



MORTGAGE NEWS JULY 2008

Mortgage Related Insurance, What is it, What is compulsory and how much does it cost?

The 3 main types of insurance related to mortgages are: Buildings and Contents, Life Cover and ASU or Accident, Sickness and unemployment. We aim to show you the basics of how to protect yourself and/or your family.

ASU (Accident, Sickness and unemployment)

What is it for? This type of insurance is paid by a monthly premium which is based on the amount you wish to cover, for example you may want to cover an £800 per month mortgage payment.

The insurance is there to cover you if you have an accident and are unable to work as a result, if you are sick and unable to work, or if you are made redundant. The key point here is that the Government do not help you with mortgage payments for the first 9 months of unemployment by which time it would probably be too late. It is not a requirement with most mortgage lenders but can buy you peace of mind.

How much does it Cost? This is dependant on how much cover you require, but as a rule of thumb prices start from £3.21 per £100 of cover - so if you wanted to cover a £400 mortgage and a £100 loan it would be £16.05 per month.

Life Cover

What is it for? This type of insurance is paid by a monthly premium which is based on the amount you wish to cover. The insurance is there to cover you in the event of death. Without this insurance your family/partner would simply be left with the mortgage to pay whilst perhaps on a reduced income; with the insurance a lump sum would be issued to clear the mortgage in one go.

You can also add 'Critical Illness' cover which would do the same thing and pay out if you were to suffer from a serious illness such as cancer. The payout doesn't have to be repaid if you survive. This is not compulsory by most mortgage lenders.

How much does it cost? Life cover is at record low prices currently. Cost is based on your age and

BUYING V's RENTING

There has been some mention in the press of late suggesting that First Time Buyers may be better off renting rather than buying in view of rising interest rates, and the general instability of the housing market.

Rents have increased by approximately 10% as a result of the housing market having changed over the last few months and landlords have benefited from this as a consequence. Some buyers are putting on hold the decision to purchase, but as house prices have fallen and rents increased it could be the opportune time to **take advantage of current conditions**.

In a buyers market, as we are currently experiencing it gives you scope to negotiate on price and most estate agents are keen to move property which means considering all offers and helping vendors make realistic and viable decisions.

If you are planning to sell and move up the property ladder then any potential loss in equity could be more than made up by the saving you make when purchasing, it might even be possible to secure a bigger property than in past times.

There is much speculation as to when prices will level but we are seeing signs of this already, and **some lenders have actually reduced their interest rates over the last week**. Although these decreases are marginal they are actually in the right

health but an example would be a female working in an office aged 21 yrs, non smoker could cover £345,000 for £10 per month.

Buildings and Contents Cover

What is it for? This type of insurance can be paid by monthly or annual premium and is dependent on a few factors. The buildings part simply put will cover you in the event of fire, storm damage, subsidence etc. The contents part can cover you in case of accidental damage to contents, burglary, water damage etc. The buildings insurance is compulsory as this is a requirement of the mortgage lender.

How much does it cost? The cost of this insurance varies dependent on the house type and area, for example a semi detached house in Sheffield would cost £25.14 per month for £55,000 of contents cover and £500,000 building cover with 14 months for the price of 12. (the rebuild cost is often just a blanket cover that is more than needed)

All of these types of insurance and more are available at Metro Finance, if you would like more information or a **personalised quote please call us on 0800 3283684.**

direction, and as confidence keeps returning to the market it is logical to speculate that prices will increase.

So now could be the time to strike whilst the iron is hot.

Why not contact us to see what is possible.

Call the Green Team on 0800 3283684

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and

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