ISSUE · ISSUE · 01

HOMEMOVER

· Mortgage Guide ·

HOMEMOVER
Mortgage Guide

The process of selling an existing property to move to a new one is often described as one of life's most stressful experiences. There are a number of factors that need careful consideration when understanding your options and this guide will help make sense of the process.

From selling and buying costs to mortgage affordability, valuations to interest rates, over the following pages we aim to decode the jargon, debunk the myths and shed light on the grey areas.

The homemover guide from The Mortgage Centres is designed to provide you with the knowledge you need to understand your home-buying options, giving you the confidence and peace of mind to relish the excitement of this life-changing experience.

NEVER BE *afraid to ask...*

If something doesn't feel quite right, the chances are it isn't. So always speak up, no matter how trivial you think the question is.

Need some reassurance? **Give us a call.**

START AT *the beginning*

For many homeowners, the vast majority of their money is locked up in their existing property.
The difference between the value of the property and the amount owed on an outstanding mortgage is known as equity and it is important to understand how much this equates to. The equity is what normally forms your future deposit. A first-time buyer will need a pot of cash to pay for fees and provide a deposit, whereas a homeowner could use the equity from the sale of their property.

A good place to start will be to speak to an estate agent to get your existing property valued. Most agents will do this initial valuation free of charge and therefore it’s often worth having valuations carried out by a small number of companies for comparison. At this point you will be able to understand the likely fee an agent will charge so that this can be budgeted for.

THE COSTS *involved*

Now that you have an idea of your level of equity it is important to understand the additional costs involved in the process.
Everyone's situation is different, but here are some things to think about.

STAMP DUTY

Unlike for first-time buyers, this becomes payable as soon as the purchase price of a property exceeds £125,000. This is calculated in a relatively complicated way with the percentage increasing as the property value increases.

If you're buying a second property, there will be an additional charge at the relevant rates at that time. Our Stamp Duty Calculator is quick and easy to use and provides an instant figure for the amount which will be payable.

LEGAL FEES

There are lots of legalities involved in the process of both buying and selling, which will need to be taken care of by a professional, typically referred to as a conveyancer.

LAND REGISTRY FEES

There are certain fees involved with registering a property in your name which are paid to various parties, including the local authority.

OTHER FEES

Depending on your situation, you may need to pay for a number of other services, including a mortgage valuation/surveyor and mortgage adviser.

THERE ARE *no guarantees...*

At the end of the day, a lender will make the final decision on whether or not you can afford to borrow from them, but ensuring your application is realistic will reduce the chances of rejection.

WHAT YOU *can borrow*

Calculating the costs you are likely to incur will enable you to understand how much you will have available for a new deposit.

The amount borrowed in relation to the value of the property is known as the "Loan to Value" and lenders will often offer much more favourable interest rates the lower the loan-to-value percentage is. This is where savings come in handy as anything available to pay for fees or to supplement the deposit will help to keep the mortgage amount down. Many lenders will also allow additional funds such as family gifts to be used for this purpose.

There are many factors that go into deciding how much you can borrow from a lender. When a lender assesses you for a mortgage, they will consider a multitude of things. These include your income, your outgoings, the size of your deposit, how much debt you have ... the list can feel as if it goes on and on.

With no two persons' situation the same, plus every lender having its own set of criteria, it becomes impossible to predict exactly how much you can obtain.

That being said, most lenders have an online affordability calculator that is a great place to get a ballpark figure and help you make some loose plans. But please don't take this figure as final because it could change when a more detailed assessment is made.

One way you can get an accurate idea is to speak to a mortgage broker and that's where our team can help. At The Mortgage Centres, we'll take all your individual factors into consideration and tell you exactly how much you can borrow, while providing expert guidance along the way.

ADDED *benefits...*

It is possible to include additional income in your calculations such as benefits or maintenance for example, but this all depends on the lender's own specific rules. Want to find out more? Speak to a member of our team today.

