a guide to mortgages

mortgageforce™

Contents

Mortgages with **mortgage**force™

Additional information

Remember to let everyone know your new address – use the following list to remind you:

- Bank or Building Society
- Clubs and Societies
- Credit Card Companies
- Dentist
- Doctor
- DVLA
- Electoral Roll and Council Tax
- Electricity Company
- Employer
- Gas Company
- Inland Revenue
- Insurance Company
- Library

Don't forget to tell your family and friends!

Budgeting for your move

This list should help you identify the main costs involved in your actual move, for which you will need to budget. You may also want to pay for improvements to your new home.

If you are buying	
Initial Deposit	£
Legal Fees	£
Main Deposit	£
Valuation Fees	£
Lender's Fees	£
Stamp Duty	£
Total	£

If you are selling	
Legal Fees	£
Estate Agent Fee	£
Removal Costs	£
Other Contingency	£
Total	£

If you require further guidance on how much you are likely to pay, your **mortgage**force™ consultant will be able to guide you.

If you want to save time and money!

Why spend hours looking, when an expert can do all the donkeywork for you.

Let us search & compare 1000's of mortgage deals. See a **mortgage**force™ consultant at a time to suit you. Using our expert and impartial advice will help you obtain the most suitable deal for you, which could save you a fortune.

At **mortgage**force™, we listen to your individual requirements then assist you every step of the way in choosing the mortgage that's right for you. Talking to us gives you immediate access to dozens of the leading banks and building societies and their mortgage products.

We do this by using our experience of the mortgage market, by using world-class technology and by negotiating special deals that are the result of our size and power.

Your **mortgage**force™ consultant acts for you. Their job is to find you the most competitive mortgage that meets your needs. And your **mortgage**force™ consultant handles all of the application paperwork, from start to finish.

Useful tools

Visit **www.mortgageforce.co.uk** for **useful tools** such as:

Post Move Budget Planner

This calculator works out how much spare cash you will have after all your monthly bills and expenses.

Mortgage Repayment Calculator

This calculator works out your monthly repayments for Interest Only and Repayment Mortgages.

Loan Calculator

This calculator gives an estimate of the typical amount that you can borrow based on your income(s).

(These useful tools may be blocked by your internet browser or security system's 'pop-up blocker'. If this is the case you should change the settings to temporarily allow 'pop-ups').

Gazumping

Even when your offer has been accepted, you may find that there is someone else interested in buying the property and they may make a higher offer. If the seller accepts it, you may have been gazumped. As the sale is not binding until contracts have been exchanged, the seller can accept other offers up to that point.

Having accepted another offer, the seller may decide that he or she no longer wants to sell to you, unless you come up with a yet higher offer, or to accept both offers and sell to whoever is ready to sign the contract first (a contract race).

The pitfalls of gazumping and contract races highlight the value of arranging your loan in principle before you start house-hunting. Should you be unfortunate enough to end up in a contract race, the further advanced you are with your mortgage application, the more chance you have of winning the race.

Mortgage types

Discount Interest Rate Mortgage

A variable rate, of interest, but set at a set percentage amount below the lender's standard variable rate, usually for a short period of time. At the end of the initial period, the mortgage reverts to the lender's variable mortgage interest rate. There are often charges if you wish to pay back (redeem) your loan before the end of the discounted rate period. In some cases these charges also apply for a short period thereafter.

The main factor influencing the interest rate on variable interest rate mortgages is the base rate set by the Bank of England. There is, however, no guarantee that a change in the Bank base rate will necessarily mean a change in mortgage rates. A tracker interest mortgage rate is set at a certain percentage above or below Bank base rate, and this percentage difference is fixed – so if the base rate drops by 0.25%, your Tracker Mortgage rate drops by 0.25% too and vice versa.

Fixed Interest Rate Mortgage

Set at a fixed rate usually an amount below the lender's standard variable rate, usually for a short period of time. At the end of the set period, the mortgage reverts to the lender's variable interest rate. There are often charges if you wish to pay back (redeem) your loan before the end of the initial incentive period In some cases these charges also apply for a short period thereafter.

