Prospect Mortgage Services

expert advice - professional service

What you need to know…

Mortgages

*Offering **Independent** Mortgage Advice*

Contact Us: Telephone: +44 (0) 1983 616666
Email: info@prospectmortgage.co.uk

Look us up: **www.prospectmortgage.co.uk**

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relationships

Buying a home may well be one of your biggest financial commitments and it can also seem one of the most daunting. To be able to navigate the mortgage maze you will probably require the services of a number of reliable professionals. With Prospect Mortgage Services, not only do you have the backing of our highly experienced and skilled mortgage specialists but should you wish it, you also have the optional support of locally recommended professionals.

- **Estate Agents**
- **Solicitors / Conveyancers**
- **Accountants**
- **Letting Agents**
- **Surveyors**
- **Help to Buy South**

Prospect Mortgage Services and their advisers are authorised and regulated by the Financial Conduct Authority FCN 647962.

questions?

What is a mortgage?

A mortgage is an agreement between a lender and a home-buyer to provide the home-buyer with a loan to purchase a property. In return the home-buyer will give the lender a ‘charge over the property which is legally binding, so that the lender has rights to ensure that payments are made if the terms of the mortgage contract are breached. If the home-buyer defaults on the loan, the lender can repossess the property and sell it to pay the loan.

How much can you borrow?

Lenders will assess your status and if they are happy they will lend to you based on your calculated affordability. This was traditionally up to five times income, although some lenders would lend more. The calculation for lending usually takes into account guaranteed earnings, with overtime and bonuses considered at an agreed reduced level. If employed, your lender may need to see some recent payslips and may also check your income details with your employer.

If you are self-employed, your last three years accounts may be needed, although some lenders will lend based on one years accounts.

You will also be asked about your regular outgoings such as credit cards or personal loans, to ensure you can afford the mortgage. Some people find it difficult to prove earnings or perhaps they have only been in business a year or two – if so talk to us and we may still be able to help.

How much Deposit?

Normally, you will need to put down a deposit of at least 5% of the value of the property, payable on exchange of contract. A few lenders will offer Shared Ownership or Equity mortgages, such as Help to Buy (more details on request). Mortgages involving a smaller deposit can often carry higher interest rates due to the increased risk factor for the lender.

What is a Mortgage Offer?

You will receive an offer of mortgage from your chosen lender detailing the conditions of the loan. A copy automatically goes to your chosen solicitor.

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What happens on Exchange?

On exchange of contracts, the deposit will be lodged with the seller's / vendor's solicitor and you are legally committed to purchasing the property. After this point, it is not normally possible to withdraw from the purchase without forfeiting the deposit. Before exchange, it is imperative that you understand all the details of your commitment. Never commit yourself financially until you have a formal mortgage offer in writing, the contents of which you are happy with. All necessary insurances need to be in place by the time of exchange, as from this point you are responsible for anything that happens to the property.

When is Completion?

This is when the property finally changes ownership, at a date agreed between you and the vendor It usually occurs shortly after exchange. Your solicitor will complete the legal documentation and arrange for the mortgage money to be paid to the vendor's solicitor. You will have to arrange to collect the keys to the property, which are usually held by the estate agent.

charges?

The cost of buying a home can be daunting, especially if you're buying for the first time. As well as the cost of your new home you need to plan for a number of other charges:

Solicitors fees

You will need to pay a solicitor legal fees for the conveyancing. Also, the cost of land registry charges and local search fees will be passed to you. Ensure you ask us or your solicitor for an estimate of charges before they start work.

Surveys

You will have to pay for a surveyor to value your prospective new home. The lender's Valuation Report is undertaken primarily for the lender's benefit, but you may be allowed to see a copy of the report. The report will tell if there is something seriously wrong with the property but is not detailed. You may wish to take a more detailed survey of the property such as a Home Buyer's Report or a Full Structural Survey. These will cost you extra but can prove to be money well spent. We have an information leaflet all about this on our website.

