Mortgage advice you can depend on

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

SOME BUY TO LET MORTGAGES ARE NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY

PART OF THE Openwork PARTNERSHIP

Whether you’re buying your first home, buying to let or remortgaging, it’s a big commitment. This guide aims to highlight some of the aspects you’ll need to consider, to help you feel more confident about your financial decisions.

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

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

Our Lenders

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

Residential

Specialist Lenders

Commercial

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The importance of affordability

For most of us, buying a home will be the biggest financial decision we'll ever make.

When finding a mortgage product that will meet your requirements, both your income and outgoings will play a part.

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, both now and in the future. To do this, they will need information about your income and outgoings. You will have to inform them if you expect your income and outgoings to change in a way that means you'll have less to spend on your mortgage repayments. You will also need to provide your mortgage lender with evidence of your income.

Types of Mortgages

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

Variable rate

Your monthly payment fluctuates in line with a standard variable rate (SVR) of interest, which is set by the lender. You probably won't get penalised if you decide to change lenders and you may also be able to repay additional amounts without incurring a penalty. Many lenders won't offer their SVR 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, while 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 be liable to pay an early repayment charge if you overpay on your mortgage during the tracker period. A tracker mortgage may suit you if you can afford to pay more when interest rates go up – and, of course, 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

An offset mortgage enables you to use your savings to reduce both 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 have to pay interest on £150,000. Offset mortgages are generally more expensive than standard deals – but they can reduce your monthly payments whilst still allowing you to access to your savings.

Types of Mortgages

Discounted rate

Like a variable rate mortgage, your monthly repayments 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 be switched to the full SVR. You may have to pay a penalty for both overpayments and early repayment and the lender may choose not to reduce (or to delay reducing) its variable rate – even if the base rate goes down.

Discounted rate mortgages have the advantage of offering a gentler start to your mortgage repayments, at a time when money may be tight. However, you must be confident that you'll be able to afford your repayments when the discount period 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.

You may have to pay a penalty to leave your lender, especially during the fixed rate period. You may also be liable to pay an early repayment charge if you overpay during the fixed rate period. A fixed rate mortgage makes budgeting much easier because your payments will stay the same during the fixed rate period - even if interest rates go up. On the other hand, it also means you won't benefit if rates go down.

Government-backed schemes

In recent years, the government has backed a number of schemes (the 'Help to Buy' and 'Shared Ownership schemes, for example) to support aspiring homebuyers. We can explain how these schemes work and whether you meet the eligibility criteria to benefit from them.

Repayment methods

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

Capital repayment

On a repayment mortgage, your monthly payments will partly go towards repaying the interest accrued on the money you've borrowed and partly towards repaying the capital sum (i.e. the amount you borrowed).

The benefit of capital repayment is that you'll be able to see your outstanding mortgage reducing each year (albeit very slowly in the early years), and you are also guaranteed that your debt will be repaid at the end of the mortgage term, as long as you keep up your payments.

On a capital repayment mortgage, the shorter the term you pay your mortgage over the bigger your monthly payments will be. By having a longer term, you may benefit from a lower monthly payment, but you will also pay more interest to the lender over the mortgage term.

You will need to think about how soon you want to be 'mortgage free' and weigh this up against a mortgage term that makes your monthly repayments affordable.

Capital repayment is the most common way of repaying your mortgage.

Interest only

For an interest only mortgage, your monthly payments will only cover the interest on your mortgage balance. The capital you owe (i.e. the amount you borrowed) will not go down and you will need to repay this in full at the end of your mortgage term. This means you will need to make a separate investment or combination of investments to generate the capital required, and you will also need to prove that you can afford to do this. You should bear in mind that 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.

Costs involved

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

Valuation fee

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

Application/Arrangement fee

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

Legal costs and fees

The fees charged by a solicitor will include their conveyancing fee (i.e. for the transfer of land ownership), as well as charges for legal registrations and other miscellaneous costs (known as disbursements) such as local search fees and Land Registry fees. Some lenders may offer to finance some or all of your legal costs as an incentive.

Higher lending charge

If the amount you wish to borrow is greater than a specified 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 if you remortgage during the early repayment period. This can amount to a significant cost, so you should always check the early repayment 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.

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.

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 £1,500,000	10%
The portion from £1,500,001 and above	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 from £750,001 and above	12%

Buyers of additional residential properties costing more than £40,000, 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 £750,001 to £1,500,000	10%
The portion from £1,500,001 and above	12%

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

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

What else do you need to know?

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

Surveying

Before offering 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

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.

Protecting your Investment

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

Buildings insurance

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

Contents insurance

Contents insurance protects your household goods and personal property.

Critical illness insurance

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

Income protection

This can replace part of your income if you're unable to work for a long period of time as a result 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; the longer the waiting period you choose, the lower your monthly premium will be.

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 your repayment mortgage.

Mortage 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 accident or ill-health. Benefits are usually paid for 12 months, although some providers offer 24 months' cover for accident and sickness only.

