mmg BESPOKE FINANCE
ISSUE FOUR winter 06

BE out SPOKE n on FINANCE

Santa's Clause for Good Cheer...
"...Everybody's Having Fun"

The buy-to-let sector, recently celebrated its 10th birthday and MMG's research has revealed that the buoyancy of the BTL market is continuing and is not expected to slow down any time soon.

MMG's Managing Director, Stewart Williams comments. "We've seen a healthy increase of 7% in BTL mortgage business over the last quarter, from 15% of all business in October to 22% in November". "Many clients are literally 'putting their money where their mouth is' and remortgaging their own homes to extend their property portfolios." He added.

Our research also revealed that investors didn't hesitate when it came to purchasing decisions, with more than a third (38%) making an offer on the last property they purchased within a few hours of viewing. Stewart explains that it is because their approach to purchase is far more akin to business investment than consumer mortgage borrowing.

MMG believes that the results of other research from within the industry, claiming it will continue its solid run, are well founded as the private rented sector overall looks set to grow steadily over the next decade and beyond.

Stewart observed that the market, so far, appeared to have been unfazed by November's 0.25% rise in Bank Base Rate. "Investors are attracted by stable rental yields and good overall returns over the short to medium term. Gross rental yields have been consistently in excess of 6% this year and this quarter, overall returns are averaging in excess of 10% on an ungeared basis". He added.

"Our typical clients, professional landlords, base their investment decisions, not on short term house price trends or fluctuations in borrowing costs, but rather on a long term view of tenant demand - based on demographic trends such as population growth, migration and longevity.

With the number of buy-to-let tenancies forecast to grow by 20,000 to 30,000 annually over the *next 10 years*, MMG's clients are wisely positioning themselves to meet demand!" He concluded...

A look to the future now...

"It's only just begu-u-un!"

Christmas holidays - please note that our office will close at lunchtime on 22nd December and will re-open on 3rd January 2007

SPOTLIGHT

Season's Greetings!

"Information is useless, unless you turn it to your advantage" - SJW

Welcome to the fourth and Christmas edition of "BEoutSPOKEn onFINANCE", MMG's quarterly newsletter.

The mortgage market's still an exciting place to make money, through investment in property. Especially if you know what you're doing and have the MMG elves working with you.

Our team of experienced specialists constantly monitor the latest industry trends. Their aim is to enhance your experience, by identifying opportunities that we believe can enable this to be achieved. We call this 'Bespoke Finance'.

The MMG Team and I extend to you best wishes for the Christmas season and wish you wealth and health in 2007.

So sip that eggnog and read on. It could be the most profitable thing you do today…but don't forget to feed Rudolph!

Stewart Williams,
Managing Director.

"MMG only do mortgages" – Humbug! Humbug!

We don't just facilitate mortgages, remortgages and buy-to-let finance, but a range of other specialist services too. Here we focus on three of them.

Lending To Trusts or to Trustees on behalf of Trusts

(Please note MMG cannot give advice to, or in respect of, trusts)

We offer access to specialised borrowing facilities covering a number of different lending requirements for all types of trusts. Availability is based upon documentation and structure, including permissions.

Examples:

1. A husband and wife with a family trust buying an investment property with their children as beneficiaries. They borrow on behalf of the trust, as the two trustees, therefore benefiting from the best available buy-to-let product. Their solicitors confirm all details of the trust as a 'wrapper' with the property deeds.

2. A client uses a large Channel Islands trustee company to administer one of their trusts, which holds their own residential property in the UK for tax purposes. Borrowings have to be structured directly in the name of the trust. A specialist division of an international bank provides the funding.

Restructuring Borrowings Secured on Estates

These are exclusive arrangements for landowners and owners of large country properties, which were traditionally treated by others as commercial transactions and financed by private banks. We're able to re-structure these onto lower interest rates using residential terms and without the need to split the legal title. Thereby leaving property and land together.

Example – A detached House and outbuildings plus land of a few hundred acres, all on one title and currently geared to 50% on overall value. The re-structuring would save over 1% per annum in interest for the remaining term.

Notes – Where a farm comprises of residential property, as well as the working farm buildings, the legal titles can be split. The residential property can then be borrowed against separately and the borrowing costs reduced in comparison to commercial loans, previously set up with the whole farm as security.

