TURNEY
& Associates Ltd

GUIDE TO
RESIDENTIAL MORTGAGES

Email: info@turneyassoc.co.uk | Phone: 01223 329666

WORKING WITH
TURNEY & ASSOCIATES LIMITED

- 30 years plus experience in the mortgage and protection industry.
- Access to the whole of the market including specialist lenders.
- Relieving your stress and supporting you during a significant financial investment.
- Ongoing monitoring and advice as your needs change during your lifetime.
- Topical newsletters to keep you up to date with the latest financial news.

TURNEY
& Associates Ltd

NACFB
HELPING FUND UK BUSINESS

MORTGAGE ADVICE YOU CAN DEPEND ON

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.

01 **You complete our Client Profile form,** as well as providing details of your income and any credit commitments you may have. This allows us to calculate how much you can borrow. This figure will be subject to a property valuation and credit checks.

02 **Issue an illustration based on affordability criteria** after research of the whole market has been completed. If you are happy with the illustration the next step is to obtain a Decision in Principle. This is a soft search that will not affect your credit file. We can issue you a mortgage certificate to present to estate agents detailing how much you can borrow.

03 **Find your home and make an offer.** If there is anything unusual about the property, do not hesitate to contact us to check if a mortgage can be obtained.

04 **Once your offer is accepted,** we can submit a full application to the chosen lender. Further documentation may be requested to support your application.

05 **We can provide a quotation for solicitors** to act on your behalf for the purchase.

06 **Lenders will instruct a valuation** to check the property is suitable security for the loan and that you are paying a fair price. You can also arrange for a more detailed survey if you wish. We can also provide quotes for this service.

07 **If the lender is happy with the documentation** and the survey/valuation, a mortgage offer will be issued to you, your solicitor and us, as your broker.

08 **We can provide a quote for buildings and contents insurance** (it is a legal requirement to have buildings insurance in place at exchange of contracts). We can explore life and critical illness cover at this stage to protect you and your family for the future.

09 **Solicitors will complete all the legal documentation** checks and searches in the background. They will also be liaising with the other solicitors to agree exchange and completion dates.

10 **Completion date - you move into your property.** This process should take approximately 3 months. It is at this stage that our fee becomes due.

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.

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, 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 while still allowing you access to your savings.

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.

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. Please bear in mind it is possible in most cases to change your term to suit your circumstances. 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 a 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. Your level of income and the amount of equity you hold in the property may affect your ability to obtain an interest-only mortgage.

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, this can include sale of the property.

COSTS INVOLVED

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

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 to your mortgage, but this means you will be charged interest on it over the mortgage term. You do have the ability to pay this fee on completion of the mortgage to avoid the additional interest.

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. Most lenders no longer charge this.

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.

Stamp Duty

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. For up to date Stamp Duty figures please visit the Gov.uk website or follow the link to the Stamp Duty calculator on the Turney & Associates Ltd website.

WHAT ELSE DO YOU **NEED TO KNOW?**

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

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 your appointing an independent surveyor should you choose to do so. We can provide you with a quotation to help you decide on what type of survey you would prefer.

SOLICITORS

You will 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.

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

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.
- **Homebuyers 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 based on a detailed examination of the property.

FREQUENTLY ASKED QUESTIONS

What happens when my product comes to an end?

We will contact you around six months before your fixed rate is due to expire, with details of the new product that we are able to secure for you from your current lender, to prevent you going onto the standard variable rate. We will compare your current lender's products with other products available at the time (no fee for this work) and then advise you if it will be more cost effective for you to remain with your existing lender and complete what is called a 'product transfer' (fixing a new interest rate) or if it would be better for you to remortgage with a different mortgage provider. Fees are only charged for a remortgage, but this can nonetheless still result in you being better off (we also charge a fee for further advances).

How do your fees work?

The Broker Fee will be payable immediately upon completion of the Mortgage (purchase, remortgage, or further advance). Please refer to our Client Agreement and terms of business document for full details of our fees and when they are payable.

Why does the illustration show an assumed completion date?

This date is automatically generated by the software used when producing your illustration, and bears no reflection on your actual completion date; it is purely there for illustrative purposes.

Why does the illustration show my first mortgage payment as a different amount to the fixed monthly payments?

When producing illustrations, some lenders show a different first mortgage payment amount to the rest of the fixed monthly payments, this depends on the assumed completion date and again bears no reflection on what your actual first monthly payment will be. Your first monthly payment will depend on your actual completion date and how many additional days are added onto your first month's payment, from the time you complete until the date of your first payment.

What is the conveyancing fee shown on the illustration?

This is an estimate of the fees which will be charged by the solicitors dealing with your purchase/ remortgage, included here to give you an idea of the costs involved with remortgaging/ purchasing property. The solicitor will need to confirm your conveyancing fees once your solicitors have been instructed. We can provide solicitors quotes & recommendations if required.

How long is my illustration valid for?

An illustration is only valid at the time it is produced: interest rates are subject to change at any time, so until an application has been submitted, a mortgage product (i.e. interest rate) cannot be guaranteed.

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 payout 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 insurance where the amount of cover decreases over the term of the policy, tying in with the outstanding amount on your repayment mortgage.

Mortgage payment protection insurance (MPPI)

Also known as accident sickness cover MPPI helps you keep up your mortgage repayments if you can't work because of an 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.

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 whole of market in the buy-to-let market, including those that 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 residential or buy-to-let properties. The difference between second charge loans and standard mortgages is that the lender has a 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.

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.

Consumer Buy to Let mortgages are regulated by the Financial Conduct Authority, however other types of Buy to Let mortgages are not, including some bridging loans.

Your property may be repossessed if you do not keep up repayments on your mortgage or any other debts secured on it.

WORKING WITH YOU

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 as we are a whole of market broker.

Recommending the right solution

Once we have identified the options available, we'll discuss our recommendations with you. 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. This allows us to ensure your mortgage or protection is suitable and provides best value. This is part of our service and is included in the initial fee.

Email: info@turneyassoc.co.uk | Phone: 01223 329666

Turney & Associates Ltd is authorised and regulated by the Financial Conduct Authority. Turney & Associates Ltd is entered on the FCA register under reference 311607. The company is also a member of the Equity Release Council.

Published by Opulent Media Group.
Innovation Centre, Green Street, Northampton, NN1 1SY