CHARLES CAMERON
& ASSOCIATES

Mortgage Guide

OUR GUIDE TO BUYING AND PROTECTING YOUR HOME

Introduction

Buying a home can be a daunting and expensive process. It is one of the most important decisions you will ever make. We hope that this guide, along with our support throughout the process, will ease the stress associated with purchasing a property.

Whether you are approaching your first step on the property ladder or looking to remortgage or move home, the information in this booklet, along with support from your dedicated Charles Cameron & Associates Mortgage Adviser and Administrator, can guide you through the steps to make the experience smoother.

Our mortgage advisers are specialists in working with employees of our corporate partners and we pride ourselves on our customer service levels. Therefore, our aim is always to gain a full understanding of each individual's personal circumstances and requirements. Only by spending the time with you to do so, can we tailor our service to successfully circumnavigate any challenges or hurdles that you may face.

Therefore, the information in this booklet is best used in conjunction with the information provided to you individually, by your adviser.

We also have dedicated guides for First-Time Buyers, Remortgaging and Buy-to-Let. If you need extra support, visit our accessibility page on the website at **www.ccameron.co.uk/accessibility.**

Borrowing To Purchase Your Home

WHAT IS A MORTGAGE?

The loan you take out to pay for your property purchase is called a mortgage, which is secured against your home. This means that if you do not keep up your payments to the lender, your home could be sold in order for the lender to recover the money that you owe them. Mortgage Loans are generally offered at lower interest rates, over longer time periods than other types of loans.

WHAT IS A REMORTGAGE?

A remortgage is the process of taking out a new mortgage loan in order to repay your existing mortgage. The new loan can be with your existing lender or you can move the loan to a new provider. You could repay part of the debt, in order to have a smaller mortgage, remortgage for the same amount or even borrow more, all depending on your circumstances and requirements.

Remortgaging your property is easier and more hassle-free than when you take out your initial mortgage. After discussing your current mortgage loan with an adviser, you may find that you could benefit from a better rate of interest by changing to a new lender, this would be called a remortgage. However, if the best option for you is to transfer your mortgage to a different interest rate with your current lender, this is called a product transfer. Your mortgage adviser can look at which option is most suitable for you.

Affordability

HOW MUCH CAN YOU BORROW?

Lenders decide how much they are willing to lend you, by carrying out affordability tests. These take into consideration:

- Your income, which can also include part or all of any regular bonuses and commission payments, depending on the lender.
- Your outgoings and existing commitments, including utility bills, loans, credit card balances, childcare costs, travel expenses, school fees, etc.
- Your credit history.
- How much deposit you have available.

You will need to find out how much you can borrow before you make an offer on a property. Some lenders are able to work out what they will lend you before you find a property - this is called an Agreement in Principle (AIP) or Decision in Principle (DIP), which some estate agents will ask to see before allowing you to view a property.

Once you decide on a property to purchase, your adviser can recommend a suitable mortgage product for you. They will then tell you what documentation will be needed to support your application and can submit the application on your behalf.

Our team of dedicated mortgage administrators will then track the application and keep you updated on progress, all the way through to you picking up your keys.

The monthly repayment amount that you will be committed to make, depends on the interest rate chosen, whether you take out an interest only or capital repayment mortgage (more information opposite) and how long the term of your mortgage is. Mortgages usually have a term between five and forty years, depending on your current age and planned retirement age. Mortgages should ideally be paid back over the shortest term affordable, as this keeps the overall cost down, with the minimum interest paid.

The above factors will help your adviser to filter out products and lenders that are not relevant or suitable for your individual circumstances and preferences. They will then recommend the most appropriate product and lender to suit you.

In the case of buy-to-let properties, lenders decide how much they are willing to lend you depending on how much you can rent the home out for. Mortgage providers will look at how much rent you can expect to receive to work out how much you can borrow. Some lenders will also look at your affordability more broadly when considering your application. That includes your other spending and commitments.

DEPOSIT (RESIDENTIAL VS BUY-TO-LET)

Usually, you'll need to save a minimum of 5% of the property value, meaning you'll borrow the remaining 95%. The Mortgage Guarantee Scheme helps first-time buyers or current homeowners secure a mortgage with just a 5% deposit.

