Consumer

Mortgage advice you can depend on

Whether buying your first home, buying to let, or remortgaging it's a big commitment. This guide aims to help you understand what you need to think about making you feel more confident about your financial decisions

If you want to learn more and receive advice tailored to your personal circumstances, please get in touch.

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YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT

Some buy to let mortgages are not regulated by the Financial Conduct Authority

Our Lenders

As part of Openwork Ltd, we can access competitive rates from most of the UK's best-known lenders.

Residential & Buy to Let

ACCORD MORTGAGES · Aldermore · Bank of Ireland UK for Intermediaries · BARCLAYS · BM SOLUTIONS FROM BIRMINGHAM MIDSHIRES · Clydesdale Bank Intermediaries · COVENTRY for intermediaries · Danske Bank · FLEET MORTGAGES

HALIFAX · HODGE LIFETIME · HSBC · Kensington · KentReliance for Intermediaries · Leeds Building Society · M&S BANK · METRO BANK · Nationwide

NatWest Intermediary Solutions · Newcastle Intermediaries · The Nottingham For Intermediaries · paragon · platform part of The co-operative bank · POST OFFICE Money · Precise Mortgages · Principality Building Society · PROGRESSIVE BUILDING SOCIETY

Sainsbury's Bank for Intermediaries · Santander for Intermediaries · SCOTTISH WIDOWS · SKIPTON INTERMEDIARIES · TESCO Bank · the mortgage works common sense lending · TSB · Virgin money

Specialist Lending

Self-Build	Large Loans		Second Charges & Bridging	Specialist Lending	Buy to Let	
BUILDLOAN	Capricorn financial Consultancy	largemortgageloans.com	enterprise FINANCE	tfc homeloans	tbmc	tfc homeloans

Commercial

Commercial Finance Brokers UK · enterprise FINANCE · FIDUCIA commercial solutions TRUST SECURITY CONFIDENCE · tbmc

Introducer Partners

Overseas	Equity Release	Conveyancing	Surveying
CONTI MORTGAGES OVERSEAS	key	Openwork Conveyancing	Openwork Surveying

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The importance of affordability

Buying a property, for many, will be the biggest financial decision they make in life. Both your income and outgoings will make a difference to the mortgage products that meet your requirements.

The EU Mortgage Credit Directive of 2015 introduced stricter lending criteria which led to mortgage lenders having to take greater steps to check affordability – including on remortgages.

These rules require your lender to check you can afford your repayments now and in the future. To do this, they will need information about your income and outgoings. You will have to tell them if you expect your income and outgoings to change in a way that means you'll have less to spend on your mortgage payments. You will also need to give your mortgage lender evidence of your income.

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Types of Mortgages

Before you choose a specific deal, you need to decide what type of mortgage is the most appropriate for your needs.



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Types of Mortgages

Variable rate

Your monthly payment fluctuates in line with a Standard Variable Rate (SVR) of interest, set by the lender. You probably won't get penalised if you decide to change lenders and you may be able to repay additional amounts without penalty too. Many lenders won't offer their standard variable rate to new borrowers.

Flexible mortgages

These schemes allow you to overpay, underpay or even take a payment 'holiday'. Any unpaid interest will be added to the outstanding mortgage; any overpayment will reduce it. Some have the facility to draw down additional funds to a pre-agreed limit.

Tracker rate

Your monthly payment fluctuates in line with a rate that's lower, or more likely higher than a chosen Base Rate (usually the Bank of England Base Rate). The rate charged on the mortgage 'tracks' that rate, usually for a set period of two to three years. You may have to pay a penalty to leave your lender, especially during the tracker period.

You may also have to pay an early repayment charge if you over pay extra amounts during the tracker period. A tracker may suit you if you can afford to pay more when interest rates go up – and you'll benefit when they go down. It's not a good choice if your budget won't stretch to higher monthly payments.

Offset mortgages

Taking out an offset mortgage enables you to use your savings to reduce your mortgage balance and the interest you pay on it. For example, if you borrowed £200,000, but had £50,000 in savings, you would only be paying interest on £150,000. Offset mortgages are generally more expensive than standard deals, but can reduce your monthly payments, whilst still giving you access to your savings.

