



## Finance Matters - Mortgages

### ***Mortgages – back to basics***

This month we are going to discuss mortgages and the various options that are available in the market today. There are many articles about mortgages in newspapers and magazines but very few discuss the basic generics of the mortgage market. This is what we will attempt to do here. The last ten years has seen huge growth in the housing market and this has seen the market open up with a myriad of varying mortgages for the public to take advantage of.

Let's take a quick look at the different options that are available today and explain what they mean.

### ***First time buyers***

The old classic! Everyone from Tony Blair to the bloke in the corner of the local pub has an opinion on this one. "It's so difficult to get on the housing ladder" they cry and in some respect they are probably right. However, this said, it can be done. Gone are the days when lenders would throw cash at potential first time buyers to entice them in, but there are still lenders that are prepared to be flexible. Buying without a deposit is readily available and some lenders will even lend over and above the value of the property. Obtaining as much as five times your annual income as a lending limit is also an option with some lenders but bear in mind that credit history will be key in the agreement of any lending decision. Other factors to consider are stamp duty, solicitor fees and associated insurances. A purchase price of £150000 could cost up to £3000 just to facilitate the move.

### ***Remortgage***

This can be a scary word for some as they think of the "monopoly" scenario. This is not generally the case. The easier way to associate a remortgage is with a balance transfer on a credit card. All you are simply doing is transferring the balance on your mortgage to another lender for a better rate. Over a typical 25 year mortgage term if you switched your mortgage on a regular basis to obtain a better rate, you can save thousands of pounds in interest. The majority of lenders will assist in the switching process by paying for the legal fees and the valuation of the property so the costs are minimal if anything at all. We, as brokers, will even complete all the forms for you so a signature on the dotted line is all you are required to do!

## ***Buy-to-let***

This has been one of the fastest growing areas of the industry in recent years and many people now make a living from the properties they own and the rent payable each month. Once again, obtaining the lending is far more accessible than ten years ago with only a few simple rules that apply.

Generally, the minimum deposit required is 15% of the purchase price so a on a £100,000 property, £15,000 would be required up front. The amount of rent received is a key factor with most lenders requiring the rent received each month to be 25% more than the mortgage amount on an interest only basis. Once again, we, as brokers can assist in this process and provide quotations upon request as there are lots of various options available. Remember, the upkeep of the property is still your responsibility and tenants can be both good and bad! Reputable letting agents can assist with the management of your tenants and the collection of your rent. There can be tax implications as well so an accountant should be contacted to discuss the actions required.

## ***Bad credit mortgages***

This may also be referred to as the “sub prime” market. Once again, many lenders are now prepared to take far more risks on who they will lend money to for a mortgage. County Court Judgements (CCJ’s) are often ignored and even people who have had difficulty in paying a mortgage in the past may be considered. The rate that a potential customer is offered will be based on their circumstances and their previous history but some may be pleasantly surprised by what they may be able to secure. Asset Management has access to the whole market place and once again, would be pleased to provide an appraisal and quotation.

## ***Self-certification mortgages***

The lenders of today have realised that many individuals work in environments where their income could fluctuate quite dramatically and as such may find it difficult to prove their full income. This can particularly affect people who are self-employed or employed individuals who earn commission or bonuses. Providing you can supply a minimum of a 10% deposit and have no gremlins from a credit perspective, lenders will not ask for proof of your income. You simply sign to say that you earn x amount per year and the lender accepts this in good faith. Remember, the mortgage payments are your responsibility and it would be prudent not to overstretch yourself. A full appraisal of your situation can be undertaken by a mortgage advisor enabling you to obtain a realistic purchase price for your home.

What we have touched upon here is the tip of the iceberg when it comes to the purchase of your home. Hopefully, we have encouraged some of you to maybe take the plunge and see if you can take that step onto the first rung of the ladder. Maybe some of you are looking to climb to the summit of the ladder or the more frugal individuals will become “rate tarts” and start taking advantage of those better rates by remortgaging. Budding landlords may be tempted by the Buy to Let option and even those of you that may have struggled financially can see light at the end of the tunnel.

I hope this has helped and maybe a more in depth look at the mortgage world will follow later in the year.