



SAMMON
MORTGAGES

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SAMMON MORTGAGES NEWSLETTER

This month, we look at why the Monetary Policy Committee voting unanimously to cut Bank Rate is such good news for small businesses including property developers.

After ten years at 0.5%, the reduction to 0.25% is an attempt to stimulate businesses to take loans and spend out more, instead of saving profits. This is fantastic news for would-be property developers and small-scale property investment businesses. Governor of the Bank of England, Mark Carney, appealed in his speech for small business owners and householders to make use of the funds to keep the economy flowing. He pointed out that times have moved on since the credit crunch and that borrowers should not be deterred: "If you have a viable business idea, if you qualify for a mortgage, you should be able to get access to credit."

In addition to the Bank Rate cut, the Bank of England rolled out another 'Funding for Lending' scheme worth £100,000bn to ensure that lenders could access cheap money and pass on the rate cut, despite their own savings rates already being at rock-bottom.

With this level of support for lenders and small businesses, we should see some good open-minded attitudes from lenders underwriting Bridging loans and Self-build propositions. If you have a 'Homes under the Hammer' dream for property development, the rates and motivation to lend are there; this is the time to price up your plans.

Many affordability calculations are also improved. This especially benefits landlords whose affordability relies on rental income covering the mortgage payment. For example, at 65% LTV, The Mortgage Works' current BTL 2 year tracker is 1.69%, for a £1,995 fee (4.4% APRC).

Residential homebuyers should also benefit. Swap rates have fallen in response to inflation being so low. Swaps reflect the expectation for Bank Rate over the long term so if inflation is low, then it follows that Bank Rate won't need to be hiked for a while. Because these are the rates at which lenders borrow their money, lenders pass these cuts on to you as low fixed mortgage rates. You can fix under 2% for an incredible 5 years with Coventry at 1.89% for a £999 fee, reverting to 4.24% after 61 months (APRC 3.4%).

If you are convinced that Bank Rate will stay low or drop further, Nationwide's tracker is currently 1.19% for a £999 fee, reverting to 3.74% and including up to £500 cashback (3.8% APRC). When choosing new mortgage and considering one of these floor-scraping variable rates, you must ask yourself how long it will stay low. Currently the economy is stable: the Consumer Prices Index showed inflation rose to 0.6% in July. The weakness of the pound will make imports more costly and keep inflation figures up, which would normally trigger a rate rise however 0.6% is historically very low. The MPC's target inflation level is 2%, so there is leeway before any action is taken. The questions to ask yourself is - could you afford your payments if your rate increased by half a percent, 1pc or even 3pc?

In other news: we are very pleased to announce the opening of another Sammon Mortgage Management office. If you would to discuss your mortgage needs face to face, you can now choose to meet with one of our expert brokers at our new Essex office in Brentwood, or in the City at our Lloyds Avenue office as usual.

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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