Stamp duty

Stamp duty is a Government Tax on property purchases above a specified amount. You pay on increasing portions of the property price above £125,000 when you buy a residential property as shown below. If you are a First Time Buyer you don't have to pay any tax up to £300,000 and 5% on the portion from £300,000 - £500,000: (correct at time of print)

Value of property*	% duty payable
Up to £125,000 -	**Nil**
£125,001 – £250,000	**2%**
£250,001 - £925,000	**5%**
£925,001 - £1.5 million	**10%**
£1.5 million +	**12%**

**From 1 April 2016 please add 3% surcharge for properties purchased on a 'Buy to Let' or 'Second Home' basis.*

Application Fees

Some mortgage lenders charge an application fee to cover their initial administration costs. Be aware that not all charges are refundable if your purchase falls through. Some lenders offer mortgage deals that will cover all or some of these fees.

Early Repayment Charges

Many mortgages have financial penalties for early payment or switching of mortgage type. These charges may apply for the entire term of the loan or for a limited period.

Your Prospect Mortgage Services adviser will ensure that you are made aware of any potential charges.

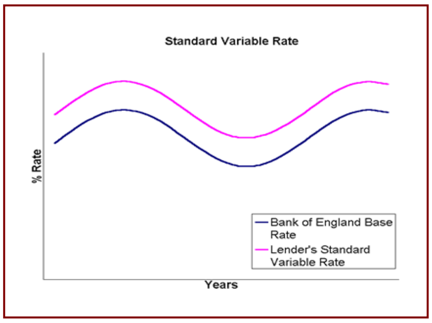
mortgage types?

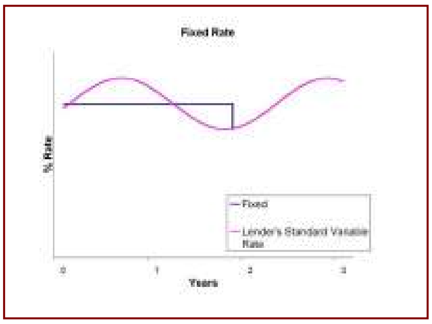
You have a wide range of choice; there are many different types of mortgage to suit many different purposes. Your Prospect Mortgage adviser can help you determine which is the most suitable deal for your circumstances.

Standard Variable Rate (SVR)

Variable rate mortgages are the most familiar type of loan. The interest rate you pay goes up and down during the lifetime of the mortgage, broadly in line with interest rates imposed by the Bank of England. When the rate rises, the amount you have to pay rises, and when the rate falls the amount you have to pay falls.

Some lenders offer a way of levelling out interest rate changes over the year. In this way your payments only change once a year. This usually doesn't affect payments overall, but it does make it easier to budget for the year ahead.





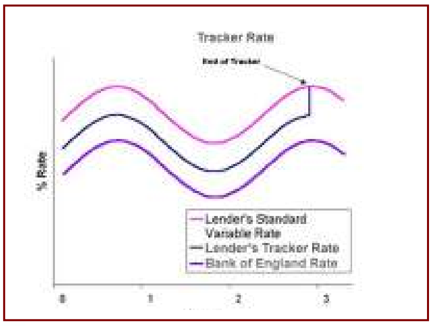
Fixed Rate

A fixed rate mortgage gives you a guaranteed rate of interest for a given period of time, after which it reverts to a standard variable rate. This situation can be very comforting if you have a large mortgage or a tight budget as you can ensure a fixed payment for an agreed term. These are the most popular mortgage arrangements

Bear in mind that, although you benefit when the interest rates rise, you do not benefit when interest rates fall. You should think carefully about how long you want to be locked into the same rate. Fixed interest rate mortgages can have expensive charges if you want to switch to a different interest rate arrangement during the fixed term.

Tracker

A tracker mortgage works follows the rates imposed by the Bank of England. Whereas the standard variable rate mortgage changes monthly or annually a tracker mortgage usually guarantees to follow changes in the bank base rate within 14 days of it happening. Thereby, the borrower benefits from both falls and rises in the interest rate sooner and is more likely aware as to any changes to the Bank rate as it is reported by the media.