Buy-to-let mortgages often require a much larger deposit than standard residential mortgages. The minimum deposit is usually 20%, although a deposit of 25% is the most common.

Types of Mortgages

REPAYMENT MORTGAGES

With a repayment mortgage, your monthly payments include both the interest amount charged as well as an additional sum which goes towards reducing the amount you owe. This means that each month you are paying off a small part of your mortgage debt.

Advantages: you can see your mortgage amount outstanding reducing, and providing you maintain the required payments, you will also have the certainty that your mortgage will be repaid at the end of the mortgage term.

Disadvantages: in the early years of your mortgage the majority of your monthly payments go on interest so the amount you owe will not be reduced by very much.

INTEREST ONLY MORTGAGES

Interest only mortgages are now only offered under very strict criteria and are unavailable to the majority of clients. With the exception of buy-to-let mortgages, which are often taken out as interest only, rather than repayment. With this type of mortgage, the amount you owe is not repaid from the monthly payments as this only covers the interest amount. Therefore, you are not reducing the amount outstanding and the full amount borrowed will need to be repaid at the end of the mortgage term. Therefore, you will need to evidence a repayment strategy.

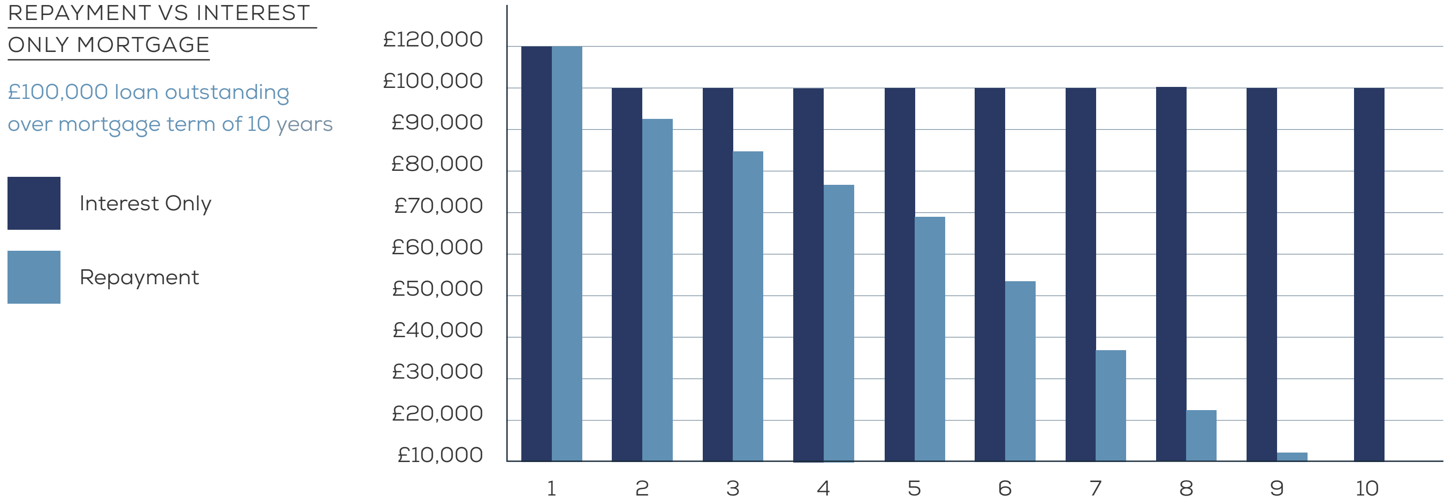
Advantages: if your repayment strategy performs well you could pay off your mortgage earlier than a repayment mortgage, or at the end of the mortgage term you could have a lump sum available after the outstanding mortgage loan has been repaid, to use as you please.

Disadvantages: very few investments or savings plans are guaranteed to repay your mortgage in full. If there is a shortfall you will be responsible for paying the difference. Your mortgage provider can demand payment and they will charge you interest on any outstanding balance.

You should discuss the risks with your adviser and make sure you are comfortable with them.

REPAYMENT VS INTEREST ONLY MORTGAGE

£100,000 loan outstanding over mortgage term of 10 years



Types of Products

There are many different mortgage interest rate options and interest rates vary between products and lenders. Interest rates on buy to let mortgages are typically higher than residential rates. Below is an overview guide of the types of options available, however, a full discussion with your adviser is needed to ensure you choose an option to suit your circumstances.

