

Connells

your
mortgage
move



Making
the choice
clearer



“At Connells, we'll make it **easy for you** with our comprehensive mortgage service.”



Help and guidance from the experts

Buying your own home is probably the most important and exciting purchase you'll ever make. Some people think it's one of life's more difficult experiences. So it's vital that every step is conducted professionally, speedily and as smoothly as possible. At Connells, we're here to help you.

Whether you:

- 🏠 Are still looking for a new home
- 🏠 Have already chosen a mortgage
- 🏠 Are still thinking about moving

...talk to Connells first. Ask our Mortgage Consultant to explain the benefits of Pre-Arranging your Mortgage (PAM) through Connells.

You may be a first time buyer taking your first step onto the housing ladder, a seasoned buyer ready to trade up to a bigger home, or simply want to remortgage to potentially reduce your mortgage payments. Whatever your circumstances, Connells have the expertise to assist you.

Which mortgage is best for you?

There are numerous different types of mortgage available. The standard mortgage term is usually 25 years, although it is possible to change to a longer or shorter term.

Determining the most suitable mortgage will depend on your financial circumstances now and for the foreseeable future, plus whether you believe that mortgage rates will remain stable or are likely to fluctuate. You need to be certain that you can afford to repay the loan you are taking on, not just today, but throughout the term of the mortgage.

🏠 Fixed Rate Mortgages

Your monthly mortgage payments are guaranteed to stay the same for an agreed period. The only fluctuations might be changes to insurance premiums. You can confidently plan your budget for the whole of that period because you know exactly what your major outgoings will be. When the fixed rate period is over, your mortgage will change to the lender's prevailing variable rate, or you may be offered a further fixed rate period at a new rate.

🏠 Tracker Mortgages

The interest rate is linked to that of the Bank of England for a period of time. The rate is variable so your mortgage payments may vary from time to time. At the end of the tracker period you will revert to the lender's standard variable rate. Your mortgage payments may increase because of this.

🏠 Discount Mortgages

This offers you a discount off the lender's variable mortgage rate for a set period of time. You will need to budget for a payment increase when the discount period ends and the interest rate on your mortgage changes to the lender's prevailing variable rate. Discounts, and the period for which they apply, may vary from time to time, depending on prevailing market conditions.

🏠 Capped Mortgages

The rate you pay at the outset is normally the lender's current variable interest rate and is guaranteed not to rise above a pre-set ceiling, or cap, for an agreed period of time. During this agreed period if interest rates fall then your rate, being variable, can come down too. At the end of the capped rate period, the prevailing variable mortgage rate will apply.

🏠 Flexible Mortgages

These reflect customers changing personal circumstances. Typical features include being able to under/over pay (without penalty), enjoy payment holidays and being able to borrow additional money (subject to conditions) against your property.

🏠 Cashback Mortgages

This is, in effect, another form of discount mortgage. Here the amount of money you would have received in the form of a discount off your monthly payments, over a given period of time is converted into a single lump sum. This is usually paid to you on completion of your mortgage.

🏠 Libor Mortgages (The London Interbank Offer Rate)

Libor is the rate of interest which banks use for borrowing and selling money to each other. Some lenders use Libor rates for mortgage purposes. As the rate is variable and is reviewed quarterly your mortgage payments may vary from time to time. At the end of the Libor period you will revert to the lender's standard variable rate. Your mortgage payments may increase because of this.



How to repay your mortgage?

The mortgage must be repaid at the end of the payment term. You have a choice of repayment methods to suit your individual financial circumstances.

🏠 Capital and interest payments

Your monthly payments to the lender are made up partly of the interest on the outstanding loan and partly repayment of the loan itself. So, you can gradually pay off the full amount of your mortgage over the repayment period. In the early years, more interest than capital is paid but towards the end of the mortgage term you will be paying mostly capital.

🏠 Interest only payments

Your monthly payments cover only the interest on your loan, so the amount you owe remains about the same over the mortgage term, provided you make all payments on time. Repayment of the capital sum can be from a maturing investment, for e.g. an Individual Savings Account (ISA), personal pension plan or life assurance policy. It could be from an inheritance or property sale. Remember, investments can go down as well as up and cannot be guaranteed on maturity. It should be monitored by you to check the likely maturity value and, if necessary, the monthly premiums increased to boost the final sum payable.

“Choosing how to repay your mortgage is one of the most important financial decisions you’re ever likely make.”



🏠 Endowment Policy

With an endowment mortgage you can make monthly payments of interest, by Direct Debit, to the lender. At the same time you pay monthly premiums to an insurance company, which buys a policy designed to pay off the capital sum at the end of the mortgage term. If you die during the mortgage period, the full amount of the original loan will be repaid. Incidentally, if you already have an endowment policy, you may wish to consider using your existing policy to help repay the loan.