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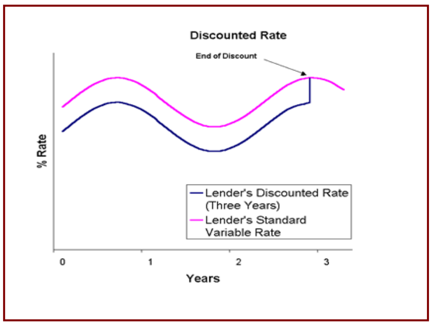

Discounted Rate

Some lenders offer a discount on the SVR rate they normally charge borrowers for a limited period at the start of the mortgage. After the discount period the mortgage reverts to a standard variable rate. The important thing to keep in mind is the amount by which your payments will increase at the end of the discounted term, as this could be a substantial amount.

Cashback

Some lenders offer cash-back mortgages where a small amount is paid to the borrower shortly after purchase completion. These deals can be appealing, particularly to first-time buyers who may need to buy furnishings etc.

Flexible

A flexible mortgage still follows the interest rates imposed by the Bank of England, but it allows you to vary or even suspend payments for periods. You can pay extra amounts to reduce the outstanding loan or build up a reserve to draw upon in the future. You may even be able to stop paying for a certain amount of time, which is particularly useful if money is tight over a certain period. It may be possible to repay your mortgage early if planned effectively.

Lifetime Mortgages

Usually referred to as Equity Release Mortgages and are more suited to older home owners looking for an increase in income or a lump sum for a special event. Under Lifetime Mortgage plans you generally retain full ownership of your property but you obtain a loan secured on it. This loan can either be taken as a lump sum, or used to buy an income (such as an Annuity), and in some cases both. The loan lasts until you, or in joint cases the last survivor, dies or sells the home. Check that this mortgage suits your needs if you later plan to sell your home or if you want your family to inherit it.

repaying?

Repayment / Capital & Interest

A repayment mortgage works in the same way as most other loans, You pay a regular monthly payment that covers the capital borrowed as well as the interest. Provided you always keep up the correct payments, at the end of the term you will have repaid the loan in full.

Interest Only

With this type of mortgage, as the name implies, you repay only the interest. The capital you owe remains constant throughout the mortgage term, In most cases lenders grant this type of repayment on condition that an investment vehicle is in place to repay the capital. Savings plans most commonly used are endowment plans, a personal pension or an ISA. Remember that if you use an investment to repay the capital at the end of the mortgage term, maturity values are not guaranteed and it is your responsibility to ensure that you have enough funds at the mortgage term to repay the loan. We can arrange further advice on these if required.

protection?

A lot of lenders will only provide the mortgage if certain conditions are met. Your Prospect Mortgage adviser will notify you of any insurance conditions with your mortgage choice and can ensure these policies are put in place for you:

Buildings and Contents / Landlords Insurance

If you have a mortgage, you will have to insure your building; lenders include this condition as part of the mortgage contract. Your mortgage lender will tell *you* how much to insure your property for when *you* take out your loan.

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Life Cover

This form of cover is designed to ensure that your family or dependants have the money to repay the loan in full if you were to die unexpectedly during the term *of* the policy.

Critical Illness Cover

This is a form of cover that pays out a lump sum on diagnosis of a specified critical illness, such as cancer or heart disease. You could use the sum for whatever you wish, including paying off your mortgage or covering the costs of any long term care.

Family Income Benefit (FIB)

Designed for parents with children, FIB may be one of the better value protection plans on offer. Rather than delivering a lump sum should you die, it provides a regular, tax-free, monthly (or annual) payment for your dependants - from the time of the claim to the end of the plan term.

Income Protection

With Income Protection *you* can protect yourself and your family financially if you are ill and unable to work for a prolonged period. It can help *you* maintain your monthly mortgage payments and other bills in this situation.

Accident, Sickness & Redundancy

If you have an accident, fall ill or lose your job through no fault of your own, *you* might have major difficulties in continuing to meet your mortgage payments and could even lose your home. Accident, sickness and redundancy cover aims to ensure that your payments are kept up to date for up to 12 months.

what now?

Obtain an Agreement in Principle

Contact your Prospect Mortgage broker to get a mortgage agreed in principle for you. This will make buying your home a lot quicker. Then register with several estate agents to increase the chances of finding your ideal home.

