CANNELL ASSOCIATES
PROFESSIONAL FINANCIAL SOLUTIONS

Mortgage advice you can depend on

Whether buying your first home, buying to let, or remortgaging, this guide tackles the main considerations.

If you want to learn more and receive advice tailored to your personal circumstances, please get in touch.

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YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

Our lending partners

As part of Openwork Ltd, we can access competitive rates from some of the UK's best-known lenders.

RESIDENTIAL & BUY TO LET

- Accord Mortgages
- Aldermore
- Bank of Ireland UK
- Barclays
- BM Solutions from Birmingham Midshires
- Clydesdale Bank – We care about here
- Coventry for intermediaries
- Danske Bank
- Fleet Mortgages
- Halifax
- Hodge Lifetime
- HSBC
- Kensington – Lending for Real Life
- Kent Reliance for Intermediaries
- Leeds Building Society
- Metro Bank
- mortgage trust
- Nationwide – On your side
- NatWest
- Newcastle Intermediaries
- paragon
- platform – The intermediary lender of The co-operative bank
- Precise Mortgages
- Principality Building Society
- Progressive Building Society
- Santander For Intermediaries
- Scottish Widows
- Skipton Intermediaries
- Tesco Bank
- the mortgage works – common sense lending
- TSB
- Ulster Bank
- Virgin money

SPECIALIST LENDING

Self-Build	Large Loans	Second Charges & Bridging	Specialist Lending	Buy to Let
BUILDLOAN	Capricorn financial Consultancy	enterprise Finance	SMS	tbmc

COMMERCIAL

- enterprise Finance
- Fidúcia commercial solutions – Trust Security Confidence
- tbmc

INTRODUCER PARTNERS

Overseas	Equity Release	Surveying	Conveyancing
Conti Mortgages Overseas	Key Retirement	Metropolis surveying services	Openwork Conveyancing

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The importance of affordability

In the past, some people were allowed to take out mortgages they couldn't afford. This meant they fell behind with payments or lost their homes.

The importance of affordability

The Financial Conduct Authority (FCA), the financial services industry regulator, has set out rules for mortgage advisers and lenders to improve the process of getting a mortgage and prevent these past problems.

These rules require your lender to check you can afford your repayments now and in the future. To do this, they will need information about your income and outgoings. You will have to tell them if you expect your income and outgoings to change in a way that means you'll have less to spend on your mortgage payments. You will also need to give your mortgage lender evidence of your income.

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Types of mortgages

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

Types of mortgages

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 be able to repay additional amounts without penalty too. Many lenders won't offer their standard variable rate to new borrowers.

Tracker rate

Your monthly payment fluctuates in line with a rate that's equal to, higher, or lower 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 have to pay an early repayment charge if you pay back extra amounts during the tracker period. A tracker may suit you if you can afford to pay more when interest rates go up – and you'll benefit when they go down. It's not a good choice if your budget won't stretch to higher monthly payments.

Types of mortgages

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 (see ‘Variable rate’). You may have to pay a penalty to leave your lender, especially during the fixed rate period. You may also have to pay an early repayment charge if you pay back extra amounts during the fixed rate period.

A fixed rate mortgage makes budgeting much easier because your payments will stay the same - even if interest rates go up. However, it also means you won’t benefit if rates go down.

Discounted rate

Like a variable rate mortgage, your monthly payments 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 switch to the full SVR. You may have to pay a penalty for overpayments and early repayment, and the lender may choose not to reduce (or delay reducing) its variable rate – even if the Base Rate goes down.

Discounted rate mortgages can give you a gentler start to your mortgage, at a time when money may be tight. However, you must be confident you can afford the payments when the discount ends and the rate increases.

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Types of mortgages

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; any overpayment will reduce it. Some have the facility to draw down additional funds to a pre-agreed limit.

