# Let the Experts Guide You

## to the right path

# Your Mortgage Guide

Planit mortgages

*Talk to the Experts*

# Talk to the Experts

## What is the right mortgage?

Here at Planit Mortgages we can help you to decide on the right option.

We'll guide you through the maze and find a solution that will be the right fit for your unique circumstances.

Our aim is to make the whole process as easy as possible and find you the very best deal... after all we look at the entire mortgage market from specialist lenders to high street banks.

Whether you are a first time buyer, moving house, or a buy-to-let or commercial developer - we have the expertise to help.

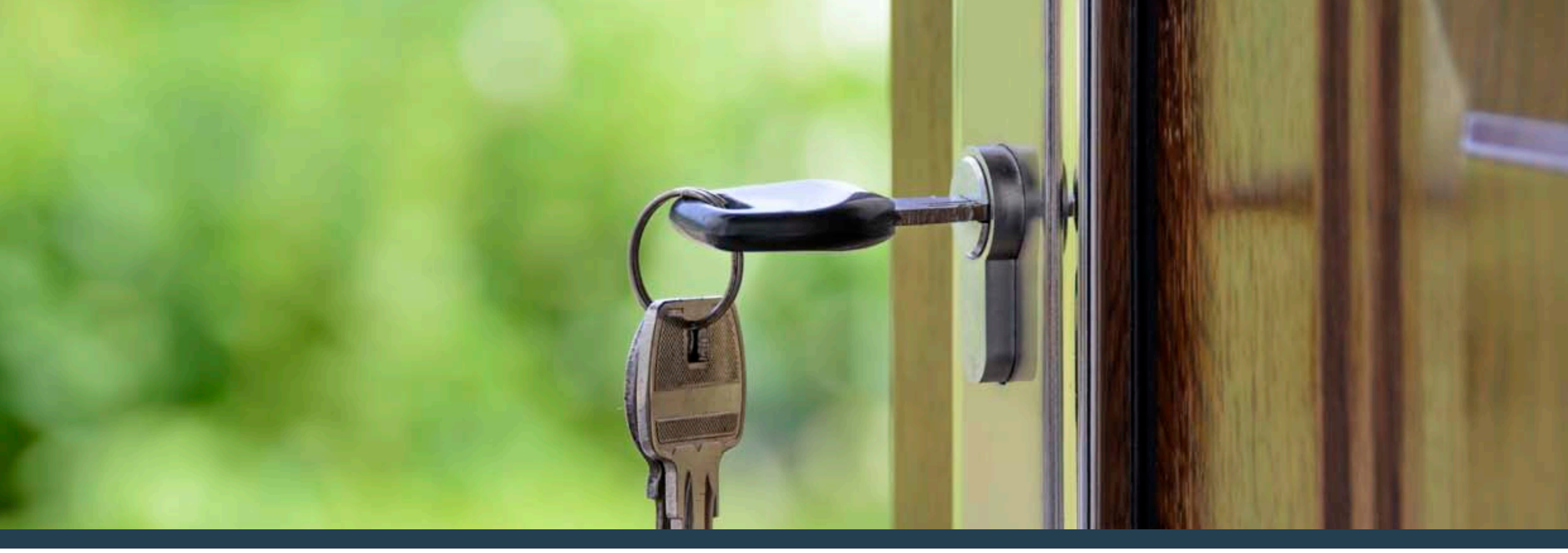
*'Highly rated by our customers'*

Planit mortgages

**01202 233660** **www.planit-mortgages.co.uk**
info@planit-mortgages.co.uk

*Talk to the Experts*

Your home is at risk if you do not keep up repayments on a mortgage or other loans secured on it.



## What is a mortgage?

A mortgage is, simply put, a loan that you get to buy a property.

## How does a mortgage work?

A mortgage is a loan using your property as security that you pay off monthly.
The mortgage lender will work out an appropriate repayment amount each month, and this will include the interest that they charge you on the loan.

Most mortgages have a repayment term of around 25 years, but you can get them for shorter or longer periods of time. This means that the total amount of the mortgage, including the interest, has been split over the years it will take to repay it, and that's how much you pay every month.

You can speak with your adviser to specify an affordable amount each month and they can work out the number of years to make the mortgage fit your budget.

## How to work out your mortgage

Here's an example using a repayment mortgage:

If you are buying a property worth £200,000, you will likely need a minimum deposit of £20,000 which is 90% loan to value (LTV)
That means you will require a mortgage of £180,000.