Capped Interest Rate Mortgage

These rates limit your payments to fluctuations between a maximum and minimum interest rate for a set period of time. These rates may only be available at certain times depending on mortgage market fluctuations and may also incur a charge if you wish to pay back (redeem) your loan before the end of the capped/collar rate period.

Offset of Current Account Mortgages

This is a fully flexible mortgage, which allows you to keep balances (such as the mortgage, savings, and current account) in separate accounts, but, for the purpose of interest calculation, all balances are aggregated. Credit in savings and current account are offset against the mortgage, with interest only being charged on the reduced balance. This type of morgage gives you total flexibility to access your savings, whilst making significant long term savings on interest charges.

Cashback Incentives

With 'cashback' the lender usually gives you money when you complete on the mortgage. In return you are usually tied to the standard variable rate for a set period, and have to repay some or all of the cashback if you wish to pay back/ redeem your loan sooner.

How much can I borrow?

Affording the payments

A priority in considering the amount you borrow is ensuring that you can sensibly afford the monthly mortgage payments. We will work out the maximum you can borrow based on your income and will also ask about your other financial commitments.

Use this list to work out how much your total monthly outgoings are likely to be and how much you would have left before making any mortgage payments:

Item	Monthly Costs
Investments	£
Life policies/Health Cover	£
Personal Pension	£
Loans/Hire Purchase	£
Gas/Electricity	£
Water	£
Council Tax	£
Food/Groceries	£
Clothes	£
Telephone	£
TV/Video	£
Car running costs	£
Travel to work	£
School/Nursery fees	£
Entertainment	£
Clubs/Hobbies	£
Holidays	£
Other	£
Total (A)	**£**
Your monthly Income (B)	**£**
Balance (B-A)	**£**

As part of our service to you, we will be able to assess how much you can afford to pay and will only advise a mortgage that you can afford.

Cost of buying

As well as the property price, you need to budget for additional costs such as stamp duty, surveys, solicitors' fees and removals. Below we provide an overview of potential purchase costs - many of which vary according to purchase price.

You will normally need a deposit of at least 5% of the purchase price, although this may vary according to your circumstances. If your deposit is less than 25% of the value of the property you may have to pay a higher lending charge. This insures the lender against making a loss if you don't pay the mortgage and they have to sell your house. The insurers have rights to recover any loss from you if the lender makes a claim, for all sums including interest and legal fees.

Some lenders charge an Arrangement Fee. The amount of the arrangement fee varies according to the lender, and sometimes according to the type of mortgage. It can range from £95 to over £300. Very occasionally mortgages incur a Booking Fee. This charge may be applicable for a special rate, such as a discounted or capped rate. The amount of the booking fee will depend upon the type of mortgage and the lender.

Stamp Duty (paid via the solicitor) is a Government tax based on a percentage of the property price.

Property Price	Stamp Duty
£0 - £125,000	0%
£125,001 - £250,000	1%
£250,001 - £500,000	3%
over £500,001	4%

The cost of the valuation/survey depends on the property price, and the type of valuation/survey you choose. As a rough guide, for a property costing less than £100,000, you can expect to pay: Homebuyers - £250, Full Structural - £500. (Please contact a valuer/surveyor for an accurate quotation.)

Solicitors fees – including land registry, searches, the lenders legal fees and the solicitors own fees, this can cost anywhere between £750 and £2,000 (based on purchase price of £100,000). A mortgageforce™ consultant can obtain an estimate for you if you wish.

Removal expenses will depend upon where you live, how much furniture you have, how far you are going, and the service you opt for. You can expect to pay anything from £180 to move from a one-bedroom ground floor flat, to over £500 to move from a detached house. A long distance, two-day move may cost an extra £150-£200 or more.

Repaying the loan

Whichever mortgage you choose, you will have to repay the capital (the amount you have borrowed) and pay interest. Interest is usually paid monthly. How and when you repay the capital depends on whether you arrange your mortgage on a repayment or interest only basis.

In making your choice, you should consider factors such as your age, with a partner or on your own, dependants, the nature of your income and so on. You should also review your life assurance and make provision to protect your income to ensure you can continue to repay your mortgage as your home may be repossessed if you do not keep up repayments on your mortgage.