STANDARD VARIABLE RATE (SVR)

This is a standard interest rate that can go up or down in line with market rates, such as the Bank of England's base rate. SVR is the lenders' main variable interest rate, meaning that when the existing deal on your mortgage ends, your loan will automatically revert to your lender's Standard Variable Rate.

Advantages:

- You have more flexibility as you are not tied to a product and can usually repay your mortgage without incurring any early repayment charges.

Disadvantages:

- Your monthly payments can go up or down which can mean it is difficult to budget. SVR rates are typically higher than the lenders' fixed or tracker mortgage rates, so you could be paying more than necessary.

FIXED-RATE

If you choose a fixed rate mortgage, your monthly payments will stay the same for a set period of time (usually 2, 3, 5, 7 or 10 years). At the end of the fixed rate period, your interest rate will usually revert to the lenders Standard Variable Rate (SVR) which may not be the best rate available to you, so we would recommend you speak to your adviser 6 months before the fixed rate tie-in period ends, to ensure you have a new mortgage product in place and don't pay more than you need to.

Advantages:

- You will know exactly how much your payments will be each month for a set period of time.

Disadvantages:

- Your monthly payment will stay the same for a set period of time, even if other interest rates decrease i.e the Bank of England base rate.
- If you want to repay your loan early, there could be an early repayment charge.

Types of Products

TRACKER

With a tracker rate mortgage, your interest rate will be linked to a rate such as the Bank of England base rate for a set period of time. This means your monthly payment may go up or down.

Disadvantages:

- Some lenders impose a collar, which means the interest rate won't fall below a certain level, even if the rate it is tracking continues to reduce.
- Your monthly payments can go up or down, which can make budgeting difficult.
- If you want to repay your loan early, there could be an early repayment charge.

OFFSET MORTGAGE

An offset mortgage is generally linked to a main current account and/or savings account which are all held with the same lender.

Each month, the amount you owe is reduced by the amount in these accounts before working out the interest due on the loan. This means as your current account and saving balances go up, you pay less mortgage interest. As they go down, you pay more. Though linked accounts used to reduce mortgage interest payments do not attract interest on the balance.

Advantages:

- Mortgage payments can be reduced as savings increase, or you may be able to continue paying a higher level and pay your mortgage off early.
- You usually pay tax on your savings. However, if your savings are automatically used to offset your mortgage, you won't pay income tax on these savings. This can be beneficial for higher-rate taxpayers.

Disadvantages:

- All accounts have to be with one lender/bank.
- You need to have a substantial level of savings.
- If you want to repay the loan early, there could be an early repayment charge.

RISK WARNING

Interest rates fluctuate and therefore your monthly payments could increase as well as reduce.

Please be aware that some tracker / variable rates have a collar rate applied. In instances where a floor rate is in place, should the base rate fall below this rate you may not benefit.

Green Mortgage

WHAT IS IT?

A green mortgage is when a mortgage lender offers the owner preferential terms if they can demonstrate that the property they are borrowing against meets certain environmental criteria. This may include a newly-built home with an environmentally-friendly green roof, solar panels or even a property that has improvements to bring its EPC rating to a higher band.

In other words, a green mortgage describes a mortgage designed specifically for green buildings, or a mortgage where the borrower commits to invest in improving an existing buildings environmental performance.

There are, in essence, three types of green mortgage:

- Lower interest rates for people who buy an energy-efficient home.
- Standard mortgages that offer cash back to buyers who purchase an energy efficient home.
- Mortgages that offer a cheaper interest rate or cashback to buyers who make green home improvements.

With so much awareness around climate change, many people are keen to reduce their impact on the planet and the property market is no different.

DO YOU QUALIFY FOR IT?

Green mortgages are mortgage products for buyers of environmentally-friendly homes – Whether a home is deemed as environmentally friendly is usually classified by its Energy Performance Certificate (EPC) rating and should be rated B – A+++. In order to qualify for a green mortgage on a purchase or a refinance, the lender will need to see a copy of the EPC certificate confirming the rating of the property.