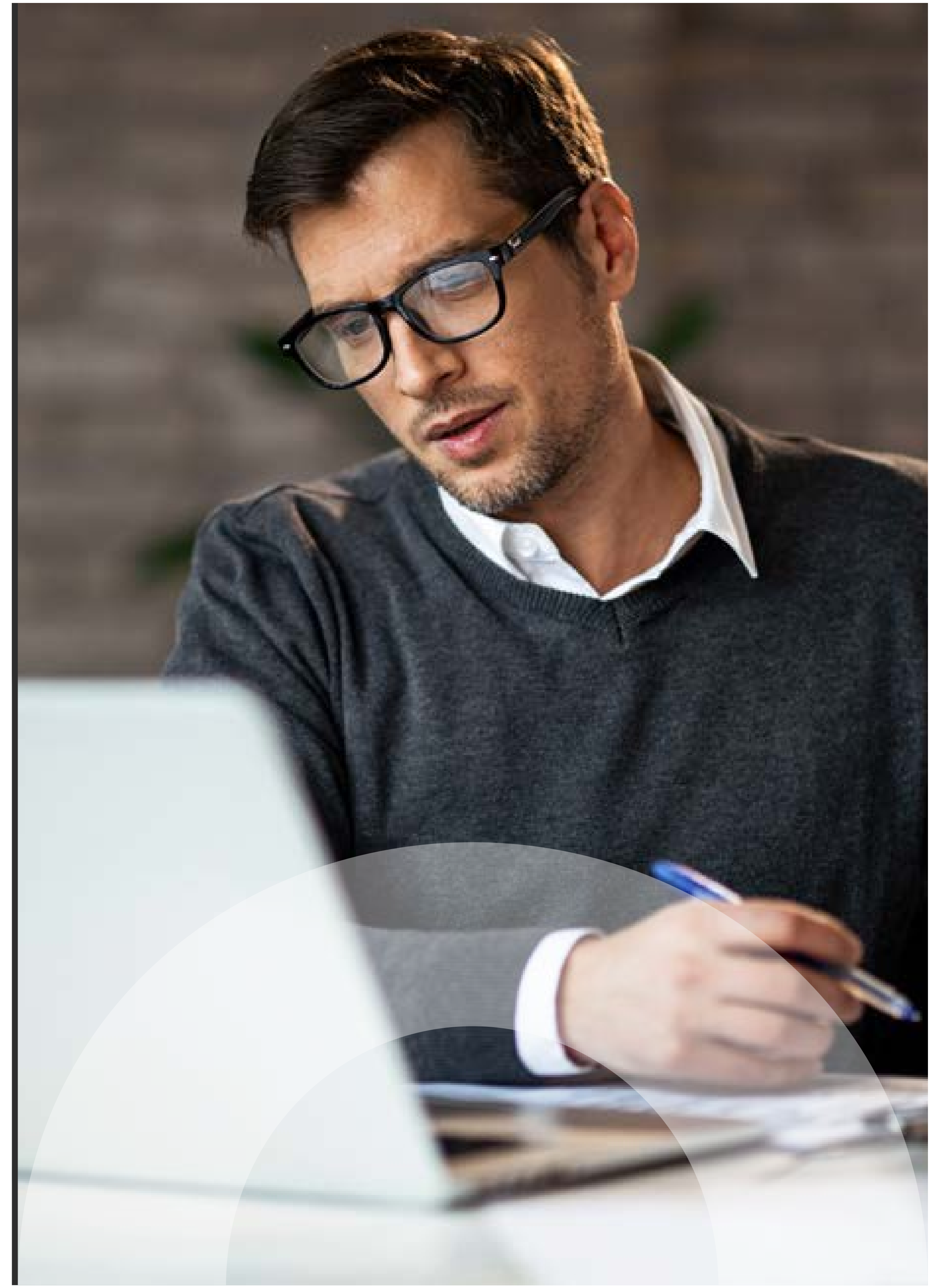
Serious illness cover

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.

Specialist Lending

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

We do not advise on second charge mortgages. If you need a second charge mortgage a master broker for second charges who will be able to advise you.



Renting out your property

Buy to Let

Whether you're an experienced landlord or just starting out, your requirements will be different from those of a standard residential homebuyer. We have access to the major lenders in the buy to let market, including those which specialise in lending to professional landlords and consumers. Over the years, we have also developed relationships with general insurers, who have designed specialist landlords' buildings and contents policies.

Second charge loans

Second charge loans are provided by specialist lenders and are generally short-term loans that can be secured against the residential or buy to let properties. The difference between second charge loans and standard mortgages is that 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 in cases where their main lender is unwilling to provide further finance, or where expensive early redemption charges would be incurred. If you are purchasing a property with the help of a shared equity loan, our advice will also cover the shared equity second charge. However, we do not advise on any other second charge mortgages. If you need a second charge mortgage we will refer you to a master broker for second charges, who will be able to advise you.

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 against the existing property, but are repaid as soon as this is sold. 'Bridging' loans may help you to 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 could be left paying two loans at once.

Some buy to let and some bridging loans are not regulated by the Financial Conduct Authority.

If you need a second charge mortgage we will refer you to a master broker for second charges, who will be able to advise you.

Working with you

Helping you put your plans into action.

Getting to know you

When you get in touch with us, 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 walking 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 to be 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 deals 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 recommendations, we'll work with you to complete the application forms and liaise with your solicitor, valuers and surveyors on your behalf. We can also talk you through the vital areas involved in financially protecting your new property and we'll stay in touch throughout the process – and into the future.

Next steps

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

There are many types of mortgages available, a wide range of aspects to consider and additional 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.

We are part of The Openwork Partnership, a trading style of Openwork Limited, which is authorised and regulated by the Financial Conduct Authority.

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