Repayment Methods

1. With a repayment mortgage your monthly payments pay two things: the capital - the loan itself - and the interest on the loan. In the early days of your mortgage, the monthly payments are predominantly interest, with only a little capital being repaid. Over the course of the mortgage, the amount you owe falls until you have paid off the full amount you borrowed, including interest. Repayment is typically over 25 years, although other periods may be arranged to suit your budget. One of the benefits of a repayment mortgage, provided that you have maintained your payments, is that with the gradual reduction in the amount that you owe, you know that your mortgage will definitely be paid off at the end of the period you have chosen.
2. With interest only, your monthly outgoings are split in two parts. Part of your payment goes to your lender to pay the interest on the loan. In addition, you will make a separate payment into an investment plan, for example, an isa or pension plan. By the end of your mortgage term, typically 25 years, (although other periods may be arranged) you will still owe the full amount originally borrowed. However, you will also have some form of investment plan, which should be worth enough to pay off your entire mortgage.
3. With a part and part mortgage some of your mortgage will be repaid using the repayment method, which is payments against the capital - the loan itself and the interest on the loan. In the early days of your mortgage, the monthly payments are predominantly interest, with only a little capital being repaid. The remainder of the mortgage is on an interest only basis where your payment goes to your lender to pay the interest on the loan.

Arranging your mortgage

The first step in arranging your mortgage is to talk to a **mortgage**force™ Consultant about what you want.

To locate your nearest consultant go to www.mortgageforce.co.uk and select 'find a consultant'

There are a number of things to consider when deciding on the arrangements which would be the most suitable for you:

- Do you want a discount, variable, fixed-rate or capped rate mortgage?
- How much can you afford to pay each month?
- What size deposit (or equity) do you have?
- Do you want to arrange your loan on a repayment or interest only basis?
- Over what term do you want the mortgage
- Are you likely to want to repay the loan early or move home within a certain period?

We can provide you with all the advice you need, either at a meeting or over the telephone, including a breadkdown of what various mortgage options will cost. Once you have chosen the mortgage you want, the loan can be agreed in principle. This can help you budget for a house you are yet to find or set a limit for a new mortgage. If you decide to proceed the steps are simple:

- We will help you complete the lender's application
- The lender will make some enquiries as to your financial circumstances
- Carry out a valuation of the property
- Any applications for life assurance, buildings and contents and accident, sickness and unemployment cover should be submitted
- You sign the loan agreement with your solicitor
- The mortgage funds are sent to the solicitor

When you first come to talk to us, it will help speed things along if you bring The following documents with you:

- Your last three years' Inland Revenue P60s
- Your last three months' pay slips
- Your last twelve months' bank statements
- If you already have a mortgage, your last three years' mortgage statements
- If you've been renting, your rent book
- Details of any existing hire purchase agreements, loans and credit card commitments

Arranging a survey

The purpose of a survey is to inspect the property in detail, so that you know exactly what you are about to take on. You may ask yourself "What is the downside?" Well, you will have to pay for it - even if you never buy the house.

If no hidden problems are thrown up by your survey, you can relax - safe in the knowledge that what you see is what you get, more or less.

However, if substantial defects are uncovered, you might get room for negotiation on the purchase price. Alternatively - if the news is particularly bad - you may decide to pull out of the deal altogether. Either way, you can save an awful lot more money in the long term.

A Valuation Is Not A Survey!

Don't confuse a survey with a lender's Valuation. A valuation is for the lender's own use and merely tells them that the property is (hopefully) worth what you are paying for it. If you don't pay your mortgage, they are entitled to sell the property and the valuation report carried out at application stage determines whether (at current market rates) they would get their money back. They may give you a copy of the report, but it is unlikely to provide enough detail for you.

The Two Types of Survey

Homebuyer's

Unless the property you are looking at is in very bad repair, this type of survey is adequate in most cases. The surveyor will check all visible and accessible parts of the property. The report, normally 5-10 pages long, will describe the main fabric of the property, and list any defects that need attention.