🏠 Individual Savings Account (ISA)

A mortgage linked to an ISA is where you make monthly payments of interest, by Direct Debit, to the lender and regular premiums to the ISA provider to build an investment designed to repay the loan at the end of the mortgage term. This will hopefully provide you with a tax-free lump sum as well. Remember, however, that the value of an ISA and any income from it can fall as well as rise and returns are not guaranteed.

🏠 Personal Pension Plan

Here you make monthly payments of interest, by Direct Debit, to the lender and regular monthly contributions to a pension plan. At the end of the mortgage term, usually coinciding with your retirement date, a lump sum from your pension plan is used to pay off your mortgage balance. It's a tax efficient arrangement because your pension contributions are tax-free, as is the lump sum which is used to repay your mortgage. Remember, however, that the tax situation for pensions is liable to unforeseen change. The disadvantage is there will be less money left over to provide retirement income once your mortgage has been paid off. You would need to ensure that your pension contributions are high enough to provide sufficient funds to pay off your loan and give you enough income to maintain the standard of living you require during retirement.

You should only borrow an amount that you can comfortably manage to repay. If you take all your other important expenses into account and your mortgage payments are sensibly planned, you are less likely to put your home at risk through borrowing too much.

How much should I borrow?

As a general guide, provided you are in permanent employment, the lender will consider up to 3.5 times your annual salary. If you're applying in joint names the whole of your partner's salary can be added too. Alternatively, you can normally borrow two-and-a-half times your combined incomes. Many lenders allow you to borrow more depending on your individual circumstances. Some lenders use an affordability calculator to establish how much they will lend you; our Consultant can explain how this works.

Approval of your loan will be subject to the lender's assessment of your ability to pay. This assessment may include information on how you have handled your financial affairs in the past, with your consent, information from credit reference agencies and from other sources such as your employer or previous lender. Lenders' criteria vary and we will be pleased to discuss this with you.



Affordability

The Financial Services Authority (FSA) have produced guidelines on the ways 'Lenders' underwrite loans with regard to affordability. Income multiples are available as a quick reference guide only. An assessment of income and expenditure is the underwriting measure most lenders use in establishing the maximum that can be borrowed. Lenders will usually undertake an agreement in principle (AIP) to determine the amount that someone can borrow, this will be used in conjunction with a full credit reference search to further enhance the decision.

In assessing affordability a lender will typically use 100% of guaranteed income and a percentage, usually 50% of any non guaranteed income ie. overtime or commission. A deduction of approximately 30% is made to cover off sundries such as Tax & National Insurance. FSA guidelines insist that all personal expenditure including loan and credit cards shown within the credit search are deducted as outgoings. In relation to credit card balances a lender will typically deduct what equates to 3% of the outstanding balance and use this figure as an outgoing. The lender will then decide whether they feel the applicant has adequate disposable income to fund their mortgage payments.

A key consideration for all lenders will be the applicants overall conduct of their bank account together with credit reference checks. If these factors do not demonstrate that the mortgage is affordable then despite an affordability calculation suggestion, it is the lender that will consider declining the application.

Typical Affordability Calculation

Income

Basic Annual Income:
£35,000

Regular Overtime:
£2,000

Expenditure

Loan Payment:
£500 per month

Credit Card Balance:
£5000

Monthly Credit Card Payment:
£200

Other Regular Commitments:
£450

* Recommended loan amount £131,185.

* Based on single applicant. No dependents.
Repayment loan over 25 years.



“Your home is probably the most valuable investment you’ll ever make. So it makes very good sense to protect it.”

Peace of mind

All lenders insist that your property is protected by buildings insurance. But this isn’t the only protection you need...



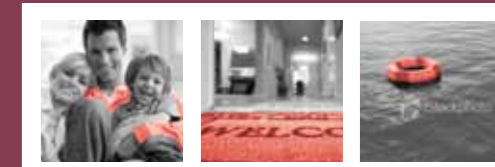
What if some of your valuable possessions are stolen or your furniture is damaged, for example, by a fire?

What if you fall ill or lose your job, how will you manage your mortgage payments?

In event of your death, how will your mortgage be repaid?

At Connells we have a range of insurance policies which will take care of all these worries for you.

Protection for...



...you and your family

To ensure that in the event of your death your mortgage is repaid in full, you may need a **Term Assurance Policy** for the full value of your mortgage. Payment is easy as premiums are paid monthly by Direct Debit.

We also recommend you consider **critical illness cover** which is designed to pay out a pre-determined amount should you be diagnosed as critically ill, regardless of whether death should follow.

...your home

Connells HomeGuard is a comprehensive insurance policy which will cover your property, its contents and your personal possessions, all in one worry-free package.

Your buildings cover is adjusted automatically each year, in line with house-rebuilding costs, so you need never be concerned about being under insured. If you do make a claim, your premiums won’t automatically rise. Premiums are paid monthly by Direct Debit. To cover just the actual building, or its contents, we can provide separate insurance policies.