Finance for Pensions - SSAS & SIPP

(Please note MMG is not regulated to advise on pensions and investments. We work in conjunction with other professionals who are)

Focusing on investment strategies for owner-occupiers and investors in property held within pension funds. The primary reasons for using such vehicles are for tax advantages. We work in conjunction with other professional advisors, whilst embracing all ongoing regulatory changes. Such recent changes to pension legalisation came into effect in April 2006, radically restating the way HMRC treats property holdings:

SSAS and SIPPs have always been able to invest in commercial property. Since 'A Day' in April 2006, this is still permissible, but limited to borrowing up to a maximum of 50% of the fund value. The purchase of a commercial property in this way can be supplemented by borrowing the balance from outside the SSAS or SIPP, subject to the lender's criteria and with the fund being a co-party to the legal title, as in any other joint transaction. Alternatively, the borrowing can be joint as described above, but with ownership vested solely in the name of the Fund.

Our full range of services can be viewed on our website at www.mmg-uk.com.

What's HOT, where's HOT and what's NOT

Movin' On Up…the road to Cheadle, Cheshire

Here at MMG we're buzzing with excitement!

Not just because we've almost achieved - and will undoubtedly by year end exceed a record lending figure of £500 million for 2006, but because, in 2007 we'll be ensconced in our newly acquired, future-proof offices in leafy Cheadle.

Since its establishment in February 2002, MMG has seen business levels increase exponentially. Stewart Williams comments. "At the outset our five year business plan was to aim at doubling the mortgages completed figure year on year". "Clearly, having successfully achieved this and in strategically planning for the next phase in MMG's evolution, the physical constraints of our space had to be addressed" He added.

MMG has operated from its landmark base at Pear Mill in Stockport since July 2002, when the team comprised of Stewart and two administration support staff. Today's team, numbering thirteen, comprises; two directors, four very experienced mortgage consultants, five highly skilled sales-compliance administration staff (thank you the FSA), an accounts manager, a business development manager/newsletter editor - 'and a partri-idge in a Pear….Mill'.

Pear Mill - Santa will certainly have an easier job visiting MMG next year!

We look forward to introducing you to our new headquarters (Spring '07 newsletter), the postal address of which will be: **Park Lodge, Park Road, Cheadle, Cheshire SK8 2AN**. Our main telephone 08451 181818 and fax 08451 181819 numbers, together with our existing email addresses, will remain unchanged. At the time of going to press the move-in date is to be finalised, but is anticipated to be early in the New Year.

Planning Gain Supplement

MMG predicts that Government's introduction of the Planning Gain Supplement, a new land tax, probably in the Chancellor's pre-budget report due in December, is likely to cause considerable uncertainty, debate and conflict – as you'd expect.

The tax will be levied on the increase in the value of land upon which planning consent has been granted. Potentially creating considerable problems in assessing the land value for taxation purposes, because land values are not nearly as clear-cut as property values.

When land is sold with detailed planning consent, the purchase price is likely to be the reference point for the value. However, in many cases, land is sold without planning consent, but at a price enhanced by the future prospect of obtained consent.

Outline planning consents are also likely to cause problems. Developers typically gain part of their profits by improving planning consent and increasing the density of the development during its progress.

If each revision gave rise to a revaluation of the land, the volume of valuation work would soon get out of control. However, if Government tolerated small changes being made in the density as the development progressed, developers might be tempted to try avoidance of the tax by making a conservative application for purposes of the tax at the start and then gradually enhancing the density as the development progressed – as if!

MMG anticipates the proposal stirring considerable disquiet in the residential and commercial land markets. Plus, Government's administration of the tax is likely to require a skilled panel of adviser valuers. A surplus of which, spookily it has recently created, courtesy of its U-turn on HIPS (see MMG's Autumn '06 newsletter – front page story).

Interest Rate Commentary

The Bank of England MPC raised base rate by 0.25% to 5.0% at their November meeting. The rise, to its highest level for over 5 years, had been confidently priced-in by markets. Analysts now sense that another rise in borrowing costs is only a 50:50 possibility in the first quarter of 2007, as the Bank manages inflation, currently at 2.4% (above Government's 2% target) without exacerbating the borrowing public's burgeoning debt problems.

