

Mortgage Advice from Louis Letourneau.
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We all like a bargain, especially when it comes to getting something expensive at a discount. But Louis Letourneau wonders: are bargain mortgage offers all they seem?

One day the newspapers announce that the property market is going to crash; the next day the mortgage lenders are saying that they have never done so much business. One day the market is expecting the interest rate to fall; the next, the level of inflation seems to indicate that the interest rate may well increase in the near future. What's going on?

It seems to me that the statistics used to make these predictions are not worth the paper they are written on. There are different regional markets and even pockets of differences within the same city, like the variations in London. There are also different ways of analysing the market: for example, prices of property or the amount being borrowed.

Currently, looking at house prices may indicate a levelling-off in the market, but, conversely, the banks are telling us that there is still an increasing amount of money being borrowed. This is obviously not comparing like with like.

Most of the current mortgage business is re-mortgaging and equity release. This means, lots of people are taking larger mortgages and either consolidating loans, re-decorating the bathroom or even going on holiday. Is this wise?

Banks seem to be competing more and more with supposedly outstanding deals. Can you really trust an advertisement offering less than 1% of interest rate for your mortgage? Surely there is a catch. Of course there is. They are desperate for your business and they will ensure that once you have signed for their fantastic deal, you won't be able to escape so easily.

They do this by applying a "redemption fee", locking you into their mortgage for years to come, with a penalty sometimes as high as thousands of pounds if you leave early. They can also tie you in to a variable rate after the initial fixed rate period. So what if the interest rate suddenly gets higher and the property market falls? Here we go again - negative equity but with a much higher level of mortgage outgoings than in the late 1980s. So be very cautious of these "amazing deals". Make sure that your advisor understands the deal themselves!

The safest deal around is common sense. If you have a large mortgage and can afford it at your current level of income, with interest rates at their lowest since the mid 1950s, why don't you look at a fixed mortgage for several years – say 5 years, or even more? There may be some redemption penalty fees attached to it but as long as the scheme can be transferred easily to another property, surely this is worth the security?

What we fail to understand in the current economic climate is the role of low inflation on the property market. It will take you a lot longer to pay off all of your mortgage, than it did in your parents' day. It will also be more costly in real terms, because inflation is likely to remain low and incomes are not going to increase as much as in the past.

But finally, banks find gay men particularly attractive, because, quite often, we have higher disposable income than the heterosexual community. The banks want your business, so make sure you shop around for the best deal or have a good broker do it for you – and ask what their charges are.

Remember to avoid the mainstream banks or tied agents who may try to flog you some [life insurance](#) that you may not need or that will take you through a discriminatory application procedure. **Your mortgage and life insurance DO NOT need to come from the same company!**

It is also very important to ensure that your advisor knows the market very well. For example, Legal & General and Zurich Insurance may offer good deals but both companies discriminate against gay men with life and critical illness insurance. Avoid them at all costs.

I don't know about you, but it seems that finding the right mortgage is a minefield and you should do your research very carefully. Try out more than one broker to find the best deal around and more importantly, only commit what you can afford now *and* in the future. This is the only way to avoid tears later on.

Louis Letourneau is a Director of Isis Financial Planners Limited. Isis offers truly independent specialist advice to the gay community and can be contacted on 0845 1300 778 and email postbox@gayfinance.info . You can also visit the new website at www.gayfinance.info

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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