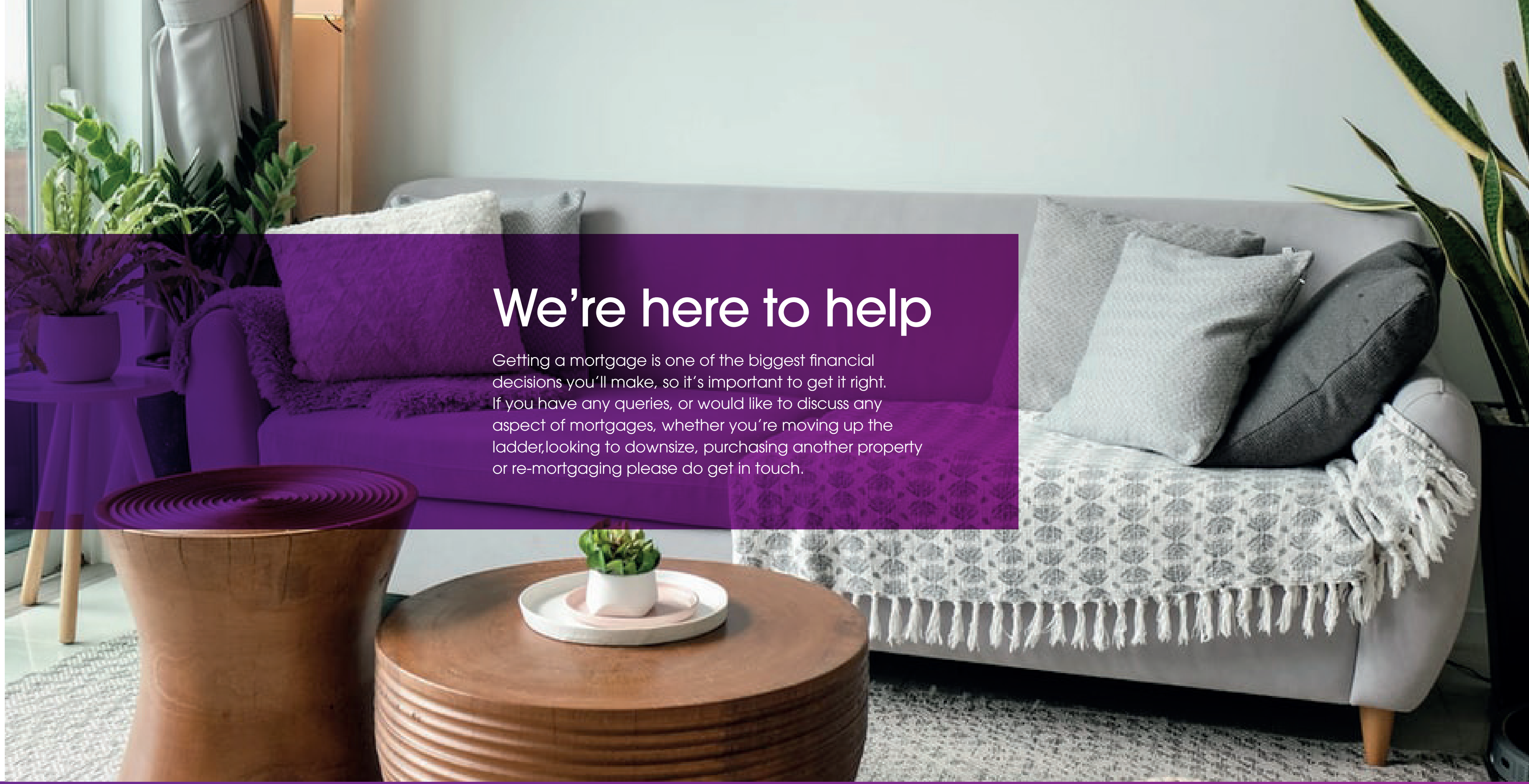
An Introduction to Mortgages

Getting to grips with the basics:

- Finding the right mortgage for you
- How much can you afford to borrow?
- Getting your finances in order
- Why you need a survey
- Understanding the role of a solicitor or conveyancer

Whateley WEALTH

There are times in our lives when we can all use some help and guidance. Buying a home is a one of those major steps that's much easier to take if you're well-informed and get some good advice. Here, we'll provide answers to a few of the questions we're regularly asked by clients.



We're here to help

Getting a mortgage is one of the biggest financial decisions you'll make, so it's important to get it right. If you have any queries, or would like to discuss any aspect of mortgages, whether you're moving up the ladder,looking to downsize, purchasing another property or re-mortgaging please do get in touch.

What's a mortgage and how does it work?

A mortgage is a loan that you take out to buy a property. Most run for 25 years but can be shorter or longer. The money you borrow is called the capital and the lender charges you interest on it until it is repaid. The loan is 'secured' against the value of your home until it's paid off. If you can't keep up your repayments the lender can repossess your home and sell it so they get their money back.

