



SAMMON
MORTGAGES

MAY 2016

SAMMON MORTGAGES NEWSLETTER

Welcome to the May 2016 Sammon Mortgages Newsletter. This month, some positive changes have taken place in mortgage underwriting and regulation, which you could be forgiven for missing amongst the financial news.

There was a reprieve for buyers of homes with a granny annex or lettable property attached, who had discovered to their horror that they would fall into the new stamp duty bandings for buy to let properties. After feedback from consumers and industry experts, the government U-turned and added the detail that a property is only liable for the additional 3% tax if the annex makes up more than one third of the purchase price and has its own entrance. This should rescue many purchases for genuine residential home buyers. The tax classification relies on the buyers' homebuyers report or mortgage survey so you can verify the value in advance of any converted barns or extensions.

Despite tax threats, The Prudential Regulation Authority projects 20% growth to the Buy to Let market annually but, not so happily for landlords, has recommended stricter income testing for BTL from September to curtail this towards 17%. Rental income could, under the new proposals, be calculated at a 2% margin over the actual mortgage rate, if the paper is adopted in June. Landlords, particularly in London and the South East which don't have high enough rental income compared to purchase prices, may simply have to borrow less.

Buy to Let rates are competitive currently: Santander offers a 2.29% 2 year fixed rate up to 75% LTV, followed by their variable rate of 4.74% (4.7% APRC), for a fee of 1.5%. The Mortgage Works has increased its rental cover demand to 145% of monthly payment, but combated this with low rates for higher fees. Up to 70% Loan to Value, it has a 2.24% tracker rate (BR + 1.74%) for 27 months followed by 4.99% (4.8% APRC) for a fee of 2.5% of the loan amount.

Young home buyers have cause to celebrate as the 100% mortgage is edging its way back into the market, in name at least. The "Springboard" deal by Barclays (2.99% 3-year fixed rate, APRC 3.1%) offers 100% of the purchase price if a relative lodges 10% as savings with Barclays for three years, earning interest. This allows the lender to only truly lend 90% and parents to help their children onto the ladder without gifting cash or losing their savings interest.

Lenders are realising that their own mature customers are a low-risk source of business. Nationwide has increased maximum borrowing age to 85 for existing borrowers who can show a retirement income, borrowing up to £150,000. In fact, more than 20 lenders including Scottish Widows and Halifax now permit lending into your 80s. This improves the affordability calculation and offers a new alternative for raising capital near retirement.

For information about mortgage rates currently available to you, please call us on 0844 879 4522 or email info@sammon-mortgages.co.uk. Rates can be withdrawn at any time but are right at the time of publication.

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