



Cheaper mortgages are a distant dream

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The question I get asked most often is – when are mortgages going to get cheaper? My answer is always the same – keep an eye on the fixed rate bond market.

Since interest rates have been falling we have seen the overall size of the savings market contract, as well as a migration away from variable rate products and towards fixed rate bonds.

The reason is clear – it's all about savers chasing returns.

While we've seen fixed rate bonds become ever more popular we've also seen a growing number of providers increasing the rates they offer on such products as their

funding sources in the wholesale market have dried up.

At the time of writing, the best one-year fixed rate bond is paying an eye-watering 3.91%.

The 12-month swap rate – the three-month LIBOR proxy – is about 1.25%. That means a negative spread for deposit-takers of at least 2.65%. That's hugely expensive funding for any lender and a reflection of the state of the wholesale as well as the retail market.

So whatever you read about the funding markets, have a look at the spread of fixed rate bonds over swap rates. If negative margins start to tighten look out for cheaper mortgages, but that's a big if.



Clients still want and need advice

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Last week saw the Bank of England undertake its quarterly briefings around the country and I attended the one in Bristol.

It's always interesting to hear the Bank's outlook for the next three months and the good news this time is that the housing market is showing encouraging signs of recovery.

This is something we've noticed too, with more activity among borrowers and brokers in the past few weeks.

The Bank says that while banks have more liquidity and are more willing to lend, consumers are less willing to borrow because of an increased focus on saving.

We have noticed that while people may not want to take out bigger mortgages at the moment,

they still want and need quality financial advice.

There has been a rise in the number of consumers whose circumstances have changed as a result of redundancy or becoming self-employed, and we've also seen more asking for life assurance or income protection.

Anybody asking for advice on life assurance is clearly serious and will usually have a lot more going on in their life on which they need advice. And there's the opportunity for open-minded advisers.

Interest rates are predicted to stay below 2% until 2012, which puts a question mark over whether consumers should be taking out fixed rate mortgages now or whether they'd be better to continue with trackers for a few years.



Mourinho could be the man to save us

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As each day passes the state of the country's political and economic life becomes more depressing and one can't help but wonder who will be the architect of our salvation.

You wouldn't even rule out José Mourinho. Given his record, could he do a better job than Prime Minister Gordon Brown? It would be a close call. Both are arrogant but at least one is a winner.

But back to reality and the lame duck shambles governing us. I agree with the commentator who said we don't need an overhaul of our political system, just some honest politicians.

To my mind, the fuss over expenses has been a red herring. The flaw is obvious – using an expenses system as a salary substitute.

But in the prevailing clamour I fear that, much as we were bounced into unworkable property transaction reform, we will now suffer the same fate when it comes to our political governance.

What we need is restraint, not an over-reaction inspired by a journalistic feeding frenzy.

The Tories will assuredly form the next government and the country will demand they deliver not just reform but reform with common sense. They preached this on Home Information Packs so let's hope they keep sight of it when examining everything else.

And hopefully Tory leader David Cameron, when reviewing the financial services market, will draft in some qualified experience. My guess is that even Mourinho knows more about mortgages than John Prescott did.



Dads must protect the family finances

MARK JONES
HEAD OF PROTECTION
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With Father's Day just around the corner us dads can look forward to being swamped with gifts and cards from our little ones as a sign of their appreciation for all we do for them.

A dad's role never ends but perhaps one of the most important aspects of being a father is protecting the family.

They are the ones called upon if there's a spider in the bath or a noise in the wardrobe, but are dads adequately protecting their families' finances?

With the average annual earnings for men standing at more than £27,000, it has to be considered what a family would do if dad was no longer able to work because of

sickness or accidental injury.

Also, most fathers multi-task each day for their families, functioning as part-time taxi drivers, handymen, gardeners and sports coaches.

These are services that would cost families dear if dear old dad was not able to perform them.

So how would a family survive financially without its dad? Could family members afford to continue living the life to which they have become accustomed?

You can't put a price on a father's love but you can put a price on the work he does, and men should be protecting their family finances against the unexpected.