Offset mortgages

Taking out an offset mortgage enables you to use your savings to reduce 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 be paying interest on £150,000. Offset mortgages are generally more expensive than standard deals, but can reduce your monthly payments, whilst still giving you access to your savings.

Government-backed schemes

Over recent years the government has backed a number of schemes – such as 'Help to Buy' - to support homebuyers. We can explain the details of these schemes and whether you can benefit from them.

Repayment methods

The two most common ways of repaying your mortgage are capital repayment and interest only.

Repayment methods

The most common way of repaying your mortgage is capital repayment.

Capital repayment

On a repayment mortgage your monthly payments will comprise a portion to pay the interest on the money you've borrowed, as well as a portion to repay the capital sum (the amount you borrowed).

The benefit of capital repayment is that you can see the mortgage reducing each year (albeit very slowly in the early years) and you are guaranteed to repay the debt at the end of the mortgage term, as long as payments are maintained.

On a capital repayment mortgage the shorter the term you pay your mortgage over the bigger the monthly payment will be.
By having a longer term you may benefit from a lower monthly payment but you will pay more interest to the lender over the term. You will need to think about how soon you want to be 'mortgage free' and balance this up with the mortgage term that makes the monthly payments affordable.

Repayment methods

With an interest only mortgage, you must be able to demonstrate how you will repay the capital sum at the end of the term.

Interest only

If you opt for an interest only loan, your monthly payments will only cover the interest on the mortgage balance. The capital (the amount you borrowed) will remain the same and will need to be repaid at the end of your mortgage term. This means you will need a separate investment or combination of investments to generate the capital required, and you will need to prove that you can afford to do this.

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.

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How much will your property cost?

It's easy to underestimate the costs involved when buying a property.

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How much will your property cost?

Many people underestimate the costs involved when buying a property. Here's a summary of the main costs you can expect to incur.

Valuation fee

Lenders usually ask you to pay the valuation fee with your mortgage application form by credit/debit card. The type of valuation you choose will depend on factors such as the age and condition of the property and whether there is any history of subsidence in the area. If the valuation isn't carried out the fee can be refunded. *See also 'Surveying' under 'What else do you need to know?'*

Arrangement fee

You can either pay this by credit/debit card, or on completion of 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 term of the mortgage. You may get some or all of it back if the mortgage is declined or withdrawn (this will be specified in your mortgage Illustration).

Lenders offer a wide range of products, some with a lower interest rate and higher arrangement fees and some with a higher interest rate and lower arrangement fees. If you have sufficient funds to pay the relevant fees without adding them to the amount you borrow you will avoid being charged interest on the fees over the term of the mortgage.

How much will your property cost?

Legal costs and fees

The fees charged by a solicitor include the charge for conveyancing (the transfer of ownership of land), and the costs of legal registrations and miscellaneous costs (known as disbursements) such as Local Search fees and Land Registry fees. You should try to obtain an estimate of these costs early on in the process. Some lenders may offer to finance some or all of the legal costs as an incentive.

Stamp duty

Stamp duty is a ‘purchase tax’ and is generally payable where the purchase price of the property is higher than a pre-defined limit set by the government. We will be able to confirm the current charge, which is based on a percentage of the property purchase price. Stamp duty is not payable for remortgages.

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How much will your property cost?

Higher lending charge

If the amount you wish to borrow is greater than a certain proportion of the property's value (typically 75%), you may incur a higher lending charge.

This charge is there to protect the lender in the event the property is repossessed and the loan, plus any unpaid interest, exceeds the sale value of the property. In some cases the charge can be added to the loan.

Early repayment charge (ERC)

Some lenders charge for early repayment of your loan before the end of the normal mortgage term. This can sometimes be a significant amount, so you should always check the terms in the offer letter from your lender.

Deeds release or exit fee

Some lenders 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.

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What else do you need to know?

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

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What else do you need to know?

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

Solicitors

Before going ahead with a property purchase 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.

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What else do you need to know?