WHAT *you need*

Having established the amount you are likely to be able to borrow and the amount you have as a deposit, you will have a ballpark figure of the amount you may be able to buy for. But what will a lender need from you to verify your case?

No two situations or lenders are the same so this will vary. But you can expect this to be your last 3 payslips if you are employed (possibly more if you wish to include regular non-guaranteed sources of income such as overtime, commission etc) together with your last 3 months' bank statements. If you're self-employed or own 25% or more of the business (sometimes this is less depending on the lender) you'll probably need to provide items such as your last two years' tax return summaries (commonly referred to as SA302's) and also on occasion your last two full years' business accounts. Self-employed requirements can vary considerably from one lender to the next, including those that consider only one year's trading, so it is always worthwhile making sure you are covered for any eventuality.

Outgoings will need to include any regular payments you make, and don't forget to include debts like credit cards and loans. You'll also need to provide proof of ID and address.

BIGGER *is better...*

The bigger the deposit you can put down, invariably the better the mortgage deal you stand to obtain. This can have a big effect on interest rates, monthly repayments and overall loan costs, so it's always worthwhile saving as much as you can.

CHOOSING
the right mortgage

A quick way to extinguish any spark of excitement about buying your home is to start down the rabbit hole that is the world of mortgage products. But don't worry, it's invariably not as bad as it first appears.

On this page we've outlined some of the most common types as simply as we can, but by far the best way to get your head around it all is by talking it through with someone who knows the market. So give us a call and let us help.

In basic terms, there are two decisions you need to make when deciding on how you intend to arrange a mortgage and both are specific to your personal situation so one size does not fit all.

CHOICE 1
Repayment or interest only?

Repayment

- Each month your payment pays off both the loan and the interest.
- **One reason why to do it?** Monthly payments reduce your overall loan amount.
- **One reason why not?** Payments are higher.

Interest only

- Each month your payment pays off the interest only and no capital.
- **One reason why to do it?** Payments are lower.
- **One reason why not?** Monthly payments only service the debt/interest.

CHOICE 2
Fixed or variable?

Fixed

- Your interest rate is fixed for the duration of the fixed rate scheme.
- **One reason why to do it?** You are protected against future interest rate rises.
- **One reason why not?** Having this security can be more expensive.

Variable

- Your interest rate fluctuates ie can go up or down.
- **One reason why to do it?** You can make the most of interest rate falls.
- **One reason why not?** You are not protected against interest rate rises.

INCREASING *your chances*

Getting your mortgage can feel a stressful and bewildering experience. There are many ways you can try to make the process a little easier. Here are some suggestions.

PAY YOUR *bills*

Late or missed payments can affect your credit rating and in turn impact your mortgage options. Stay on top of them or they could cause you problems.

DO YOUR *personal admin*

With so many bills now paperless, it's easy to forget to change your address or other details. This could affect your mortgage chances, so make sure everything's up to date.

DON'T SHOP AROUND *too much*

Every time you make a mortgage application, or even use a comparison website, you may be subject to a credit check and too many of these could reduce your eligibility.

MANAGE YOUR *credit*

The funny thing about credit is that it can be easier to get it if you already have it. For this reason, it's sometimes good practice to spend a little amount each month on a credit card. This is not mentioned so you then start to rack up unmanageable debt but more to show you can borrow money and repay it. Simply use it to pay for your travel each month. Do however remember to pay at the very least the minimum payment each and every month on time.

INCREASING *your chances* *(continued)*

DON'T TAKE OUT *cash on credit*

This isn't just possibly bad for your credit rating, it's likely a bad idea in general. It is invariably super expensive and lenders can perceive it as a big red flag.

TIE UP YOUR *loose ends*

If you have unused credit cards it can be detrimental to your chances, so it's usually best to close these down, along with any other inactive forms of credit you have available.

FORGET ABOUT *payday loans*

Although sold as a way to help, this form of credit can do the exact opposite when applying for mortgages. Lenders see them as an indication of cash flow problems even if they are maintained and paid on time.