Full Structural

If the property was built before 1900, or if you are planning substantial renovation, it is worth getting a full structural survey. The report, which may be 10 - 20 pages long, depending on the size and state of repair of the property, will provide a full description of the structure, list all the defects (including minor ones), and request specialist reports if the surveyor suspects problems with, for example, drainage or subsidence..

The mortgage term

Traditionally, mortgages are arranged over a term of 25 years and you agree to repay the loan by or at the end of the term. Shorter or longer mortgage terms can be arranged - it all depends on how much you can afford and how quickly you want to finish the mortgage.

When considering how long you want your mortgage to run, you should bear in mind a number of points:

- Most mortgages are supported by earned income. You should think about how your income may change in the future and arrange your mortgage term appropriately
- With a repayment mortgage, the longer the term, the lower your monthly payments will be but the more interest you will pay in total, and vice-versa: the shorter the term, the higher the monthly payments, but the less interest you pay in total
- If you take out an interest only mortgage and are relying on the returns of an investment plan to repay the loan, you should ensure that the terms of both the mortgage and the investment are sufficient to allow the investment to build up adequate funds to repay the loan at the end of it's term
- Whatever the term of your loan, since interest is paid on the amount of the capital balance, less interest is paid in total on a repayment loan (where the capital reduces) compared with an interest only loan (where the capital balance stays the same)

Early Repayment Charges

Most mortgages have early repayment charges, these are typically within the product period. For instance, if you have a five year fixed mortgage, there may be a 3% charge of the loan to be repaid if you redeem the mortgage within those five years.

Be careful! – some mortgages have redemption charges which are longer than the product period, so when you revert to the lender's Standard Variable Rate you still don't have the flexibility to move or remortgage without penalties. Always check your options before agreeing to a particular product.

A **mortgage**force™ consultant can provide valuable advice to ensure you can avoid any such penalties wherever possible.

Appointing a solicitor - the legal process

A **mortgage**force™ consultant can assist you in obtaining a quotation.

When the offer you make on a property is accepted, the seller's estate agent will normally ask you for your solicitor's details to pass on to the seller's solicitor. What the solicitor does:

The legal term for purchasing property is conveyancing and most people appoint either a solicitor or licensed conveyancer to do this work for them. In addition to the conveyancing work, there is also the lender's legal work to be done in relation to the property you are buying. Most lenders will ask the solicitor you appoint to act also for them and this normally saves you money. You are responsible for all the solicitor's costs, so it is worth getting quotes from a few firms as their charges may vary. The following things happen:

i. The seller's solicitor sends documents like a draft sale contract etc so that your solicitor can start work
ii. Local authority enquiries (which means asking questions about plans for new roads, planning consents and other things which could affect the value)
iii. Contact the seller with questions about the property such as whether any alterations have been made, what fixtures and fittings are included, boundaries etc
iv. Exchange of Contracts (this is the point of no return, once each party has signed the contracts they are binding)
v. The signed contract will include a completion date when the property becomes yours
vi. Deposit (at the point of exchange you will have to pay a deposit (if any) to the seller through your solicitor)
vii. Insurance policies to go into force from exchange
viii. Land Registry (your solicitor will do the final check)
ix. Transfer Deed (your solicitor will prepare the Transfer Deed, this is used as a record to show you as the legal owner)
x. Completion (you will receive the keys once the monies have been sent to your solicitor)

Visit **www.goldsmithwilliams.co.uk** for an instant quote!

Scottish purchases

Most properties are sold by Estate Agents or Solicitors via Property Centres such as GSPC (Glasgow Solicitors Property Centre) or ESPC (Edinburgh Solicitors Property Centre).

Once you find the property your solicitor will “note interest“ to the sellers solicitor and then you can arrange a survey to suit your needs. These come in various forms and **mortgage**force™ or the solicitor will help decide which is your best option.

There is no obligation at this stage but you will be kept informed of developments regarding the sale such as fixing a closing date for offers.

Ensure before committing to the purchase you can get a mortgage and consult **mortgage**force™ early to ensure you can make an offer for a property. You do not want a commitment and no way of funding this!