When it comes to monthly repayments, these can be interest and capital, referred to as a repayment mortgage, or just interest, referred to as an interest-only mortgage. With a repayment mortgage you make one payment each month to your lender, part of which goes towards paying off the interest and part goes towards repaying the capital borrowed. At the end of the term of the mortgage, as long as you have kept up repayments, your mortgage will be paid off.

With an interest-only mortgage you only pay interest each month, not the capital borrowed. This means at the end of the mortgage term you still owe the full amount that you originally borrowed and will need to make other arrangements for paying back the capital.

What types of mortgage are available?

Mortgages come in various types and we can help you find the one that would work best in your particular circumstances. We can explain the pros and cons of Fixed rate, Variable rate, Standard rate, Discounted rate, Capped rate, Tracker, Offset and Cashback mortgages. We'll also talk you through the finer detail of how repayment mortgages and interest-only mortgages work. We keep up-to-date with the deals the market has to offer, including those offering free surveys or include legal fees, so we'll be able to explain how these might work for you.

How much can I borrow?

Lenders calculate how much you can borrow based on both your income and your outgoings. They also take into account how much deposit you have available. That's why it's important to be able to show a potential lender that you manage your money well, don't have huge debts, keep your spending under review and maintain your bank account in good order.

How much deposit do I need?

Basically, the bigger the deposit you put down, the cheaper the mortgage. While some lenders are prepared to lend up to 95% of the property value, with the borrower putting in the remaining 5% as a deposit, better deals and rates are available to those who can put down, say, 20% or even more.

It's important to remember there are also fees and charges that you will be required to pay as part of the process of putting your mortgage in place, so you'll need to have savings in place to pay for these too.

Do I need a survey?

Yes. Having a survey carried out on a property before you commit to buying it can save you thousands of pounds in repair bills and a lot of stress in the future. If the survey shows that repairs need to be carried out, you may be able to use this information to negotiate with the vendor. There are various levels of survey available, and your adviser will be able to offer help and advice on choosing the type that meets your needs. Your lender will also require a mortgage valuation to see if you are paying a fair price for the property. It tells them if the property is suitable for them to lend on, and how much they can safely lend.

What does a solicitor or conveyancer do?

They undertake the conveyancing, the legal transfer of ownership from the seller to the buyer. They also review the terms of the contract, carry out searches to ensure there are no planning issues, or problems like flooding, obtaining details of fixtures and fittings the seller is leaving behind, and obtain important documents such as Energy Performance Certificates. They arrange the exchange of contracts that commits you to the purchase, arrange your completion date, pay over the stamp duty and register your title with the Land Registry.

There's a lot to take in – how can I get help?

Getting a mortgage can seem like entering a financial maze. If you're not familiar with the way the mortgage market operates, knowing where to start can be bewildering. We can help you work out how much you can afford to borrow, and we'll recommend the most appropriate type of mortgage for you, identify the right lender and work with you to get a suitable mortgage. We know the criteria that the major high street and niche lenders use and we'll help you present your application in the best way to the right lender.

Top Tips

Speak to an adviser as early as possible

Before you start looking for a property to buy, it's really worth speaking to us. We can help you work out how much you're likely to be able to borrow, and give you useful hints and tips that will help you prepare for the mortgage application process.

Your finances need to be in good order - do your sums ahead of time

Mortgage lenders are required by the Financial Conduct Authority to adopt an affordability based approach to lending. This means that banks and building societies now scrutinise borrowers' incomes, outgoings and credit history closely and can ask searching questions about your finances. They apply strict affordability criteria as they need to ensure that borrowers can comfortably afford their repayments now, and in the foreseeable future. It's worth looking closely at what you spend and making sure your finances are in good order before making a mortgage application.

Your credit score matters

When a potential lender reviews your application, they'll take a look at your credit report. Generally speaking, the higher your credit score the better your chances of getting a mortgage at a lower interest rate. Simple steps like increasing your monthly credit card repayments, registering on the Electoral Roll and not taking on additional borrowing before you make your application can help improve your chances of having a good credit score.

The bigger the deposit the better

Saving up for a deposit can be hard going, and the best advice is to start saving as much as you can as early as you can. The more you can put down as a deposit, the better the deal you can expect to be offered. Increasingly, more and more first-time buyers are offered financial help from their parents and grandparents.

Make sure you're buying the right property

You might fancy buying an unusual property, but it's wise to remember that lenders can be quite conservative. Some lenders are unlikely to lend on flats above shops or businesses, and others won't consider houseboats or homes that aren't made out of bricks and mortar. If you're buying an older property, your lender will need to be sure there aren't hidden problems that could be costly to put right in the future. That's why you need to have a survey done.

As a mortgage is secured against your home, it could be repossessed if you do not keep up the mortgage repayments.

Warning statement

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