However, that doesn't mean owners of homes with a low energy performance certificate rating have to miss out on the green mortgage scheme – lenders can offer green mortgages on older homes too by funding energy-efficient improvements that increase a property's energy efficiency to least a B rating.

Home Refinancing

REMORTGAGING

It is essentially replacing one mortgage with another – your new mortgage repays your existing mortgage. This can happen for various reasons, from coming to the end of your current mortgage tie-in period, to wanting to free up some of the equity in your home by borrowing a higher amount.
If the initial rate of your current mortgage is ending, remortgaging could save you a lot of money. If you are looking to release some equity, dependent on your financial circumstances, many lenders will allow this additional borrowing to fund certain things, such as to purchase an additional property, make home improvements, or finance your lifestyle goals.

PRODUCT TRANSFER

A Product Transfer is a new mortgage product taken out with your existing lender, to repay and replace the existing mortgage loan. As the lender will have undertaken underwriting and a valuation on the property at the point the original mortgage was taken out the application process can be much more straightforward than with a remortgage application.

FURTHER ADVANCE

If you use the equity in your home to borrow a further amount, without redeeming your existing mortgage, this is called a Further Advance. This could be used for many reasons, for example, to finance home improvements or to help a family member get on the property ladder by gifting them a deposit. The amount borrowed will not be added to your existing mortgage, rather a second mortgage is taken out, which will be on a separate interest rate, based on available products at the time of the further advance application. Your adviser will calculate your affordability and advise on how much you could apply for. The lender will also need to underwrite the affordability of the additional lending application and they may require a new valuation on the property.

SECOND CHARGE MORTGAGES

A second charge mortgage is a second mortgage secured against a property that runs simultaneously to an existing mortgage but from a different mortgage provider. The reason for the name 'second charge' is that in the event of a repossession, the first charge lender would be paid first and the 'second charge' lender second. As such, there is a higher risk for the second charge lender, as they may not be able to reclaim back all the monies lent to the mortgagee. Therefore, this type of financing is likely to be more expensive than standard mortgage finance lending.

WHEN AND WHY?

When you should remortgage your home will completely depend on your own personal situation.
If you are looking to remortgage because your current rate is ending, you should start to look for a new mortgage product around 6 months before this happens. At the end of your current tie-in period, your mortgage rate will revert to your lenders' Standard Variable Rate (SVR), which is usually higher than the rate you were previously paying.

Remortgaging will ensure you are not paying more than you need to for your mortgage. Your Charles Cameron & Associates Mortgage Adviser is independent of any lender and can source products from the whole of the market, so they will recommend the very best product and lender to suit your needs.

OUR MORTGAGE PLEDGE

We recommend you speak to us at least six months prior to your current tie-in period coming to an end, to avoid paying more than you need to.

Sign up to our mortgage pledge and we will be in touch at the ideal time: **www.ccameron.co.uk/mortgagepledge**

Buy-To-Let

A buy-to-let mortgage is a special type of mortgage designed for landlords who are looking to rent out their property to tenants. Without such a mortgage or your lenders' permission for residential mortgages or a property that is mortgage free, you will not be able to rent out your property as a landlord.

Buy-to-let mortgages are very similar to standard mortgages but there are a few major differences, such as most landlords opt for interest-only mortgages to maximise income from the rent.

This means that the monthly repayments will only pay off the interest and not reduce the amount that has been borrowed. Another difference, is that the amount a lender will be willing to lend is not only based solely on your personal income, but also on how much rent the property can generate.

What is a limited company buy-to-let mortgage?

Recent tax changes negatively affected owners of buy-to-let properties. This has resulted in many Landlords restructuring their portfolios to purchase investment properties through a limited company. This company must be a SPV (Specialist Purpose Vehicle) limited company and have the correct SIC (Standard Industrial Classification of economic activities) codes.

Limited company buy to let mortgages may offer more tax benefits than personal buy to let mortgages, although they can also have higher interest rates in some circumstances. That is why we would always recommend that you get independent expert tax advice.

What is your obligation as a landlord?

EPC

As a Landlord, you will need to purchase an EPC for a property before you let it. EPC's are valid for 10 years. From 1st April 2018, the property must have a minimum rating of E. It will be unlawful to rent any property which breaches this requirement, with a penalty of up to £5,000.