Prices are usually stated in one of two ways: “Offers over”, where a starting level is indicated and a higher price is generally expected, or a “Fixed price”, where a predetermined price is expected.

In the case of a fixed price you have to be ready to move quickly as the first offer of the price usually secures the property. If it is “offers over“ then you need to be ready to offer when the seller will accept a price. This is usually a specific date set for offers to be received by and this is known as a closing date. Your solicitor will prepare an offer including details such as price, special conditions and entry date. This is the date you hope to get ownership of the house. You should ensure loan arrangements are as far forward as possible at this stage. Ideally an agreement in principle in place. Submitting an offer could have legally binding status even at an early stage.

If your offer is successful there are usually some negotiations as letters pass from solicitor to solicitor agreeing all the conditions such as date of entry, items included in the price, planning consents being in place etc. This can happen very quickly and you could be committed to the purchase sooner rather than later. When all these are agreed it is stated that “the missives are concluded” and a legally binding contract will exist for you to purchase on the agreed date.

If you were to pull out after this stage you would be liable for any losses and expenses to the seller. This could be very costly, so ensure you are happy about the final commitment.

Whilst all this is going on your solicitor will be working to check the titles and reporting to you on any matters which affect you or the use of the property. These are known as title burdens. A new deed (known as a disposition) will need to be prepared to allow ownership to pass to you from the seller. A Standard Security (similar to a Legal Charge in England & Wales) also needs to be prepared to grant any lender their rights.

Once all these matters are concluded the transaction will have been completed, the deeds signed, the price paid, and you will have the keys. The titles will be registered in your name and lodged in Edinburgh with The Registers of Scotland, known generally as “The Keeper” after the Chief Executive’s title.

mortgageforce™ has specialist advisers in Scotland to assist you with your purchase.

Estate agents

Estate agents are instructed by, and act for, the seller not the buyer. They advise on price, circulate property details, often place property advertisements in the local press, put up a ‘For Sale’ sign, arrange appointments for potential buyers to look over the property, taking them round if required, and negotiate the sale.

Although the agent acts for the seller, they should be able to help potential buyers with answers to questions about the local area, such as the proximity of shops, schools or public transport.

It is the seller who pays the agent. The service is free to the buyer. Estate agents’ fees, or commission, are normally based on a percentage of the sale price, although sometimes it may be a fixed amount. The amount charged will depend on the estate agent and the type of ‘agency agreement’:

- Multiple agency agreement – several agents market a property at the same time, Usually, the agent who makes the sale is the only one paid
- Sole agency agreement – one agent has exclusive selling rights for a certain period. Agents often charge a lower rate if they have a sole agency on the basis that they are more likely to get the sale and therefore get paid

Choosing a home

You’ll find it helpful to decide on what you are looking for in a home, before you start receiving estate agents’ property details – the number of bedrooms, any particular age or style of property, the facilities you want nearby etc. Consider, too, the costs involved in the move.

Making an offer

Once you have decided on the property you want to make your home, you will need to make an offer. If you want to haggle over the price, you can do so either direct with the seller or with the estate agent.

The price agreed is your offer and you may wish to put it into writing.

Insurance

When taking our a mortgage, you should review your home insurance arrangements and consider protection for your mortgage payments.

mortgageforce™ can offer you comprehensive and competitive insurance so that you can be sure you're always adequately covered.

Home Insurance

Buildings Insurance: As a condition of your mortgage, you will have to take out buildings insurance. As a minimum, it should cover you up to the full cost of repairing or rebuilding your home in its present form. Buildings insurance is available at different levels and usually includes cover for your home against risks such as fire, flood or subsidence. You can also select a higher level of cover to include full accidental damage.

Contents Insurance: Contents insurance, which covers items such as furniture, carpets and similar belongings, is optional but highly advisable. Risks such as fire, flood and theft are generally covered under basic home insurance policies. More comprehensive cover is also available including extras such as full accidental damage, personal possessions and specified valuables. Premium discounts may be available if you have an alarm system and some policies offer no claims bonuses.