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Types of Mortgages

Discounted rate

Like a variable rate mortgage, your monthly payments can go up or down. However, you'll get a discount on the lender's SVR for a set period of time, after which you'll usually switch to the full SVR. You may have to pay a penalty for overpayments and early repayment, and the lender may choose not to reduce (or delay reducing) its variable rate – even if the Base Rate goes down.

Discounted rate mortgages can give you a gentler start to your mortgage, at a time when money may be tight. However, you must be confident you can afford the payments when the discount ends and the rate increases.

Fixed rate

With a fixed rate mortgage the rate stays the same, so your payments are set at a certain level for an agreed period. At the end of that period, the lender will usually switch you onto its SVR (see 'Variable rate'). You may have to pay a penalty to leave your lender, especially during the fixed rate period.

You may also have to pay an early repayment charge if you pay back extra amounts during the fixed rate period.

A fixed rate mortgage makes budgeting much easier because your payments will stay the same - even if interest rates go up. However, it also means you won't benefit if rates go down.

Government-backed schemes

Over recent years the government has backed a number of schemes – such as 'Help to Buy' – to support homebuyers. We can explain the details of these schemes and whether you can benefit from them.

Please see our Help to Buy guide for more details.

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Repayment methods

The two most common ways of repaying your mortgage are capital repayment and interest only.



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Repayment methods

Capital repayment

On a repayment mortgage your monthly payments will comprise a portion to pay the interest on the money you've borrowed, as well as a portion to repay the capital sum (the amount you borrowed).

The benefit of capital repayment is that you can see the mortgage reducing each year (albeit very slowly in the early years) and you are guaranteed to repay the debt at the end of the mortgage term, as long as payments are maintained.

On a capital repayment mortgage the shorter the term you pay your mortgage over the bigger the monthly payment will be. By having a longer term you may benefit from a lower monthly payment but you will pay more interest to the lender over the term. You will need to think about how soon you want to be 'mortgage free' and balance this up with the mortgage term that makes the monthly payments affordable.

The most common way of repaying your mortgage is capital repayment.

Interest only

If you opt for an interest only loan, your monthly payments will only cover the interest on the mortgage balance. The capital (the amount you borrowed) will remain the same and will need to be repaid at the end of your mortgage term. This means you will need a separate investment or combination of investments to generate the capital required, and you will need to prove that you can afford to do this. The value of investments can go down as well as up and you may not get back the original amount invested.

For an interest only mortgage, the lender will need to see your plan for repaying the loan when the interest only period ends. If you fail to generate enough to repay your mortgage by the end of the mortgage term, you may be forced to sell your property.

With an interest only mortgage, you must be able to demonstrate how you will repay the capital sum at the end of the term.

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Costs involved

It’s easy to underestimate the costs involved when buying a property.

Many people underestimate the costs involved when buying a property. Here’s a summary of the main costs you could incur.



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Costs involved

Valuation fee

Lenders may ask you to pay the valuation fee. The type of valuation you choose will depend on factors such as the age and condition of the property.

Application/Arrangement fee

This is the costs your lender will charge you for arranging your mortgage. Some lenders will allow the fee to be added to your mortgage, but this means you will be charged interest on it over the term of the mortgage.

Legal costs and fees

The fees charged by a solicitor include the charge for conveyancing (the transfer of ownership of land), and the costs of legal registrations and miscellaneous costs (known as disbursements) such as Local Search fees and Land Registry fees. Some lenders may offer to finance some or all of the legal costs as an incentive.

Higher lending charge

If the amount you wish to borrow is greater than a certain proportion of the property's value (typically 75%), you may incur a higher lending charge.

Early repayment charge (ERC)

Lenders may charge an ERC if you make an overpayment in excess of any stated limit, if the loan is repaid early or you remortgage during early repayment period. This can sometimes be a significant amount, so you should always check the terms in the offer letter from your lender.

Deeds release or exit fee.

Lenders may charge a fee to release the deeds of a mortgaged property to you or a new lender.

Our advice fee

Before we get started, we will explain how we will be paid for arranging your mortgage.