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

Surveying

1. Before giving 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.

   - **Homebuyer's 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 based on a detailed examination of the property. Any areas of concern that you might have will be investigated.

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What else do you need to know?

Conveyancing and surveying are not regulated by the Financial Conduct Authority.

Surveying (continued)

2. 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 you appointing an independent surveyor should you choose to do so. We can help you do this.

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Protecting your investment

It's important to protect your property, its contents, and your ability to keep up with your mortgage repayments should the unexpected happen.

Protecting your investment

We can guide you through the various ways to protect yourself, your family, your property and its contents.

Buildings and contents insurance

As its name suggests, this insurance protects the property against events like fire and flood. All lenders require you to fully insure the property for the total cost of rebuilding it. Contents insurance protects your household goods and personal property.

Life insurance

If you die unexpectedly, a Life Insurance policy will pay out a cash sum to your family. Mortgage Life Insurance is a type of Term Assurance where the amount of cover decreases over the term of the policy, tying in with the outstanding amount on a repayment mortgage.

Mortgage payment protection insurance (MPPI)

Also known as accident sickness and unemployment (ASU) cover, MPPI helps you keep up your mortgage repayments if you can’t work because of redundancy, accident or ill-health. Benefits are usually paid for 12 months, although some providers offer 24 months’ cover.

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Protecting your investment

Critical illness insurance

This insurance pays out a lump sum if you're 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 choose.

Income protection

This can replace part of your income if you're unable to work for a long time because of illness or disability. It will pay out until you return to work, when the policy ends or death – whichever happens first. Income protection plans usually have a waiting period before the benefit becomes payable, and the longer the waiting period you choose, the lower the monthly premium. Some plansnow have the facility to add unemployment cover.

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Specialist lending

If you're looking for buy to let, second charge loans, or bridging finance, you'll have specialist requirements that set you apart from a standard residential purchaser.

Specialist lending

Buy to let mortgages for business purposes are not regulated by the Financial Conduct Authority.*

We can access second charge loans and bridging finance through Enterprise Finance.

**Where a property has been inherited or purchased as a residential dwelling before a change in circumstances has led to the property being rented these transactions are captured under a new regulatory regime and referred to as consumer by to lets.*

Buy to let

Whether you're an experienced landlord or just starting out, you'll have specialist requirements that set you apart from a standard residential purchaser.

We can access the major lenders in the buy to let market including those specialising in lending to professional landlords and consumer buy to let. We've also developed relationships with general insurers who've designed specialist landlords' buildings and contents policies.

Second charge loans

Second charge loans can be secured against residential or buy to let properties. They are provided by specialist lenders and are generally short-term loans secured against the property, but where the lender has second call on the property if the borrower defaults. Second charges tend to be more expensive than 'firsts'. However, they can still be the best option for people seeking to raise capital – but whose main lender is unwilling to provide further finance, or where expensive early redemption charges would be incurred. We act as a credit broker for secured loans.

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Specialist lending

Some bridging finance is not regulated by the Financial Conduct Authority.

We can access second charge loans and bridging finance through Enterprise Finance.

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 on the existing property, but repaid as soon as this is sold.

'Bridges' may help you 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 will be left paying two loans at once.

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Working with you

Helping you put your plans into action.

Working with you

Getting to know you

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 we talk 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 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 ones that are most suitable for your needs.

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Working with you

Recommending the right solution

Once we have identified the options available, we'll meet with you again or discuss our recommendations over the phone. We'll also write to you so you can review what we have suggested, and why.

Assuming you're happy with our recommendation, we'll work with you to complete the application forms and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the vital areas of protecting your new property and we'll stay in touch throughout the process – and into the future.

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Next steps

We hope this guide has given you a broad insight into what's involved in the property purchase process.

There are many types of mortgages available, numerous additional things to think about and costs to bear in mind. If you'd like more information, or would like help planning your first – or next – property purchase, please get in touch.

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