fix, or if a shorter period is more suitable. But if you could cope with your monthly repayments fluctuating, a discounted tracker or other form of variable rate mortgage may be appropriate.

Either way, anyone who allows their mortgage to simply revert to their lender's Standard Variable Rate should assess their situation as soon as possible, when more

competitive discounted tracker and fixed rate mortgages are available, albeit they are likely to come with tie-in periods.

So if your current deal is due to end soon, now is the time to start thinking about what type of mortgage you want to switch to next, if you want to avoid what could be a nasty payment shock.

The next step

On top of the above decisions, the choice of mortgages is vast and some of the 'best' deals come with hefty arrangement fees, or higher lending charges, which may make it difficult to compare like with like.

Of course, you could go it alone, but here's one good reason for turning to us.

Every time you apply to a lender, they'll need to do a credit search, and if you apply to a number of them, this may affect your credit rating, possibly reducing your options to get the best mortgage for your needs.

If you talk to us, we'll already have a good feel for what would be the best direction for you, thereby saving some considerable time and effort on your part. And, hopefully, any unnecessary potential damage to your credit rating. We'll then identify the most suitable products for your current needs and circumstances.

Do get in touch to find out 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.

Commercial break!

» Not only would you have the pleasure of knowing that the building belongs to you, but you will be able to throw off the shackles of having a commercial landlord and possibly see a return on the money you previously 'wasted' on rent.

This may possibly represent a missed opportunity for those of the estimated 4.5 million small to medium sized businesses in the UK at the start of 2006, that don't own their own business premises.

(Source: National Statistics, August 2007 survey)

And commercial mortgages may enable you to borrow with a minimum of paperwork and hassle - in some cases, a set of certified accounts for the last three years may be all that's required.

Just as with residential mortgages, you could choose the type of mortgage, term, and

If you own a small business and rent offices, have you ever thought of buying your own business premises with a Commercial Mortgage?

loan to value (usually up to 85 per cent) that suits your needs to buy your factory, office, or high street shop.

While normally you might expect to go to your bank for a commercial mortgage, this is a growing market with a number of innovative specialist lenders, outside of the main High Street banks.

The Financial Services Authority does not regulate most Commercial Mortgages.



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Hurrah! Some lenders dump exit fees

Lenders have been under the financial watchdog, the Financial Services Authority, to review the fees they charge when borrowers pay off their mortgages.

Some lenders have been creeping up over the years to a point where they do not reflect the amount of work involved in closing a mortgage.

So hurrah to those lenders which have agreed to scrap their exit fees.

Home Information Packs (HIPs)

At the time of writing, anyone selling a home with three bedrooms or more, in England and Wales, needs to apply for a HIP to show to potential buyers.

The pack includes an Energy Performance Certificate, containing advice on how to cut CO₂ emissions and fuel bills. Also included are documents such as a sale statement, searches and evidence of title.

The Financial Services Authority does not regulate HIPs.

loss through events such as accident, fire or burglary.

If you're not already covered, then let us run through the options available to meet your needs.

Flooding in large swathes of the UK this year demonstrated all too graphically why it is essential to have comprehensive buildings and contents insurance.

While buildings insurance is compulsory if you have a mortgage on the property, contents insurance is optional and around **25 per cent of households** fail to take it out according to the Association of British Insurers (ABI). *(Source: ABI, September 2007)*

Anyone who suffered from flooding this year and didn't have insurance will be rueing the day for many years to come, because a good contents insurance policy should cover all your possessions up to a certain

limit - typically £30,000-£50,000.

In addition, a good buildings insurance policy will, among other things, pay for rented accommodation if your home is made uninhabitable due to damage by the elements.

But buying appropriate buildings and contents insurance is an extremely complex business because policies vary enormously from one insurer to another. And it's not just about protecting yourself against the elements, as you could also experience a

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

No longer a pipedream

Most people dream of owning a second home as a bolthole to go to at weekends, or for the holidays.

But the dream of lounging by a pool while you sip your sangria, snuggling up to a wood fire in your cosy cottage in the hills, or making the most of the night life in a distant city - need not be a mere pipedream.

Whatever your dream holiday property looks like, property has had a nice habit of going up in value over the long term, so as well as having a holiday home for your friends and family to enjoy, you could rent it out or just hopefully watch it rise in value.

And having a second home may come in useful when you want to retire - as you could sell your first home to fund your comfort and made a profit to proceed.

Options

Whatever your budget, there are many ways to raise the necessary funds. You may have the cash readily available and could afford to spare it - then that may be the

While your Summer holiday may be a rapidly fading memory, the thought of owning a second home, either in the UK or abroad, probably isn't.

most appropriate route for you.

Alternatively, if you have a suitable amount of equity in your UK property, you may raise capital by remortgaging and release however much you need, providing your chosen lender is happy about it.

Otherwise, for the second UK property, you could arrange a mortgage directly against that.

If you are buying abroad, you may also have the option of securing an overseas mortgage in a foreign currency.

Around two per cent of the UK population own property overseas, with 1.5-2m people owning an overseas home

Whether you decide to buy at home or abroad, you can count on us to assist you in finding the most suitable deal to meet your needs.

Changes in the exchange rate may increase the Sterling equivalent of your debt.

Mortgages on overseas properties are not regulated by the Financial Services Authority.

The value of property investments and income from them can go down as well as up and investors may not get back the amount originally invested.

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PLEASE GET IN TOUCH WITH ME!

I would like to discuss the following ticked topics with you. I understand that the request is without obligation. Also, by providing my telephone number, I give you permission to call.

- Mortgage health check Remortgaging First-time buyer
- Commercial mortgages Building & Contents Buying a second home
- Secured loans Buy-to-let Insurance and protection
- General mortgage information

Other (please specify) _____

Please do not send any further issues

Name (Mr/Mrs/Ms) _____

Address _____

Email _____

Tel (+ best time to call) _____ Signature _____

Please put the coupon in an envelope and post to:
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■ The contents of this newsletter are believed to be correct at the date of publication (September 2007).

■ 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.

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