# MONEY NEWS

Jennifer Newton finds out how the credit crunch worked to one couple's advantage, offers advice on how to find the best remortgage deals and asks the experts for their views on this year's financial crisis

## How was 2009 for you?

**Five professionals explain how the recession has affected their particular section of the property and finance market – and whether they are seeing any green shoots of recovery appearing**

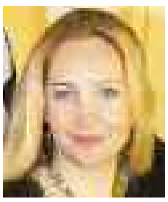
### THE MORTGAGE BROKER

**David Hollingworth from London & Country Mortgages, www.lcplc.co.uk**

'The biggest impact has been the significantly reduced lending for mortgages and loans, as lenders have found funding harder to come by and more expensive. Borrowers now require a significant deposit or level of equity, typically 25 per cent or more, in order to be able to secure the best rates. The steep fall in house prices only compounds this issue, making the lives of homeowners ever more difficult in the wake of the credit crunch.

'There have certainly been some encouraging signs of improved confidence, however. We have seen increased enquiry levels and there has been a small rise in house prices from the middle of the year onwards. But while I'd expect some gradual improvement next year, it's likely to remain a relatively tough market I'm afraid.'

### THE INTERIOR DESIGNER



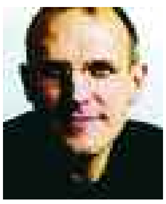
**Rachel Niddrie London-based interior designer, 020 7622 4846**

'More then ever, people are improving rather than moving. In the past year, we have been busy with clients wanting to make better use of their space, whereas before the crunch, we would be working on getting newly bought properties to better suit homeowners' needs.

'Though many people have decided to save on the costs of stamp duty and moving home by renovating their existing property, they realise that – even if they have the money – this is not a time to be ostentatious. So, a more subtle and considered approach is being taken in interior design. And although there are some great deals out there on individual items for any renovation, not taking the regular sales into account, I find the real costs of items needed for each job have actually increased. So, more time is spent revising budgets.

'With the recent increase in house valuations from summer 2009 onwards, the green shoots of recovery are definitely starting to appear. Positive thinking does also go a long way, though.'

### THE ARCHITECT



**Hugo Tugman, architectural expert and co-founder of home design firm Architect Your Home, www.architect-yourhome.com**

'There is no doubt that the home renovation market and all its related sectors have been hit hard by the economic downturn. As equity in houses dropped and banks were increasingly less willing to lend, the ability to borrow money to finance a renovation or extension was reduced, and this had an impact on the whole market. As the prospect of staying put for longer becomes a reality, however, we are seeing more clients wanting to renovate to improve their living space, such as creating bedrooms with en suite bathrooms, rather than just squeezing in more bedrooms in an attempt to tick estate agents' boxes.

'The upside of the downturn is that companies have really had to work hard to improve and add value for the customer, so there are many more deals now available. Confidence is definitely coming back into the market again as house prices have started to recover and we can see light at the end of the tunnel. Savvy people have realised that now is a good time to get on with a renovation project, as construction costs have come down in many areas. The Government's lowering of VAT has reduced renovating costs, too.'

### THE MONEY EXPERT

**Simon Lamble, director at Confused.com**

'Lenders have tightened their criteria, which means it has been much harder for people to borrow money – never mind get the best deals. In general, the products have become far less competitive as a result.

'Optimism is returning, though it would be premature to celebrate. Governments worldwide have assumed huge debts from their banks to prop up a shaky financial sector, borrowing heavily to try to stimulate their economies. That burden will weigh heavily on any recovery, with tax rises and lower government spending everywhere. And while investment banks may have started paying decadent bonuses again, retail banks are still holding tight on their lending criteria. This may not be bust, but we are a long way from boom.'

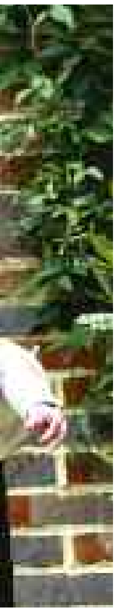
'Just before we got married in July 2007, we had found our dream home,' says Kate, who is an events and wedding planner (www.beyondweddings.co.uk). 'We needed to get buyers for both our flats quickly to avoid losing it but, back then, it seemed that everyone was buying and selling property easily. My flat sold really quickly and Pete's was soon under offer. However, everything then started to go wrong when Pete's buyer pulled out at the last minute. Then, the owner of the house we were buying withdrew, as they believed the market was still going to go up and decided they wanted a better price for it.

