



Everything you need to know about Mortgages

For most people buying a property the biggest ongoing cost is the mortgage - simply a loan secured against a property. You can't sell the property without paying off the mortgage first and if you don't keep up the repayments the lender can repossess the property.

Because of the credit crunch, it is vital that you secure a mortgage with a lender before starting the searching process. This way, when you find the right property, you will avoid being beaten to it by another buyer and you will also be in a much stronger negotiating position.

Generally, the best mortgage deals are available to people who put in at least 15% of the property's value, leaving the mortgage company to lend the other 85%.

If you put in less than 10%, you may have to pay a "Higher Lending Fee" (sometimes called a Mortgage Indemnity or a Mortgage Guarantee Charge) which will add to the cost of your mortgage.

As a rough guide, providing the amount you are borrowing is at least 85% of the property value, budget to add 1.75% onto the Bank of England base rate, which will give you a ball park figure of the likely annual interest rate.

Finding a Mortgage

- Firstly, get a rough idea of what's available. Your estate agent should be able to help you with this as a starting point.
- If you already have a relationship with a **bank or building society**, see what they have to offer.
- If your circumstances or the property you want to buy are unusual it may be worth asking your

estate agent if they know a good "intermediary" such as a **mortgage broker** who can help. Always ask if they search the whole market or just a small set of lenders, and how much they charge.

- **Home builders and developers** often have attractive mortgage deals.
- **Your employer** - some financial firms have mortgage schemes for staff.

If you are a council or Housing Association tenant, are on a low income or a key worker there may be other options available.

You may also be able to get help from your parents if they are prepared to act as a guarantor on a mortgage.

How a Mortgage Lender Assesses You

Mortgage lenders will take your credit history into account as well as your incomings. They are particularly interested in how often you have defaulted on other payments, your existing credit agreements, if you have any County Court Judgments or if you have been declared bankrupt.

If your credit rating is poor, you may be able to get a **Sub Prime Mortgage** deal where you'll probably pay a higher mortgage rate. Alternatively, you could wait until your credit record has improved. With mortgage lenders tightening their criteria, 'risky' borrowers will unfortunately find it increasingly difficult to obtain finance.

It's possible to check your credit reference file with the UK's main credit reference agencies: Experian, Equifax or Callcredit. Access to your file only costs a few pounds. If you see anything that's wrong you can challenge its validity.

If you are self-employed you'll probably have to show the lender income from your business for at least two years and if you are a contract worker, you'll have to prove to the lender that your earnings will continue.

For couples, the lender will look at both incomes. Some lenders will consider groups of up to four people buying together. Think carefully before you buy with friends because each of you will be "jointly and severally liable" meaning you will have to pay the mortgage if one of the others doesn't pay their share.

If you can prove your income is about to increase substantially - perhaps you'll soon qualify as a doctor - some lenders may be prepared to lend more.

While a lender will happily work out what they think you can afford, remember you need to be comfortable too. Make sure you will be able to deal with unexpected extras that crop up. Key questions to ask yourself are:

- Can I continue to live the lifestyle I want if I were to take on this mortgage?
- What if my circumstances change, for example if I want to take a career break to study, have a child or have to look after a sick relative?
- What would happen if I lost my job?
- What would happen if interest rates went up?
- If any or all of these things happen could I still keep up the mortgage repayments?

Budget for rises in interest rates - for example, for every 1% increase in the interest rate on a £100,000 mortgage the interest payment alone jumps by around £83 each month.

Choosing a Mortgage

Once you have read through all the mortgages on offer, you are ready to compare mortgages. Here are some tips:

- If you've got quotes from different lenders make sure you compare them on a like-for-like basis looking at payments, charges and flexibility.
- Ask about the term of the mortgage. Most mortgages are 25 years in length, but you can choose a longer or shorter period if you wish, depending on what you can afford and how quickly you want to be debt free.

- At the end of any special offer periods, you may be switched onto the lender's standard variable rate. So at the end of the period, remember to ask your lender if they have any better products available and don't be afraid to shop around to get the best deal.

Get a Mortgage in Principle

Once you think you've found a mortgage deal you like, the next step is to get a Mortgage in Principle agreement from a lender.

Provided by lenders as a statement that this is what they are prepared to lend the named borrowers subject to approval of the property

To do this they'll need to do a full credit check on you. As each check leaves a "footprint" on your credit file, it's best not to do too many as it can hurt your credit rating.

A Mortgage in Principle will show agents and sellers that you are a serious buyer with a mortgage lined up - and put you a step ahead of other buyers.

Your mortgage company will provide a summary of the mortgage agreement, called the **Key Facts Illustration** showing the total cost of the mortgage, the interest rate, whether there are any penalties for early repayment and any other special conditions.

**Feel free to give us a call on
0845 026 8527**

or visit our website

www.RightEstateAgents.co.uk



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