CHILTERN MORTGAGES

TAILORED MORTGAGE SOLUTIONS

OUR STEP BY STEP GUIDE FOR YOUR MORTGAGE

Chiltern Mortgages
Our simple step by step process

Qualifying for a mortgage can be a complicated affair and some first-time buyers may find it daunting. It is important to choose the correct lender and not to pay a higher rate than necessary. That means that for some buyers, waiting to save more for a deposit can ultimately save many thousands of pounds on the annual mortgage bill. By getting to know the process of how a mortgage works and what is required by the lenders, it is possible both to secure a lower interest rate and to increase the chances of being accepted for an appropriately sized loan. A major difficulty with lenders today is that they constantly change their lending criteria.

To get a mortgage, the majority of applicants will need a good deposit, a clean credit history and a decent income. For many first-time buyers the support of their parents may make the difference between getting a mortgage or not. Not only do you need to consider which mortgage is best for you, you also need to think about which interest rate options are most likely to suit your needs. Sometimes people get into debt through no fault of their own and, even if they have been to blame, want to sort things out. Fortunately, there are now a relatively large group of lenders willing to provide adverse credit mortgages and this short guide will help you understand what to expect.

Here are our Top Tips for Buyers.

Budget accurately: Be realistic about how much you can afford to spend on a house, and ensure the intended mortgage is affordable. Don't forget to allow for furnishings, and remember older properties may require extensive work, such as re-flooring, tiling or renewing the wiring. Make sure you budget for conveyancing, removals and stamp duty.
Remember the bills: If you have been used to living at home with your parents, remember to budget for expenses such as utility bills, building and contents insurances and other home repairs.
Consider Council Tax: Make sure you know what the likely council tax charge will be in your new property. The selling agent should be able to help you.
Look at the local area: Even if you do not have children, remember that property in the catchment area of good local schools will always be much easier to sell on (though it may be reflected in a higher purchase price). Also, write down a list of local amenities which are important to you (shops, gym, cinema etc). Before making any final decision about where to move to, take a stroll or bike ride around the local area.
Visit the location at weekends to check additional cars and parking in the road.
Speak to your motor insurer: If you have a car, your insurance premium may increase if you move to an area with a higher crime rate, or are trading off-street parking for on-street parking.
Check transport links: Consider the availability of public transport services, like local bus routes or the frequency of train services from your nearest station. Even if you drive everywhere, this information will be useful for anyone coming to visit you who doesn't.
Check connectivity: If you are a heavy internet user, check the broadband speeds available in the area you're moving to. The selling agent should be able to provide this information. **Think about commuting time:** Commuting can be one of the biggest household expenses. If property is more expensive nearer to your place of work, make sure you weigh up this additional expense when compared to the costs and time of commuting.

ReMortgaging

This means switching your mortgage to another deal – often with another lender. Most people switch mortgages because it will work out cheaper for them. For example, the introductory discounted interest rate may have finished with your current lender, and you might get a discount, or a lower interest rate, with another lender. Other people remortgage to consolidate their debts*. It is worth noting that a remortgage isn't always the best option. Even if the lender you are considering switching to is offering a lower APR (Annual Percentage Rate), it doesn't necessarily mean you'll pay less overall.

For instance, the new lender may charge you for a valuation and solicitors fees, even if you have already paid these for your mortgage with your current lender. If you plan to switch your mortgage, remember to look at the overall repayment period too. You may be able to pay less monthly, but check the final repayment date of the mortgage. It may be longer than your current deal. Remortgaging doesn't always mean switching to another lender. You may be able to find a new mortgage deal with your current lender – and it may even work out cheaper to do so. In fact, many lenders allow you to switch your mortgage deal quite frequently.

**Securing short term debts against your home could increase the term over which they are paid and therefore increase the overall amount payable. You may have to pay an early repayment charge to your existing lender if you remortgage.*

Flexible Mortgages

Flexible mortgages recalculate the outstanding capital and interest (the amount you owe) on a daily basis. This allows you to make overpayments when you have money to spare, and see an immediate reduction in your loan.