Payment Protection Insurance

It is very important to take the precaution of protecting yourself and your family against the risk of losing your home and if you are unable to work due to, accident, sickness and unemployment.

If you were to lose even part of your income, a previously affordable mortgage could become a heavy burden. State benefits are not as generous as they used to be and far fewer people are now eligible. If you need to claim, you could be in for a shock.

Removals

You may decide to hire a van and do the move yourself or you may want to call in a firm of professional removers – it will probably depend on how much furniture you have and how far you are going.

Charges can vary considerably, so it's worth asking at least three firms to come round your home, assess what will be involved and give you a quote in writing. And it's also worth arranging your move as far in advance as possible. If you wait too long you may find the removal firm is booked up.

Consider as well, how much of the packing you want to do, if any. A good removal firm should be able to take care of everything. As well as doing the heavy lifting, they will do all the packing up at the start of the move – including clothes from the wardrobe and china and glass – and then unpack at the other end, even putting everything away again if you want them to. And if they are doing the packing, any breakages should be covered by their insurance.

Things to remember

Arrange to have the meters read at both your old and your new home on the day you move.

Arrange to take over the phone at your new home. If you contact the line operator in advance it may be possible to keep the line switched on and avoid reconnection charges.

Settle paper and milk bills. Run down your freezer so you can defrost it when you move.

Keep out the essentials such as a kettle, tea, milk, sugar and mugs.

How we operate - terms & conditions

Each Mortgage Force franchise is independently owned and they along with Mortgage Force Ltd are each directly authorised and regulated by the Financial Services Authority.

Upon first contact, each franchisee or consultant within Mortgage Force is required to make you aware of how they operate and provide you with some “Key Facts” about the services they offer. If these declarations are made over the phone, they are required to confirm these details to you by sending the “Initial Disclosures Document” within five working business days.

The FSA is the independent watchdog that regulates us and they require us to give you this information. It is designed to provide you with information to decide if our services are right for you.

We will also state the “scope” of service we are willing to provide, that is to say from where we source the appropriate products.

We will confirm which level of service we are willing to provide. Mortgage Force consultants provide advice.

How we are paid is also stated, and normally this involves receiving introduction fees from the eventual lender chosen. There may also be occasions where a Mortgage Force may wish to charge you a fee. This could be up to a maximum of 1.75% of the amount of the loan which is normally payable upon legal completion of your new loan. The consultant will not carry out any chargeable work unless they have agreed this fee with you and obtained your signed permission to charge a fee. The precise amount, if any, may well depend upon your circumstances but where a charge is to be made, past fees charged typically amount to approximately £715.00. You will receive a Key Facts Illustration, which will tell you about any fees charged by a Mortgage Force consultant relating to a particular mortgage.

If any fees are charged, Mortgage Force are required to tell you if some, part or the entire fee is refundable if your mortgage does not proceed. Each consultant will inform you of their refund policies if a fee is charged, and again confirm this in writing for you. Where fees are charged, it is normal for fees to be collected on legal completion, however where this is not the case the consultant will state in what circumstances the fee will be refunded, and the amount to be refunded.

A Mortgage Force consultant is authorised and regulated by the Financial Services Authority. Each consulant will provide their authorisation numbers to you, however if you want this number, please contact Mortgage Force Ltd, who will provide the number for you.

The permitted business we are allowed to operate is stated on our “Initial Disclosures Document”. The details of authorisation can be checked by visiting the register on the FSA’s website: FSA Register or by contacting the FSA by telephone on 0845-606-1234.

Should you be unfortunate and have a complaint please contact person stated on the “Initial Disclosures Document”, or alternatively please contact Mortgage Force Ltd who can provide these details.

If you cannot settle your complaint with the appropriate firm, you may be entitled to refer it to the Financial Services Ombudsman Service.

Mortgage Force Ltd consultants are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation if that firm cannot meet their obligations. This depends on the type of business and the circumstances of the claim.

We have provided this information so that you can see how we operate. From the information provided you know what to expect from each consultant, so be sure to ask for details as to how they operate. They are required to provide this information to you either verbally in the first instance, and/or confirm these details in an “Initial Disclosure Document”.