Elsewhere, European Central Bank held at 3.25% in November, but an increase of 0.25% on December 7th is strongly inferred and markets will be unsurprised by a further 0.25% hike in the first half of 2007. The U.S. Federal Reserve continued its "wait and see", leaving rates at 5.25% for the third consecutive month at its October meeting.

Back in the UK, our view still sees the latest rate increase and if essential, one more in the first half of 2007, as short-term control rather than the start of a new phase of rising interest rates.

Can we be of service?

HeLLP!…I need somebody

The senior partner of an introducer firm of solicitors contacted us recently. He and his fellow members intended to invest in buy-to-let property in the name of the partnership, which is an LLP (Limited Liability Partnership). Their problem…members of an LLP have no liability for the actions of the LLP itself and no joint liability for the actions of other members. Consequently, as far as he could ascertain from having spoken first (naughty, naughty – Ed) with some fellow practitioner friends, the majority of would-be finance providers take the view that their security is severely weakened in the case of LLPs and that he would be unable to overcome that dilemma to get funding.

Upon coming to his senses, he contacted us for help, which when he explained his plight, we were only too pleased and naturally able to do. We sourced an 85% loan to value mortgage at Bank of England Base Rate + 1.19% at a rental coverage of 125% on interest only based on the pay rate and with no penalties for early redemption.

So if you and your partners are considering conversion to, or are already an LLP, you know whom to call to sort out funding for your property acquisitions.

It ain't what you do…it's the way (and when) that you do it!

Here at Mortgage Management Group (MMG) we manage mortgages - would you believe! Our professional advisers closely monitor economic market activity - crucial for anyone advising clients on future interest rate borrowings strategies.

A typical and recent example of how this benefits clients and their acquaintances, occurred prior to the November increase in Bank of England base rate (BBR). One of our consultants, Paul Shovelton, had been alerted by our management system, to a client with a not untypical £679,000 mortgage who was on a penalty-free BBR tracker at 4.79%. "Penalty-free" meant that he could move the mortgage away from that lender at any time, without incurring an early repayment charge (ERC). A predicted 0.25% rise in BBR would put the client on 5.04% and cost him an extra £141 per month.

The client happened to be holidaying with a friend, at the Portuguese villa he'd purchased with Paul's help naturally, by way of capital raising on his UK residence, when Paul phoned. After discussing the implications of at least one imminent rate increase, client accepted Paul's recommendation of a flexible fixed rate product at 4.79%, thereby negating a potential £141 monthly increase and affording protection from further ones. The flexibility aspect means the client could reduce the balance to £1 without incurring an ERC.

Spookily it transpired that only moments before Paul's call, the client's friend had voiced a desire to make a similar purchase in Portugal *and* to progress the transaction, had asked for Paul's contact details (Mystic Meg's alive and well). Initial discussions there and then, enabled the friend to villa-search that day. A purchase has subsequently been made and yes, Paul will enjoy chicken piri piri (amongst other things Portuguese).

Services at a glance

Tailoring our services to ensure the best possible fit for you.

- Mortgages, Remortgages and Buy-to-let Finance
- Lending to Trusts or to Trustees on Behalf of Trusts
- Lending to Limited Companies or other SPV's
- Restructuring Borrowings Secured on Estates
- Portfolio Management Services
- Executive Advisory Services
- Cross Collateral Charging
- Commercial Lending
- Development Finance
- Finance for Pension Funds (SSAS/SIPP)
- Overseas Advisory Services
- Lending Against Investments/Deposit Monies
- Equity Release & Lifetime Mortgage Arrangements

Please note that not all of these products or services may or may not be regulated by the Financial Services Authority (FSA)

…And for our next trick - 20% instant equity, no deposit and cashback!

Our consultant Saika Arain has just worked with a client to secure 7 newly completed apartments, having disclosed discounts of 20% off each. The purchases were made using bridging finance and then remortgaged onto traditional buy-to-let mortgage products, virtually the same day. This has not only enabled the clients to pay less stamp duty, but by remortgaging to 85% of the full (pre-discounted) purchase price, neither have they had to lay out any capital themselves!

Example - valuation/pre-discounted price £190,000. Discounted price £152,000. Remortgaged at £161,500.

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