'Pete found another buyer, but then they, too, pulled out. By that time it was early 2008 and the property market had plummeted. Meanwhile, we also lost the mortgage deal we'd had lined up

### THE ESTATE AGENT

**Miles Shipside, commercial director at Rightmove.co.uk**

'The latter part of 2008 saw historically low levels of people willing or able to buy, and sellers desperately dropping prices.



# 'We have so much to celebrate this Christmas'

**Kate and Peter Kassar were keen to buy their first home together, but found that it was almost impossible as the credit crunch started to bite. One year on, the couple are firmly settled in their new home in west London with seven-month-old daughter Sophia**

The Kassars chose to fund improvements for their new home, budgeting £40,000 from their brokered mortgage. The work included a kitchen makeover with new unit doors and appliances

– it expired after six months as we hadn't completed. So we'd lost the administration fee on that and the survey costs we'd paid to secure the mortgage originally.

'With my flat sold, we decided to rent out Pete's – because it was too small for both of us – and rent a larger flat for us to live in together. It was a hard time; we had thought that, after the wedding, we would be moving into our new home together and starting a family.

'In November 2008, we found out that the house we had been going to buy was back on the market. We put in an offer and this was again accepted – but we now needed to find a new mortgage. We went to our bank first to see what it could offer, but it didn't have anything competitive. We then decided to use a broker to help us get a mortgage, as we felt they would have access to all the best deals. We chose Large Mortgages, having met a representative at a business event, and its broker found a great deal with Cheltenham & Gloucester, which was offering a tracker deal at 1.19 per cent above the Bank of England base rate for two years. The base rate had come down to 3 per cent at this point, so that meant we would be paying interest of 4.19 per cent.

'Although no-one could be sure when the property market would actually bottom out, we decided it was a risk worth taking. I was now pregnant and really wanted to be in our new home before April when the baby was due. Now, we can't believe how lucky we were, By the time we'd completed and moved in, the base rate had gone down to 0.5 per cent, so we've only had to pay 1.69 per cent interest each month. This has left us with extra money to get the builders in to sort out a few issues. So overall, it seems the crunch actually worked to our advantage in the end.'

Remodelling work included knocking the living room and kitchen together, and laying new wood floors throughout. The house was also rewired, and 1980s artexing on the ceilings was all removed

**WHY USE A BROKER?**

**It's become more difficult than ever to secure a mortgage, but a broker will look at all your circumstances and be able to recommend where to go for the best deal. Ian Gray from Large Mortgages (www.largemortgageloans.co.uk) offers this advice:**

- **There are lots of reasons why lenders refuse applications. Using a broker will reduce the chance of investing money and time on an application, maybe paying upfront valuation fees – only to risk being turned down.**
- **A good broker takes care of the time-consuming, stressful work involved in dealing with lenders – especially useful when you need a quick decision and turnaround so as not to lose the property you want.**
- **A broker can also offer a loan structure you've not considered or even known about. One thing we have advised on recently is splitting your loan – fixed-rate/tracker – for the best of both worlds. Fixed rates are quite high right now, so some people can't afford to fix the whole thing, even if, ideally, they would like to protect themselves against future rate rises.**

We've seen a big increase in traffic from January, though, and a steady increase in sales. Buyers are more confident that prices are bottoming out – or increasing again in popular areas. But continuing restrictions on lending will prolong the downturn, so we do not foresee any major recovery in average prices yet. The outlook for 2010 remains difficult in unemployment black spots, but will be better in more affluent areas.'

THE PROPERTY DEVELOPER

**Brendan O'Brien, a landlord and project-manager with SE1 Build & Property Services www.se1build.com**

'Despite some reports of modest price gains, property prices remain depressed and many developers and landlords are waiting on the sidelines to see what effect rising unemployment figures will have on further gains or losses. We have seen an increase in construction costs mainly due to the currency impact on raw materials. The good news for professional developers and landlords, however, is that rents have held firm or increased for well-located, well-presented properties. On the building side, we find that the good subcontractors and suppliers that we use all seem to be as busy and to cost as much as ever. Where I would caution prospective renovators is that anyone offering a really good deal and saying they can start this week should be approached with some caution. There is probably a very good reason that word-of-mouth referrals have not kept them busy.' ▶