BAD CREDIT'S
not a write-off

If you are a buyer with bad credit it's likely not going to make things any easier for you, but it hopefully isn't the end of the road. Here's why.

Your previous and existing credit conduct plays a major role in a lender's assessment of your ability to borrow money from them. If you have a bad credit history this will form part of the underwriting and in turn could hinder your chances.

Lenders will take into consideration all of the hard facts, so whether it is something deemed relatively minor such as a missed credit card payment or something more serious like a County Court Judgment (CCJ), they will know if it shows on your credit file. However, they will also take into consideration how long ago these blemishes appeared and will look in great detail at your overall financial conduct to see whether your behaviour has changed. So, if you've had some problems in the past, but you're doing your best to put them right, it will be noted and may make a difference.

The long and short of it is that having a bad credit history will not immediately disqualify you from getting a mortgage, but you may have to work harder than others to make your case. In these situations, we would highly recommend speaking to a mortgage adviser who will be able to give you all the advice you could need.

Give our friendly team a call and we'll be able to tell you exactly where you stand.

TIME IS
the greatest healer...

Remember that things like CCJs disappear from your credit file after six years, so if this is just around the corner and it is possible for you to wait, we'd recommend that you do. That being said, if you can't wait, don't worry! **Call us today and we'll help you work out a plan.**

DO YOUR *research*

It's easy to get carried away with the excitement and anxiety that can come with moving home but always remember to slow down and take the time to fully understand what this entails.

While diving into the mortgage market might seem like a daunting prospect, this is really just because it's the unknown. With a little research and advice from people who know their stuff, you can familiarise yourself with the landscape and all of a sudden it doesn't seem quite so scary.

FAMILY & FRIENDS

Advice from someone you trust who has had first-hand experience is extremely valuable. However, bear in mind that it's likely their situation was very different to yours and may not be up to date.

THE INTERNET

Yes, there is an abundance of information online and yes, some of it is very useful (like this guide), but there is much of it that isn't, so tread carefully and don't believe everything you read!

LENDERS

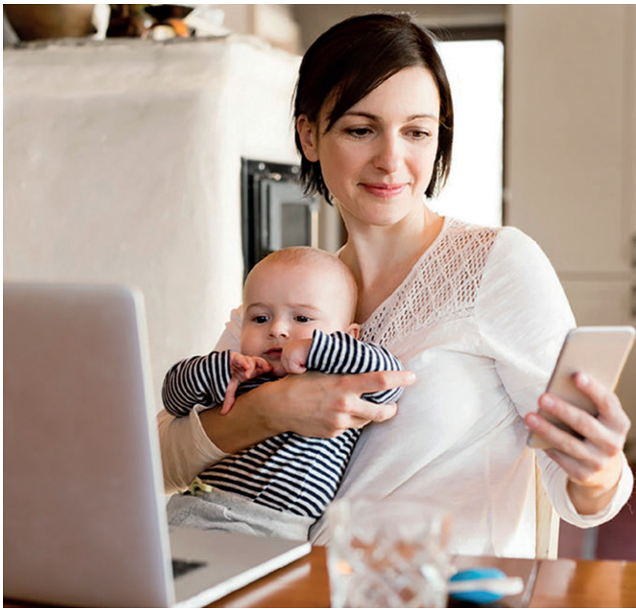
They are the ones lending the money, but remember that they can only discuss their own products and criteria, so always speak to more than one to get the broader view.

MORTGAGE BROKERS & FINANCIAL ADVISERS

Experience, expertise and wider access to the market should therefore mean that consulting the professionals is by far the best option.
Give us a call today to find out how we can help.

WHO
we are

The Mortgage Centres team has decades of experience, expert regional knowledge and a national reach, allowing us to provide a truly personal service no matter where you are now and where you're moving to.



We understand that buying your first home can be an extremely daunting experience and that's why we'll be by your side through every twist and turn, always ready to offer support, advice and guidance whenever you need it.

Get in touch today and find out how we can help you take your first steps on the property ladder.

The Mortgage Centres

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