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Costs involved

In England and Northern Ireland, you can be liable to pay Stamp Duty Land Tax when you buy a residential property or a piece of land. In Scotland you will pay Land and Buildings Transaction Tax and in Wales you will pay Land Transaction Tax.

If you're a first-time-buyer in England or Northern Ireland, you will pay no Stamp Duty on properties worth up to £300,000. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Stamp Duty Land Tax

You must pay Stamp Duty Land Tax (SDLT) if you buy residential property or land over £125,000

Residential property SDLT rates up to £125,000	Zero
The portion from £125,001 to £250,000	2%
The portion from £250,001 to £925,000	5%
The portion from £925,001 to £1.5 million	10%
The portion above £1.5 million	12%

Buyers of additional residential properties, such as second homes and buy to let properties, will have to pay an extra 3% in Stamp Duty on top of current rates for each band.

Land and Buildings Transaction Tax

You must pay Land and Buildings Transaction Tax (LBTT) if you buy a residential property or land over £145,000

Residential property LBTT rates up to £145,000	Zero
The portion from £145,001 to £250,000	2%
The portion from £250,001 to £325,000	5%
The portion from £325,001 to £750,000	10%
The portion above £750,000	12%

Buyers of additional residential properties, such as second homes and buy to let properties, will have to pay an extra 4% in Land and Buildings Transaction Tax on top of current rates for each band

Land Transaction Tax

You must pay Land Transaction Tax (LTT) if you buy a residential property or land over £180,000

Residential property LTT rates up to £180,000	Zero
The portion from £180,001 to £250,000	3.5%
The portion from £250,001 to £400,000	5%
The portion from £400,001 to £750,000	7.5%
The portion from £750,000 to £1.5 million	10%
The portion above £1.5 million	12%

Buyers of additional residential properties, such as second homes and buy to let properties, will have to pay an extra 3% in Land Transaction Tax on top of current rates for each band.

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What else do you need to know?

Buying a property isn’t just about the right mortgage; it also involves solicitors, surveys and insurance.



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What else do you need to know?

Surveying

Before giving you a mortgage, your lender will instruct a survey to confirm the price you're paying for the property is appropriate. The most common types of survey are:

- **Basic mortgage valuation**
  This is for the lender's own purposes to confirm the property provides security for the loan.
- **Homebuyer's report**
  This provides brief information on the property's condition. The report will include comments on the property's defects and the valuer's opinion as to its marketability.
- **Full structural survey**
  This report is the most comprehensive survey it is based on a detailed examination of the property.

Solicitors

Before going ahead with a property purchase you may need to appoint a solicitor or conveyancer to act on your behalf. They will undertake the legal work required to ensure the ownership (title) of the property and land transfers successfully.

If you don't already have a solicitor who undertakes conveyancing work, we can recommend one using a specialist company that provides access to a nationwide network of solicitors.

Some lenders will offer to pay for the basic mortgage valuation as an incentive. You may also want to consider one of the more detailed surveys, depending on the age and condition of the property. In most cases you can use the same surveyor to carry out both surveys, but there's nothing to stop you appointing an independent surveyor should you choose to do so. We can help you do this.

Solicitors, valuers and surveyors are not regulated by the Financial Conduct Authority.

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What else do you need to know – Tax implications

Tax relief on interest costs

Previously, landlords could deduct all finance costs from their rental income, with net profits taxed at the landlord's marginal rate. In April 2017 tax relief for finance costs started to reduce. The reduction is being phased in up until April 2021, when this will be restricted to a basic rate tax credit, currently 20%.

Wear and tear

Since April 2016, when wear and tear rules were last updated, landlords can only reclaim the actual cost of furnishings that have been replaced in the tax year. You also have to provide receipts showing what was replaced.

This information does not constitute tax advice. For more details on how this will affect your circumstance you should consult with an independent tax adviser. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Protecting your Investment

It’s important to protect your property, its contents, and your ability to keep up with your mortgage repayments should the unexpected happen.



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Protecting your Investment

Buildings insurance

All lenders require you to fully insure the property for the total cost of rebuilding it. Buildings insurance covers your home and it's fixtures and fittings.