(Mortgage calculations are fairly complicated, but roughly, the interest is worked out based on the percentage on the remaining amount you owe each year for the full length of the mortgage.)

You can use a mortgage calculator to work out how much your monthly repayments might be but your adviser will provide you with an illustration showing the payments you will have to make along with any fees you may have to pay. As interest is cumulative, paying more of it off sooner often means you pay less interest.

Planit mortgages

**01202 233660** **www.planit-mortgages.co.uk**
info@planit-mortgages.co.uk

*Talk to the Experts*

## Repayment or interest only mortgages

It's rare to have an interest only mortgage now, as more lenders focus on offering repayment mortgages.

***Repayment mortgages***
Monthly payment goes towards both the property value and the interest you owe. So, at the end of the term, you own the property and you've paid the interest off in full.

***An interest only mortgage***
You only pay the interest. This means you don't put any equity into your property and at the end of the loan term you still don't own the property and owe the lender the full amount. This is used mainly for buy to let properties.

## What mortgage can I afford?

This is dependent on a few factors:

- The mortgage lenders are taking a chance on you – they're giving you a huge amount of money and they must trust that you are likely to pay it back. That's why they do mortgage affordability tests.
- Whilst 10% is usually the minimum for a deposit (unless you are using a Help to Buy scheme, or certain mortgages where 5% is accepted) having a bigger percentage deposit will put you in a better position. This is because the lenders will be lending you less, making it easier for you to pay it back.
- Often having a bigger deposit will also give you access to better mortgage rates, saving you money.
- Mortgage lenders tend to lend between 3 to 5 times annual income. This can make it harder to buy on your own, compared to buying as a couple or with a friend/family member as there is only one income instead of two. It doesn't make getting a mortgage impossible, but you can use it as a guide when considering properties.

Planit mortgages

- Mortgage underwriters (people who consider your mortgage application) may have a look at your last 3 months' bank statements to assess whether there are any concerns. Make sure your bank accounts look healthy, with no overdraft charges, wildly big spends etc.

**Where to get a mortgage**

Your first port of call should be your own bank or building society. They may offer a great deal to existing customers, so it's worth asking them about their mortgages.

You could also consider using a Mortgage Broker such as Planit Mortgages. The advantages of using us are:

- Access to the whole of the market
- As a specialist we may have access to better deals than those available to the public or even deals that are not available to the public at all.
- We explain the process step by step with you, so you understand exactly what is happening every step of the way. To us, there is no such thing as 'a stupid question'. Either you know or you don't know. We are here to answer any question you may have about the process of buying a property.
- Our fee is payable on application & we are paid commission from the lender. We charge a fee because we are providing a service to you. The lender pays us a fee because we are helping them process your application. Often the lender's commission is not enough to cover our costs which is why a fee is charged and how else would you value our service?

Planit mortgages

**01202 233660** **www.planit-mortgages.co.uk**
info@planit-mortgages.co.uk

*Talk to the Experts*

## How to apply for a mortgage

Applying for a mortgage should be straightforward, but you do need to provide us with some details and documents in advance.

- Proof of Identity – Passport & Driving Licence
- Proof of address – 2 x latest Utility Bills or council tax. They must be under 3 months old.
- 3 months' latest Bank Statements
- Latest P60 & 3 months' payslips if monthly paid or 12 payslips if weekly paid
- Self- employed will need to provide SA302 & Tax Year Overview preferably for the last three years but at least the latest year. If you have been self-employed for less than a year and not yet submitted tax returns, you are unlikely to qualify for a mortgage until you have a year's worth of income.
- Your latest credit report showing current balances and monthly payments of outstanding loans and/or credit cards.
- Details of the property you are purchasing or remortgaging.

You can confirm what documents and information is required with the adviser when you make your appointment, and they should tell you if you need to bring anything else.

The adviser will go through the fact find with you (information gathering). They will probably need information about the property, what the sale price/current value is and some information about your income and outgoings.

You can ask as many questions about the mortgage as possible, including the total repayable amount, the rules about overpaying and any charges or fees.

Remember the adviser is there to help you and no question is a stupid question the adviser is the expert.

Planit mortgages

**01202 233660** **www.planit-mortgages.co.uk**
info@planit-mortgages.co.uk

*Talk to the Experts*

When the adviser has all the information required and has found a mortgage lender and rate that suits your requirements the adviser will apply for an agreement/decision in principle. The lender will perform a credit check and if all the information fits the lenders requirements the lender will issue an agreement in principle. You are not obliged to get your mortgage with the lender who offered you the agreement in principle.