...your mortgage payments

Connells Mortgage Payment Protector (CMPP) will meet your monthly mortgage commitments and can include any related insurance premiums for up to 12 months, in the event of your unemployment or inability to work due to an accident or sickness. For a small monthly premium, paid by Direct Debit, you can secure your home and your family’s future.

Some mortgages may include a short period of Accident Sickness and Unemployment cover provided free by the lender. Where this is the case please direct all queries to the lender.

Once you have chosen the home you want to buy, we will need to arrange a valuation of the property to make sure its value covers the loan you require. The cost of this report will depend on the price of the property and we will ask you to pay this charge with your application, in order that we can arrange the valuation immediately.

Valuing the property



Please remember that a valuation is only designed for mortgage purposes. It is not a survey and doesn't guarantee that the property is free from defects. The report belongs to the lender, not you, although there may be an opportunity to see a copy.

For a more detailed report, which looks at the condition of the building, you need to obtain a Homebuyer's Report or Building Survey. Either of these kinds of report will, of course, cost rather more, but it is worth the extra expense, particularly if you are buying an older property. It could also provide you with points to raise with the vendor when discussing the purchase price. If you are in any doubt about the suitability of the property, it would be well worth your while to opt for a more detailed survey. Our Consultant will be happy to make the necessary arrangements for you.

🏠 A **Homebuyer's Report** will give you general information about the condition of the property inside and out, plus a valuation figure.

🏠 A **Building Survey** is a comprehensive inspection of the property and will pinpoint any major or minor defects, it will also include a valuation figure.



! We strongly recommend that you make a Will, either via a solicitor or you can buy a Will kit off the shelf. If you already have a Will you will need to amend it to take into account your new property purchase, and any insurance cover you may be putting in place.

Why make a Will ?

Many married couples/civil partners believe that on their death, all their assets will automatically pass to their spouse/civil partner, even if they have not made a Will. In fact depending on the size of the estate, if there are children the spouse/civil partner will only inherit personal items and the first £250,000*, the rest of the estate is divided between the children. If there are no children, the spouse/civil partner will inherit personal items and the first £450,000*, the rest of the estate is divided between living relatives. If there are none, the spouse/civil partner will inherit everything.

In England, the average estate is now worth far more than £275,000*, without taking into account savings, life policies etc. The consequences for the surviving spouse/civil partner if you have not made a Will are very serious. They could find their relatives forcing them to sell their property so they can receive their share of the deceased estate.

If you are living together and your partner dies without leaving a Will the effect on the survivor is extremely serious. The survivor will not receive a penny of the deceased partner's estate. If the deceased has no living relatives the whole of the estate will go to the Crown.

* Thresholds quoted may vary from time to time.

Total cost of your mortgage

“When budgeting for your new home, there are a number of costs you need to take into consideration in addition to the deposit, insurance premiums and the valuation fee.”

- 🏠 Valuation arrangement fee
- 🏠 Reservation/completion fee (for mortgage with special terms e.g. fixed rate)
- 🏠 Removal expenses
- 🏠 Higher Lending Charge
- 🏠 Solicitors fee & Stamp Duty
- 🏠 Searches & Land Registry
- 🏠 Life assurance premiums
- 🏠 Payment Protection insurance premiums
- 🏠 Household insurance premiums

Mortgage guide jargon-buster

The world of finance can be a bewildering place, full of unfamiliar terminology and abbreviations. To help remove any confusion, please find a few definitions to get you started.



COMMONHOLD

Instead of a Landlord owning the common parts of the property they will be owned and maintained by a commonhold association in which each owner is a voting member. The commonhold association will also own and maintain the structure and exterior of the building and is the freeholder of the building.

APR

This stands for Annual Percentage Rate. It takes into account all fees and other costs in connection with the mortgage as well as the lenders interest rate. The APR is intended to help you compare the terms offered by different lenders and all lenders must quote an APR in addition to the actual rate of interest applied annually to your mortgage.

EARLY REPAYMENT CHARGE

If you redeem (i.e. pay off in full) a mortgage before a specified date you may be asked to pay an early repayment charge in order to recover any losses incurred by your lender as a result.

BRIDGING LOAN

A temporary loan which enables you to complete the purchase of your new home if you have to do this before completing the sale of your existing property.

COMPLETION

The point at which the money to buy your new home is released to the seller, ownership is transferred to you and you can then move in.

CONVEYANCE

The legal document which transfers the ownership of the property.

EQUITY

The difference between the value of your property and the amount of any outstanding loans secured against it.

SHARED EQUITY

The buyer does not own the property in conjunction with any other party (unlike shared ownership) but takes out more than one loan for the property - a mortgage and an "Equity Loan". You are the only person on the deeds, there is no co-owner, however, when a property is sold you will need to repay the loan and a proportion of any increase in equity to the party making the equity loan.