Contents insurance

Contents insurance protects your household goods and personal property.

Critical illness insurance

This insurance pays out a lump sum if you're diagnosed with a specified critical illness such as cancer, stroke or heart attack. You can use the cash payout to clear your mortgage, pay for medical treatment or anything else you choose.

Serious illness cover

Serious illness cover pays out a cash lump sum of between 5% and 100% of the total cover depending on the severity of the illness.

Income protection

This can replace part of your income if you're unable to work for a long time because of illness or disability. It will pay out until you return to work, the policy ends or in the event of your death. Income protection plans usually have a waiting period before the benefit becomes payable, and the longer the waiting period you choose, the lower the monthly premium.

Landlords insurance

This will protect your property while it's rented out. This can cover the building itself, any contents belonging to you as the landlord, and your legal liabilities as a property owner.

Life insurance

If you die unexpectedly, a Life Insurance policy will pay out a cash sum to your family. Mortgage Protection is a type of Term Assurance where the amount of cover decreases over the term of the policy, tying in with the outstanding amount on a repayment mortgage.

Mortgage payment protection insurance (MPPI)

Also known as accident sickness and unemployment (ASU) cover, MPPI helps you keep up your mortgage repayments if you can't work because of redundancy, accident or ill-health. Benefits are usually paid for 12 months, although some providers offer 24 months' cover for accident and sickness only.

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Specialist Lending

If you’re looking for buy to let, second charge loans, or bridging finance, you’ll have specialist requirements that set you apart from a standard residential purchaser.

We can access second charge loans and bridging finance through Enterprise Finance. We do not advise on second charge mortgages. If you need a second charge mortgage we will refer you to Enterprise Finance, a master broker for second charges, who will be able to advise you.

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Specialist Lending

Buy to Let

Whether you're an experienced landlord or just starting out, you'll have specialist requirements that set you apart from a standard residential purchaser.

We can access the major lenders in the buy to let market including those specialising in lending to professional landlords and consumer buy to let. We've also developed relationships with general insurers who've designed specialist landlords' buildings and contents policies.

Please see our buy to let guide for more information.

Second charge loans

Second charge loans can be secured against residential or buy to let properties. They are provided by specialist lenders and are generally short-term loans secured against the property, but where the lender has second call on the property if the borrower defaults. Second charges tend to be more expensive than 'firsts'. However, they may still be the best option for people seeking to raise capital – but whose main lender is unwilling to provide further finance, or where expensive early redemption charges would be incurred. We act as a credit broker not a lender.

Bridging finance

A bridging loan is taken out to 'bridge' the gap between the purchase of a new property and the sale of an existing one. Loans are generally short-term and secured on the existing property, but repaid as soon as this is sold. 'Bridges' may help you secure your new property, but you should be aware that they can be expensive and if the sale of your existing property falls through, you will be left paying two loans at once.

Some Buy to Let and some bridging loans are not regulated by the Financial Conduct Authority. We can access second charge loans finance through Enterprise Finance. We do not advise on second charge mortgages. If you need a second charge mortgage we will refer you to Enterprise Finance, a master broker for second charges, who will be able to advise you.

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Working with you

Helping you put your plans into action.



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Working with you

Getting to know you

We will want to learn more about you, your circumstances, and your overall financial position. We'll also want to hear your thoughts on which type of mortgage you believe is right for you, before we talk you through the pros and cons of each option.

What we must tell you

When you first speak to us, we have to tell you what our charges are and how they are paid. We also have to say if there are any limits to the range of mortgages we can recommend for you.

Researching the options

Using our expert knowledge and database of several thousand mortgages, we will find the ones that are most suitable for your needs.

Recommending the right solution

Once we have identified the options available, we'll meet with you again or discuss our recommendations over the phone. We'll also write to you so you can review what we have suggested, and why.

Assuming you're happy with our recommendation, we'll work with you to complete the application forms and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the vital areas of financially protecting your new property and we'll stay in touch throughout the process – and into the future.