Make an Offer

'Subject to contract' once you have found the property you want.

Complete your Mortgage Application

Your Prospect Mortgage adviser will then help you complete an official application for a mortgage with the lender you have selected.

The Survey

The lender will ask an approved surveyor to conduct a 'valuation report' on the property. You may want to have a more comprehensive survey carried out at additional expense, to ensure that the property is in sound condition. The same surveyor can normally carry out both surveys on the same visit.

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Appoint Solicitor

The solicitor you choose must be acceptable to your lender, as he or she will also act for the lender. The solicitor's main task is to handle the conveyance, which is drawing up the contracts and ensuring that there are no building plans or restrictions affecting the property.

Examine the Valuation Report

This will either approve your mortgage as requested or approve it subject to some conditions. For example - repair work being carried out. Your solicitor might be able to get the seller to pay for this work or to reduce the asking price accordingly. If not, and if you still wish to proceed, get quotes for the work and appoint one firm. The surveyor will usually carry out a further inspection to ensure that the work has been done.

Receive the Mortgage Offer

The lender will confirm agreement of the loan in an "offer of advance" letter to you.

Arrange Mortgage Protection

Your Prospect Mortgage adviser will help you choose suitable cover (acceptable to your lender), and help you complete the appropriate application for Protection cover in connection with the agreed mortgage.

Your solicitor acts for you

Your solicitor searches and completes all of the legal checks and will draw up the contract. Speak to your solicitor for further information.

Contracts are exchanged

Between you and the seller: You will now sign the contract and pay the deposit. Signing the contract legally commits you to buying the property. Your solicitor will give you a completion date.

Arrange immediate Buildings insurance cover

Required for your new property from exchange date.

Start planning your move

Include contacting a removal firm if you need one.

Completion date

Contact the estate agent, arrange to collect the keys. Move in!

the future?

After the move........

Further Advances

Once you've been in your home for a few years, you might think about making major improvements. One way to raise money for home improvements (extension, conservatory, driveway…) is to add a further sum to your mortgage. This route, known as a further advance, is often the cheapest and easiest option.

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Re-mortgages

Currently more and more homeowners change lenders every couple of years to take advantage of better mortgage deals. This is known as re-mortgaging. It is very important to check with us to see what charges, e.g. early repayment fees, you might incur before moving your mortgage.

Second / Holiday Home

More people are now fortunate enough to be in a position to afford a second / holiday home, either as a result of an inheritance, gift or perhaps using equity in their main residence to provide the deposit required. This process is similar to an ordinary residential property.

Buy-to-Let

With most investments unable to keep pace with property values, this mortgage is for those who want to buy a property and let it out. Remember, you are liable for the mortgage payments even if rent has not been received. Lenders will have their own special conditions such as having a formal short term tenancy agreement and adequate insurances. Many lenders will expect you to ensure that the rental income is more than the mortgage payment (usually by 20-30%). Please note that the majority of buy-to-let mortgages are not regulated by the Financial Services Authority.

When buying a buy-to-let it's important to consider the following:

- How will the mortgage be repaid if the property is unoccupied for any time?
- What if the interest rates rise and the rental income is not enough to cover the payment?
- Tenants may have to be evicted. This can take time and may mean going to court.
- As well as normal 'wear and tear', the property may suffer damage from tenants.
- Income tax implications.

Please note that it is not possible to guarantee continuous letting of the property, nor that the rental income, will be sufficient to cover the mortgage.

Your Prospect Mortgage adviser can assist with any of the above, and will be happy to detail the different schemes available and set out for you any costs and in the case of a re-mortgage, potential cost savings.

What to do if you hit financial difficulties

It's vital not to over-commit yourself, either by taking on too large a mortgage or by incurring other debts. If you do find yourself falling behind with mortgage payments, contact both your Lender & Prospect Mortgage adviser at once. Your adviser will assist to find ways try to overcome the difficulties to help you avoid losing your home. If you're concerned about this, your Mortgage Adviser may be able to help you plan a sensible budget.

Contact Us:

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