# YOUR PROBLEMS SOLVED!

## THIS MONTH: REMORTGAGING YOUR HOME

If you choose to remortgage for a New Year renovation project, but are confused by the options available, here are the best ways to get a great deal in the current economic climate


### RESERVE A RATE NOW

**Q My current mortgage is a low tracker rate, but it's due to end soon. What are my best options?**

**A** Mortgage rates are continuing to rise, so don't wait for your deal to finish before you find out what's available – remember you can reserve a mortgage rate before your existing deal comes to an end. Halifax, for example, is offering existing customers the chance to reserve a product-transfer deal up to three months before the end of their current one. This means that borrowers who will soon need to remortgage have the opportunity to reserve a rate now but, if you find something better in the meantime, or rates take another drop and you find a better deal, you could switch again as the product fee can be refunded. So, call your lender and find out what is available well in advance. Another wise move is to speak to a good fee-free broker to see what other lenders are offering, to get a good comparison.

### STICK WITH THE SVR RATHER THAN REMORTGAGE

**Q The Standard Variable Rate (SVR) I'll go on to when my mortgage ends is currently very low. This makes it tempting to just stick with it rather than taking out another fixed rate. But is this wise?**

**A** Many are reluctant to pay the 5 per cent-plus it costs to take out a new fixed-rate mortgage when they could pay far less on their lender's SVR. For example, Halifax, at the time of printing, is charging 3.5 per cent and Nationwide and Cheltenham & Gloucester are both charging only 2.5 per cent. These are competitive rates, especially for those with less then 20 per cent equity in their home, who will probably have to pay more to move their mortgage. But you need to consider the risk of how much rates will rise when the Bank of England decides to push up its base rate. If you do decide to stick with the SVR, try to overpay your mortgage to protect yourself against the very real possibility of interest rates going up again eventually.

### TRY A TRACKER WITH A DIFFERENCE

**Q Is there any way to avoid rate rises if I take out another tracker and then the worse happens – the Bank of England's base rate skyrockets?**

**A** With fixed rates having risen, it is worth considering trackers – but if you can get one, go for a 'capped tracker'. Earlier this year, for example, First Direct brought out its capped tracker at 2.48 per cent above base rate (giving a rate to pay of 2.98 per cent) – but with the guarantee that it will not rise above 4.99 per cent for the term of the mortgage. This sort of deal would suit someone looking to borrow in the current economic climate and wanting to safeguard against rate rises, without having to pay for a more expensive fixed-rate mortgage.

Moneysupermarket.com recently urged borrowers to check the true costs of regular, uncapped tracker mortgages, as your payments may have a sharp increase if the base rate rises. However, the flip side is that there are cheaper tracker and lower fixed-rate deals available, depending on how much equity you have in your property. What isn't in doubt is that a capped tracker is a great way to hedge your bets.

### BE AWARE OF BASE RATE RISES

**Q Is there any news on when the base rate will start to increase again?**

**A** A recent report from economists at The Royal Bank of Scotland says: 'The wider economy still looks fragile, despite some more signs of stabilisation,' forecasting that the rate won't rise until 2011. Yet a Reuters' poll has shown that most economists expect the rate to rise to 1 per cent by mid 2010. So the jury is out. Good advice would be to safeguard yourself against a rate rise by taking a fixed or capped mortgage, so you'll know the maximum amount you will have to pay if and when the rate rises.

### TAKE ADVANTAGE OF BEING AN EXISTING CUSTOMER

**Q I now have less than 20 per cent equity in my home, though I had more when I first bought it. Will my current lender help me to remortgage?**

**A** Before the credit crunch, the best deals to be found were always for new customers, but this has changed. Halifax, Nationwide and Coventry Building Society, for example, are all offering better rates to existing customers – particularly those with relatively little equity in their homes. Even some homeowners verging on negative equity are getting better rates now than new customers who have a 20 per cent deposit to put down. So, it isn't all bad news if you do, at least, already have a mortgage deal in place. Ask your current lender for the full range of rates available for existing borrowers. And remember, if you do stick with your current lender when you remortgage, you won't have to pay any valuation or legal fees.

**Send your financial queries to** Money Expert, Real Homes magazine, 2 Sugar Brook Court, Aston Road, Bromsgrove B60 3EX or email realhomes@centaur.co.uk with 'Money Expert' as the subject



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