Mortgages

We are often asked "what is the best mortgage?" but what does that mean? Everyone is different, and what suits you might not be the best for someone else, it will all depend on your own individual requirements.

Free Online Enquiry

Our aim is to gather the necessary information from you to determine which mortgage is best for you and, using our extensive knowledge of the mortgage market, find you the best overall lender and deal. Knowing the quirks of each lender means we can determine which lenders are likely to proceed with an application over those that might not. This could save you a lot of valuable time.

As Independent Mortgage Advisers we can source mortgages from the whole market-place.

Different Mortgage Types – the basics:
Repayment mortgages - each month your payment consists of a portion of the outstanding debt, as well as interest on the loan. At the end of the term the mortgage is cleared - provided that the monthly payments are maintained.

Interest Only - all you pay each month is interest due against the loan with the capital remaining the same throughout the term of the mortgage. So you would need an investment vehicle such as an Endowment, ISA, or Pension or some other form of strategy for repaying the capital at the end of your term. With investments there is no guarantee that the repayment vehicle will provide enough capital to repay the mortgage at the end of the term. Some lenders do not insist on a repayment vehicle and leave the capital repayment to the borrower.

Explanation of Different Interest Rates:
Fixed rates are what they say. The interest rate is fixed for the period agreed - often two to five years. These are ideal for budgeting or if you think rates might increase. You do not benefit if rates fall, and will face penalties if you try to move or remortgage.

Discounted rates offer a discount off the lender's Standard Variable Rate (SVR). The rate you pay will fluctuate in line with changes in the variable rate. The discount applies over a set term of say 2-5 years.

Tracker rates work in a similar way to discounted rates but instead of being linked to the lenders Standard Variable Rate, they are linked to the Bank of England Base Rate and/or to LIBOR (London Inter-Bank Offer Rate). This means you get a truer reflection of rate changes and when rates fall, it is often the case that your tracker rate falls quicker than a corresponding discounted rate.

Capped rates are set at an upper limit, but if rates fall you pay the lower rate. Such deals can be a good buy for budgeting but are not very common at the moment.

Variable rates mean you pay the going rate on your loan. The mortgage rate changes every time interest rates change or, as in most cases, the overall effect of any interest rate changes is calculated once a year and payments are altered accordingly. Whatever kind of mortgage you start with, it is likely to change to variable rates at some point.

Cashback deals are where lenders offer money back if you take out a particular product, this can be anything up to 10% of the loan amount, and are usually charged at the lenders Standard Variable Rate, but can be any of the above options. Sounds great but watch out for large Early Repayment Charges.

Other things to think about:
Very low rates may tempt you, but they do come at a price. See how long you will have to stay with the lender before you can switch without penalty.

A flexible mortgage is great but unless you use the flexible options then a traditional mortgage might offer better value. Making overpayments at the right time could save you money.

A mortgage with daily interest calculations but a slightly higher interest rate than a mortgage with annual interest calculations could actually be cheaper.

Paying lender fees for a lower rate could work out cheaper over the term of the mortgage.

Choosing a lender with slow service could leave you on a higher rate while waiting for the mortgage to complete making that fantastic deal not so fantastic after all.

Explanation of the possible fees involved:

Mortgage Indemnity Guarantee (also known as High Percentage Lending Fee):

For high Loan to Value (LTV) mortgages i.e. where the loan is not much less than the value of the property, it is common practice for the lender to take out a form of ‘insurance’ to protect against some, or all of the losses incurred, if the property needs to be taken into possession because of serious arrears. It is common practice for lenders to pass this charge on to the borrower.

Depending on the amount of loan and the LTV the Mortgage Indemnity Guarantee charge can be a significant cost e.g. a £47,500 mortgage on a purchase price / valuation of £50,000 would result in a £750 charge on a typical MIG charge of 7.5% on a normal lending limit of 75% loan to value. Most lenders have a different name for this charge i.e. it may appear on the mortgage Offer as Mortgage Indemnity Charge, or High Percentage Lending Fee.

There are some important facts to understand about the mortgage indemnity guarantee (MIG). It acts as a form of insurance for the lender not the borrower. This means that the lender can claim part or all of its ‘losses’ incurred repossessing the property from the insurance company providing the MIG cover.

Note that even after repossession the former borrower will remain liable for any sums owing (shortfall between selling price and mortgage outstanding plus arrears, lenders legal costs and any other charges applied to the mortgage) and can be pursued by the insurance company for payment at a subsequent date.

Arrangement/Booking Fees:
Both can be either up-front fees/charges levied at the outset of the mortgage or added to
the loan amount on completion, or deducted from the loan funds sent to the solicitor on completion.

A booking fee will normally be required with the application form. A booking fee is paid to reserve funds on a mortgage product that has limited funds available e.g. a first-come,
first-served fixed rate. Booking fees are often non-refundable, so if the mortgage applicant cancels the mortgage application before completion the fee will not be reimbursed.

An arrangement fee is typically charged on completion of the mortgage. Arrangement fees
are common on most types of mortgages. Frequently they can be added to the mortgage hence the fee does not become an ‘out of pocket’ expense.

Survey Fees:
The amount charged to conduct a valuation of the property on behalf of the lender. It is important to note that the valuation is carried out on behalf of the lender - not the mortgage applicants! Frequently lenders include an administration fee as part of the valuation fee collected to cover the costs of arranging the valuation. The valuation does not represent a detailed inspection. For peace of mind it may be appropriate to obtain a ‘Homebuyers Report’ or a ‘Full Structural Survey’. These are more detailed than a lender valuation but they produced on behalf of the applicant. They are more expensive than the lenders valuation.

Solicitor's Fees:
It is necessary to have a solicitor or licensed conveyancer to act on behalf of the mortgage applicant and the lender in the house purchase or remortgage transaction. The costs will be greater for house purchase than for remortgage. It is the role of the solicitor or licensed conveyancer to note ownership of the property on the title deeds; note the lenders interest in the property; register the transaction with the Land Registry and conduct searches to identify if there may be factors which could affect the property e.g. coal mining search to check for subsidence; check to see if there are some planned major road developments going through the back garden etc.

Broker's Fee:
Depending on the complexity and the man hours involved in a case we may also charge a Client Fee. Should this be the case, you will be requested to sign a separate fee agreement,
detailing the scale of fees chargeable and the terms, prior to any commitment on your part and processing of any applications. Please refer to our Initial Disclosure Document.

Stamp Duty:
Purchase tax on a property over £120,000, = 1% of the purchase price, over £250,000 = 3%
of the purchase price, over £500,000 = 4% of the purchase price. This is collected by the solicitor before the completion of the purchase, and is a tax levied by the Government.