***Stage 1***
***The agreement in principle***

A mortgage in principle, or agreement in principle is something you get in advance of viewing properties. It proves that a lender is willing to give you the mortgage, which shows the seller you're serious about moving forward, and could afford to buy the property. Known in the industry as an AIP or a DIP, this might be requested by the selling agent.

***Stage 2***
***Documents***

The mortgage application is reviewed by an Underwriter who will check the documents.

The underwriter will agree the loan.
Any fees payable will need to be paid and the valuation will be arranged.

Considering the interest, you'll be paying on what is usually a rather large amount of money, you'd be forgiven for thinking that was the main cost. Unfortunately, many mortgages come with set up fees.

It's worth having a look at these and factoring these costs in to your budget. Some give you the option to add the fee to your mortgage total amount, but that means you'll be paying interest on it!

On the flip side, some mortgages come with cashback deals, or waive the fee if you're an existing banking customer. Always balance out the extra costs with how much your mortgage is costing. If you've got a great deal on a fixed rate for 5 years, but the cost is £250 set up fee, that may still be a better option than one with no fee, but a higher rate.

***Stage 3***
***Valuation of the property***

There are generally three types of survey: mortgage valuation, homebuyers report and full survey.

Mortgage Valuation. This is done to make sure the property is worth what you are paying for it. It is mainly for the lender and may be free of charge.

Homebuyers Report. This is paid for by you and the surveyor will report back to you and copy in the lender. The surveyor will check that not only is the property worth what you are paying but any potential areas that may need work and expenditure in the near future.

Full survey. This is much more expensive and much more extensive than even a Homebuyers Report. This often takes a whole day and will involve the surveyor testing everything from the wiring to the pipes and drains, bricks, mortar and roofing, any external factors such as trees, roots and large plants and things most people wouldn't even consider.

***Stage 4***
***Offer***

If the valuation comes back as suitable for lending purposes, a mortgage offer will be sent to the adviser who will forward to the clients with a specific copy sent to your solicitor with their instructions.

In general processing a mortgage application can take between 18-40 days but may take longer.

Planit mortgages

## What happens when the fixed rate ends?

When your mortgage fixed rate term comes to an end (usually between 1-5 years, depending on which mortgage product you chose) you will be placed on the lender's SVR – the Standard Variable Rate. This is often at a higher rate than the fixed rate that's ending and your lender can change their SVR at any time.

The good news is that you can remortgage at this point – lenders often benefit from people not wanting to go through the hassle of remortgaging and finding another deal every few years and may offer preferential terms to a client wishing to switch products.

Remortgaging simply means you are transferring your mortgage to a new deal. This could be with the same lender, or a new one. If you are staying with the same mortgage lender but just signing up to a new deal, you will not need to pay for conveyancing.

If you are remortgaging with a new lender, you will need to pay solicitor fees. The new lender will pay off the old lender, and you now have an agreement with them instead. The mortgage on your property should be lower by now as you will have paid off a portion during your fixed rate term.

Make sure you know when your fixed rate ends so you can look for a good deal.

## What happens to my mortgage when I want to move?

If you've arranged a mortgage for 25 years, it doesn't mean you have to stay in that property until it's paid off. When you sell your property, the remaining amount left on the mortgage is paid off by the sale, transferred to the mortgage lender, and then you have whatever is left from the sale after that is paid.

Ideally, if you have paid off a chunk of your mortgage and your property has increased in value during the time you've lived there, you will have enough from the sale for a deposit on a new property.

Planit mortgages

**01202 233660** **www.planit-mortgages.co.uk**
info@planit-mortgages.co.uk

*Talk to the Experts*


If you haven't paid off much, and your property has gone down in value, you may find yourself in negative equity. This is when your property is worth less than the mortgage on it. If this is the case, you may still owe the mortgage lender after selling, or you may not have enough for a deposit on a new property. If this is the case, consider whether you need to sell at that time, or whether you can make improvements to the property that might help it increase in value.

**In summary**

Finding the right mortgage for you is important - what deal you get will depend on your income, the price of the property and the size of your deposit. But there's no reason not to remortgage and keep on top of what you're paying off, to speed up your mortgage repayment and save yourself money. Don't just pick the first mortgage you find, and if you want more guidance, talk to a mortgage broker, who will find the best deal for you.

*'Highly rated by our customers'*

Planit mortgages

**01202 233660** **www.planit-mortgages.co.uk**
info@planit-mortgages.co.uk

*Talk to the Experts*