SHARED OWNERSHIP

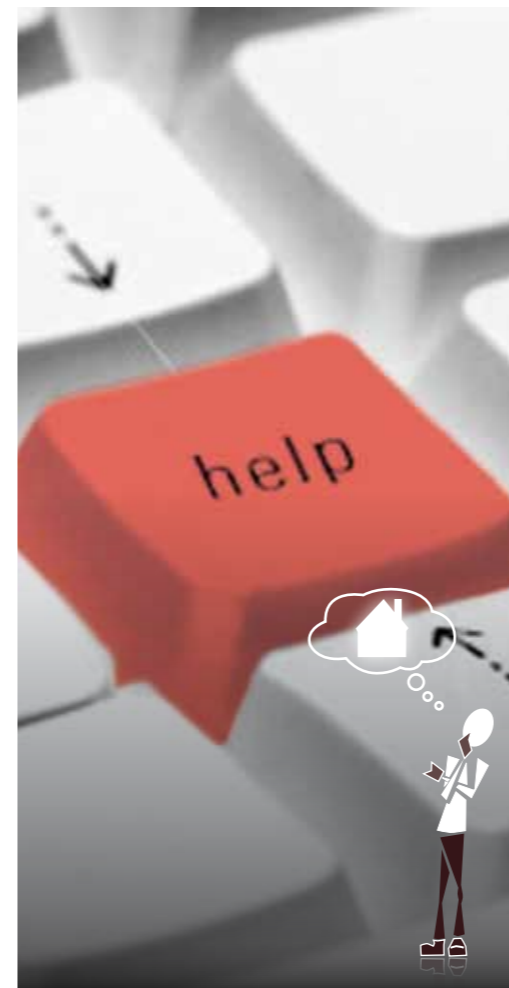
This means owning part of a property with another party (typically a housing association) and paying rent to them for the part that they own but allow you to live in. They do not live in the shared property with you. You may be able to increase your share as time goes on by sometimes up to 100%. This is called 'Staircasing'.

HIGHER LENDING CHARGE

This is a charge made by a lender when the amount you borrow is above a certain percentage, typically 90-95% of the property valuation. This was often referred to as a Mortgage Indemnity Guarantee (MIG).

HIPS

The Home Information Pack is a set of documents providing important information about the property.



DISBURSEMENTS

The fees your solicitor has to pay (e.g. stamp duty, land registry, search fees, etc) which will be added to your solicitor's bill.

LEASE

A document which grants possession of a property for a fixed period of time and sets out the obligations of both parties, landlord and tenant, such as payment of rent, repairs and insurance.

LEASEHOLD

The arrangement by which property is let by lease by a landlord to a tenant for a fixed period of time.

VALUATION ARRANGEMENT FEE

A fee paid by the borrower for the lender's inspection of the property by a valuer. Normally paid on application.

MORTGAGEE

A building society, bank or other company which lends money against the security of a charge over the property purchased.

MORTGAGOR

A person who borrows money, usually to buy a property (i.e. you as the Borrower).

SUBJECT TO CONTRACT

A provisional agreement between buyer and seller, before exchange of contracts, which allows either side to back out without penalty.

MISSIVES (Scotland only)

The formal written offer to purchase and the acceptance.

TITLE

The legal right to ownership of a property.

ADVANCE

This is the actual amount of money that the lender agrees to lend you.

UNREGISTERED LAND

Land, the ownership of which is established by a bundle of deeds but is not registered on the registered land system.

STAMP DUTY

A government tax on the price you pay for your home on properties above a certain value.

RESERVATION/COMPLETION FEE

If you wish to take out a special offer mortgage (fixed, capped or discounted rates), a reservation fee may be charged to cover any extra administration involved and the special arrangements required to secure the funds.

TRANSFER DEED

The legal document which transfers the ownership of the property from the seller to the buyer.

FREENHOLD

The term used to indicate ownership of a property and the land on which it stands where both belong to the owner indefinitely.

TITLE DEEDS

The documents showing the ownership of a property.

TERM

The length of time over which your mortgage loan is to be repaid.

REGISTERED LAND

Land for which title is registered and recorded at Land Registry, the central registry of title to property in England and Wales.

VACATION FEE

A fee charged by the lender for sealing the deeds following repayment of a mortgage.



Now you are ready to go ahead with your **mortgage** application!

Our Mortgage Consultants will discuss your requirements with you and assist you with completion of the necessary forms. They will then take personal charge of your application to ensure the whole process is as simple and trouble-free as possible.

Connells Residential is an appointed representative of Connells Limited who are authorised by the Financial Services Authority for the advising and recommending of regulated mortgage contracts and general insurance contracts. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.



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