Street Mortgage Solutions Ltd
32a High Street
Shepton Mallet
Somerset, BA4 5AS

Tel : 01749 600908
info@streetmortgages.co.uk
www.streetmortgages.co.uk

Mortgages – a beginner's guide.

Buying a home is the largest purchase you're likely to make. Before you arrange your mortgage, make sure you know what you can afford to borrow. Find out where to get a mortgage, the different types and how the process works.

- What is a mortgage?
- Your deposit – size matters
- How does a mortgage work?
- Different types of mortgage

What is a mortgage?

A mortgage is a loan taken out to buy property or land. Most run for 25 years but the term can be shorter or longer.

The loan is 'secured' against the value of your home until it's paid off. If you can't keep up your repayments the lender can repossess (take back) your home and sell it so they get their money back.

Working out what you can afford and how much can you afford to borrow

This is where it is crucial to speak to a mortgage adviser that can help you. You might be paying £800 in rent and can afford this, but lenders don't see it this way. They have their own affordability to assess how much you can borrow and what you can afford.

Don't stretch yourself if you think you'll struggle to keep up repayments. Also, think about the running costs of owning a home such as household bills, council tax, insurance and maintenance.

Lenders will want to see proof of your income and certain expenditure, and if you have any debts. They may ask for information about household bills, child maintenance and personal expenses.

Lenders want proof that you will be able to keep up repayments if interest rates rise. They may refuse to offer you a mortgage if they don't think you'll be able to afford it.

Where to get a mortgage

You can apply for a mortgage directly from a bank or building society, choosing from their product range but you will be limited to that bank or building society's products. You will also have to make sure that you fit the bank or building society's lending criteria.

It may be more beneficial to use a mortgage adviser who can compare different mortgages on the market, as well as mortgages which are not offered directly to customers. Some advisers look at mortgages from the 'whole market' while some advisers are limited and look at products from a specific number of selected lenders. When you first contact the adviser, they will tell you which is applicable to them and whether they have any charges.

Taking advice will almost certainly be best unless you are very experienced in financial matters in general, and mortgages in particular.

Applying for a mortgage

Applying for a mortgage is a two-stage process. The first stage involves a basic fact find with your mortgage adviser to work out how much you can afford, and which type of mortgage you need. The second stage is where the mortgage lender will conduct a more detailed affordability check, run a credit search and request evidence of income and expenditure.

Stage 1

The mortgage adviser will ask you a series of questions to work out what kind of mortgage you want, and how long you want it for. They'll also work out your financial situation. This is generally used to provide an indication of how much a lender may be prepared to lend you. They should also give you key information about the product, their service and any fees or charges if applicable.

Stage 2

This is where you begin your application. The mortgage adviser will begin a full 'fact find' and a detailed affordability assessment, for which you will need to provide evidence of your income and specific expenditure, and 'stress tests' of your finances. This will involve some detailed questioning of your finances and future plans that could impact your future income.

The mortgage adviser will then proceed with the application and obtain a decision in principle from the lender. This is prior to full underwriting assessment and valuation. If your application has been accepted following the full underwriting assessment and valuation, the lender will provide you with a mortgage offer explaining the terms and conditions of your mortgage.

This will come along with a 'reflection period' of at least 7 days, which will give you the opportunity to make comparisons and assess the implications of accepting your lender's offer. Some lenders may give you more than 7 days to do this. You have the right to waive this reflection period to speed up your home purchase if you need to.

Street Mortgage Solutions Ltd is an Appointed Representative of Ingard Financial Ltd which is authorised and regulated by the Financial Conduct Authority No 450731. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up your repayments on your mortgage. Registered in England & Wales.
Registered No: 10187594 Registered Office: 20 Chamberlain Street, Wells, Somerset, BA5 2PF

Street Mortgage Solutions Ltd

Your deposit – size matters

When buying a property, you will need to pay a deposit. The more deposit you have, the lower your interest rate could be. When talking about mortgages, you might hear people mentioning “Loan to Value” or LTV. This may sound complicated, but it’s simply the amount of your home you own outright, compared to the amount that is secured against a mortgage.

For example, with a £20,000 deposit on a £200,000 property value, the deposit is 10% of the value/price of the property. The LTV is the remaining 90%. The mortgage is secured against this 90% portion. The lower the LTV, the lower your interest rate is likely to be. This is because the lender takes less risk with a smaller loan. The cheapest rates are typically available for people with a 40% deposit.

How does a mortgage work?

The money you borrow is called the capital and the lender then charges you interest on it until it is repaid. The type of mortgage you are able to apply for will depend on whether you want to repay interest only or interest and capital.

Repayment mortgage

With repayment mortgages, you pay the interest and part of the capital off every month. At the end of your selected the mortgage term, you should have managed to have paid it all off if you kept up with your mortgage payments.

Interest-only mortgage

With interest-only mortgages, you pay only the interest on the loan and nothing off the capital (the amount you borrowed). These mortgages are becoming much harder to come by as lenders and regulators are worried about homeowners being left with a huge debt and no way of repaying it. You must have a separate repayment vehicle plan for how you will repay the outstanding capital loan at the end of the mortgage term.

Combination of repayment and interest-only mortgages

You can ask your mortgage adviser for lenders that will accept a combination of both options, splitting your mortgage loan between a repayment and interest-only mortgage.

Different types of mortgage

Once you’ve decided how to pay back the capital and interest, you need to think about the product type. There are various mortgage products to choose from. Two most common products are fixed or tracker rates.

With a fixed rate mortgage your monthly repayments will be fixed for a certain period – typically two to five years – regardless of what interest rates are doing in the wider market.

If you have a tracker rate mortgage, the monthly mortgage payment depends on the rate tracking the Bank of England base rate.

Street Mortgage Solutions Ltd is an Appointed Representative of Ingard Financial Ltd which is authorised and regulated by the Financial Conduct Authority No 450731. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up your repayments on your mortgage. Registered in England & Wales.
Registered No: 10187594 Registered Office: 20 Chamberlain Street, Wells, Somerset, BA5 2PF

Your next step

Get in touch with Madelein Street at Street Mortgage Solutions in Shepton Mallet either by phoning 01749 600908 or email your enquiry to info@streetmortgages.co.uk

We may charge a fee for our service up to 1%. Our typical fee is £250 payable on application, subject to status. Think carefully before securing other debts against your home.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Street Mortgage Solutions Ltd is an Appointed Representative of Ingard Financial Ltd which is authorised and regulated by the Financial Conduct Authority No 450731. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up your repayments on your mortgage. Registered in England & Wales.
Registered No: 10187594 Registered Office: 20 Chamberlain Street, Wells, Somerset, BA5 2PF