Some also allow you to make underpayments when finances are tight, which will increase the interest you have to pay. They may even allow you to take repayment holidays (a complete break from making payments as long as a reserve amount of money is in your account).

Any unpaid interest will be added to the outstanding mortgage, any overpayment will reduce it. Some flexible mortgages have the facility to draw down additional funds, to a pre-agreed limit.

JUST MOVED IN?
JOB DONE

Well not quite. Have you considered how you'd pay the bills if you were too ill to work for a while?

Ill health can happen to anyone, at any time.
In fact, every year almost a million people in the UK suffer an injury or a serious illness that means they can't work for a month or more.*
Income protection could provide you with an income if you're too ill to work.

Protect your income to help pay the mortgage if you're ill

To find the best way to protect your income, talk to us today

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*Source: Department for Work and Pensions, February 2014

Self Build Mortgage

The main difference between a self build mortgage and a house purchase mortgage is that with a self build mortgage money is released in stages as the build progresses rather than as a single amount. Some lenders will lend you money to purchase land - typically 75% of the purchase price or value of the land (whichever is lowest).

These money release stages can be fixed or flexible, depending on the lender, but usually there are five. There are two methods by which the money can be released during the build – at the end of each stage (known as arrears stage payments) or at the start of each stage (advance stage payments). With the arrears stage payment method, money is released after a valuer has visited the site and confirmed completion of the stage. This can cause some self-builders cash flow difficulties. The advance stage payment method works in the opposite way, with money released at the beginning of a given stage, before work starts. This method has become popular as it provides positive cash flow during the build, making it easier to stay in your current house while the build progresses. The stages of a build depend on whether or not you are building a traditional (brick and block house), a timber frame construction or if you are renovating or converting an existing property.

Offset Mortgage

With offset mortgages, you have a direct link between your mortgage account and saving account(s). Whatever savings you hold is offset against the outstanding balance of your mortgage, for example; if you have an outstanding mortgage for £250,000 paying an interest rate of 2.5%, and you also have a savings account with a savings value of £50,000, you will only pay mortgage interest on £200,000, and no interest is accrued on the savings element. Plus, you can access your savings whenever you like without having to inform your lender.

With the offset you will have the choice of either having; a lower monthly mortgage payment (your mortgage term remains the same, but you pay back less each month) or a shorter term (you keep your payments the same and shorten the term of your mortgage).

Offset Mortgage

Make bigger savings by overpaying or saving more.
Once your savings are offset against your mortgage, you can still add to them, more money offset means more interest saved. Some offset mortgages also allow you to overpay. This will have the same effect of saving you interest, but with one big difference…
Overpaying means you physically repay part of your mortgage – you may lose access to this money if you need it later.
Offset savings, on the other hand, remain alongside the mortgage. They don't repay it, so you still have access to your money.

An offset mortgage allows you to potentially save thousands of pounds during the life of the mortgage and bring it to an end earlier. It is important to make sure before you take out a offset mortgage that you are the right person for it.

An offset mortgage requires discipline, not only in order to enjoy the savings that are possible should the overpayments described above happen, but also to just pay off the balance itself.

Adverse Credit Mortgages

In their ideal world, lenders would lend only to those with faultless credit histories, perfect work records and adequate deposits. But money problems can affect anyone. Adverse credit problems can be linked to a loan default, a county court judgement or bankruptcy. Sometimes people get into debt through no fault of their own and, even if they have been to blame, want to sort things out.

Certainly no-one that is taking out a mortgage wants to see their property repossessed. Thankfully, some lenders are willing to provide adverse credit mortgages. Deals are unlikely to match standard mortgages; lenders in the adverse credit market (also known as 'sub prime' or 'non-conforming') will usually charge higher interest rates.

Most lenders will cut the interest rate if borrowers keep up a good payment record, and, after three years, it may be possible to switch to a standard loan. Your application will be thoroughly vetted and the interest rate set according to the ‘risk’ you pose (in the eyes of the lender). You may also be subject to early repayment charges but these should cease to apply after three years.