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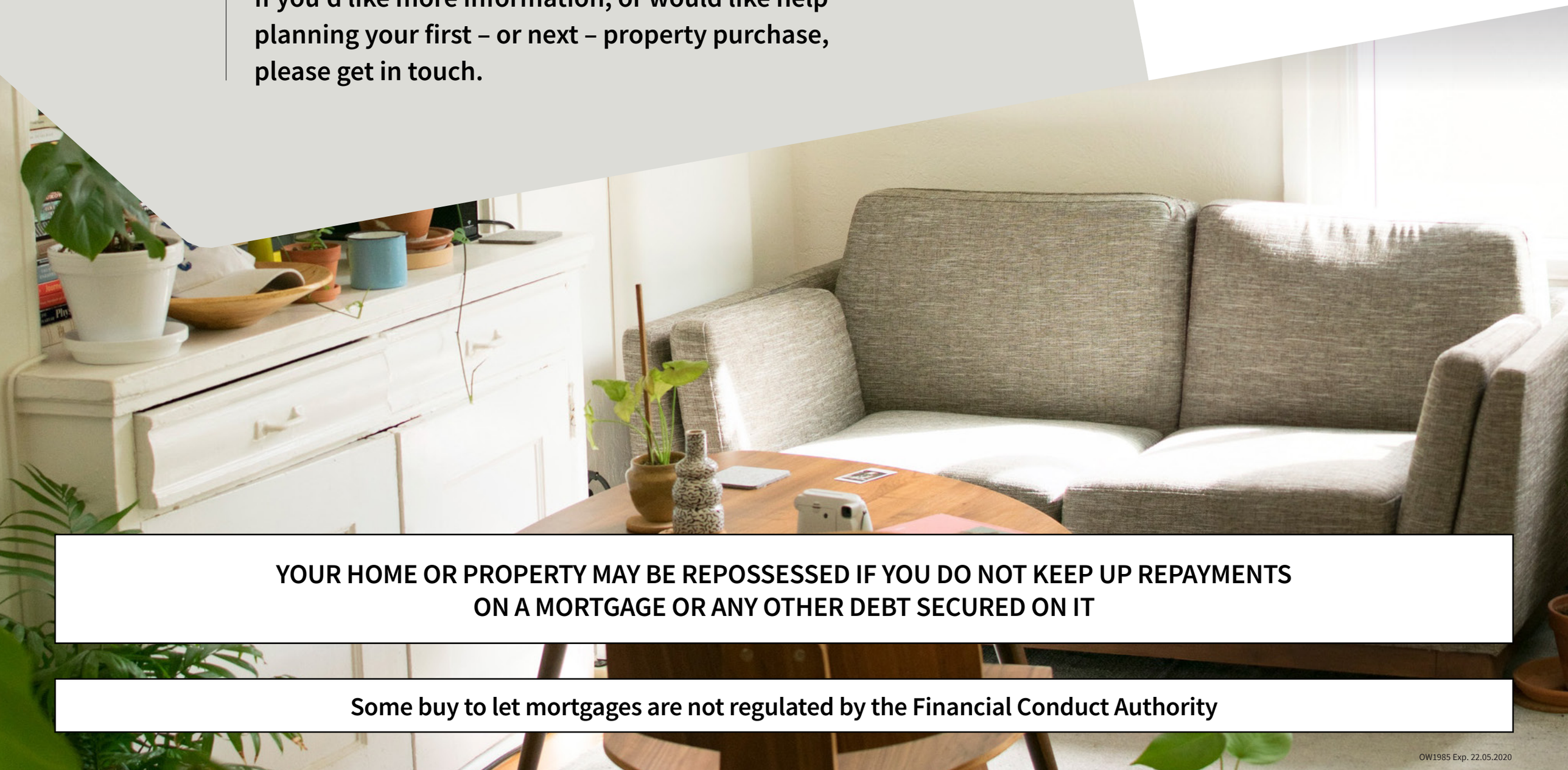
Next steps

We hope this guide has given you a broad insight into what's involved in the property purchase process.

There are many types of mortgages available, numerous additional things to think about and costs to bear in mind.

If you'd like more information, or would like help planning your first – or next – property purchase, please get in touch.

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