PROTECT YOUR NEST EGG

It’s hard to crack the art of saving

Imagine having to spend the money you’ve worked hard to save because you were too ill to work, or the breadwinner died unexpectedly. When you really think about the monthly outgoings of the average family, even your hard-earned savings might not go as far as you’d think.

£231.00*
The average household spends each month on food.

£140.00*
The average monthly cost of running a car.

£96.00*
The average monthly household spend on power.

So be a good egg, think about life or critical illness cover today

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Call us on 01494 451441
Visit us at www.chilternconsultancyltd.com

*Sources: Office for National Statistics Family Spending: 2017, published January 2018.
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Buy to Let Mortgages

These types of mortgages are designed for property investors and private landlords, who do not intend to live in the purchased property.
Buying additional property for the purpose of letting it to earn rental income can be risky and complicated since there is no guarantee that house prices will rise nor that rental income will be uninterrupted. That said, letting a second property to tenants could return respectable financial rewards over the longer term, but it's important to properly consider the risks, as well as rewards, involved in 'Buy to Let' first. When buying a rental property, you will need to decide whether your investment objective is income or capital growth.

Are you looking to cover the monthly costs and perhaps make a profit to supplement your income? Or, are you looking to make a profit later upon the sale of the property, with the assumption your property's value will increase in value over time? The decision may affect the type of property you purchase, its location, and also the risk involved since there is no guarantee that property prices will rise. If you can't buy the property outright you will need to consider a Buy to Let mortgage. When it comes to this type of mortgage there are several differences to be aware of. Normally a lender's decision about whether to offer a mortgage or not, will be based on the rental potential of the property as well as your own income, though in some cases, your income may not be considered at all. Usually, a minimum of 20-30% of the property's value is required as deposit, which is often higher than the deposit required for other types of mortgage, and you can expect Buy to Let mortgages to have higher interest rates applicable to them.

Buy to Let Mortgages

As well as mortgage costs, potential landlords should carefully consider the costs of owning the rental property itself. These additional costs may include:

Property Maintenance. The upkeep of the property itself, such as repairs to appliances, and redecoration that may be required before a property can be let to new tenants.
Letting Agent Fees. Though it varies, letting agents normally charge around 10% of the monthly rental income for managing tenants. If you need full management of your property, it is not unusual for these costs to be much higher, typically around 15% of monthly rent.
Ground Rent/Service Charges. These costs only apply to leasehold properties.
Legal-Insurance. A wise precaution in the event that you need to evict tenants, say for example in the event of non-payment of rent, anti-social behaviour or damage to the property. Legal insurance is intended to cover costs involved in pursuing eviction.
Buildings/Contents Insurance. The property will need buildings insurance, and any furnishings provided as part of the rental agreement will also need to be insured with a suitable contents insurance policy.
Furnishings. If the property is to be let as furnished then you'll need to consider the initial cost of providing the items needed to furnish the property.

Appliance Safety and Inspection.

Certain appliances will need to be regularly inspected and serviced to ensure they are safe to use and compliant with current regulations. Examples include gas boilers and gas fires.

When choosing a letting agent to act on your behalf, it is wise to choose one that is a member of The Association of Residential Letting Agents (ARLA).
All members of ARLA participate in a bonding scheme to protect both rental income and tenants' deposits.

You can visit the ARLA website at www.arla.co.uk.
Please note: this website is not regulated by the Financial Conduct Authority. We give no endorsement and accept no responsibility for the accuracy or content of this site for information on becoming a private landlord.

We hope that the information we have provided to you in this guide is informative and gives you a better understanding of the mortgage market.
So, to make sure you are in safe hands, call us at Chiltern Mortgages for expert advice on your next home purchase.

Please note: Your home may be repossessed if you do not keep up repayments on your mortgage.

You may have to pay an early repayment charge to your existing lender if you re-mortgage.
We will charge a fee of £750 payable (non-refundable)at the outset. We will also be paid commission from the lender and any such commission will be disclosed to you in writing.

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PLEASE NOTE:
The information contained within this brochure is intended to provide a general appreciation of the topic and it is not advice.

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