SAFETY STANDARDS

Landlords must ensure that their property is safe for their tenants, by following the below safety precautions:

- A smoke alarm must be installed on each floor of the property.
- Carbon Monoxide Detectors must be placed on rooms with a coal fire or wood-burning stove.
- Gas Safety Certificates must be obtained for each gas appliance inside the property.
- Any furniture supplied to tenants must meet current fire safety standards and display appropriate labels.
- All electrical devices must be tested for safety and it is recommended that you use PAT (Portable Appliance Testing) to ensure you are compliant.
- The Water supply must be working properly.

Buy-To-Let

Important to note

RIGHT TO RENT

Landlords have a responsibility to restrict illegal immigrants accessing the private rented sector and so must check that a tenant is legally allowed to reside in the UK. If a landlord does rent out a property to a tenant who does not have the right to rent, the penalty is an unlimited fine and up to 5 years in prison.

TENANCY DEPOSIT SCHEME

The most common tenancy agreement is "assured shorthold tenancy", deposits collected under this type of tenancy require the landlord to place the funds within a government-backed tenancy deposit scheme (TDP). At the end of a tenancy, deposits have to be returned to the tenant within 10 days of agreeing on full return or reduced deposit.

INFORMATION FOR YOUR TENANT

Your tenant must be provided with the landlord's full name and address, or details of their letting agent. Your tenant must also receive a copy of the Government's How to Rent guide (available at https://www.gov.uk/government/publications/how-to-rent) which gives practical advice about what to do before and during a let.

REPAIRS

Landlords are responsible for most repairs to the exterior or structure of a property. This means that any problems with the roof, chimneys, walls, guttering and drains are the responsibility of the landlord. These could include a cracked window, a faulty boiler, leak in the kitchen or a leaky seal in the window. Landlords are also responsible for keeping the equipment for supplying water, gas and electricity in safe working order.

Stress test

Each lender will assess the affordability of the mortgage by using a 'stress test' percentage of the monthly rent. Each lender has a different % that they will use for the affordability assessment. Your adviser can help you navigate this to find the best solution for your circumstances.

Costs Involved

How much will my mortgage cost?

APPLICATION / ARRANGEMENT FEES	The costs your lender will charge you for arranging your mortgage.
SOLICITORS FEES	Your licensed conveyancer or solicitor will charge you a fee for their time. You will also need to pay them for the land registry charges and local search fees.
STAMP DUTY LAND TAX	
Purchase Price – Residential property	Rate of Stamp Duty Land Tax – SDLT rate
First Time Buyer	
If you are buying a property valued under £625,000 the stamp duty payable is:	
Up to £425,000	Zero
The next £200,000 *(the portion from £425,001 to £625,000)*	5%
If you are a first-time buyer buying a property valued over £ 625,000 or a home mover the stamp duty payable is:	
Up to £250,000	Zero
The next £675,000 *(the portion from £250,001 to £925,000)*	5%
The next £575,000 *(the portion from £925,001 to £1.5 million)*	10%
The remaining amount *(the portion above £1.5 million)*	12%
Example:	If you are a home mover and you buy a house for £312,000, the SDLT you owe is calculated as follows: • 0% on the first £250,000 = £0 • 5% on the final £62,000 = £3,100 • Total SDLT = £3,100

Continued ›

Costs Involved

Continued ›

Remortgaging	When you remortgage a property, there is no Stamp Duty Land Tax to pay for straight forward remortgages.
Buy To Let Landlord	
Up to £250,000	3%
The next £675,000 *(the portion from £250,001 to £925,000)*	8%
The next £575,000 *(the portion from £925,001 to £1.5 million)*	13%
The remaining amount *(the portion above £1.5 million)*	15%
Example:	If you buy a house for £370,000, the SDLT you owe is calculated as follows: • 3% on the first £250,000 = £7,500 • 8% on the final £120,000 = £9,600 • Total SDLT = £17,100
VALUATION AND SURVEY FEES	You may need to pay for a valuation or survey. The cost will depend on the type of valuation you choose.
MORTGAGE ADVICE FEES	No mortgage advice fees are charged for our corporate clients or their friends/family. In other instances, we reserve the right to charge a fee, which will be explained in full by the Adviser before any application is submitted.

Costs Involved

We recommend that you complete the table below, with your adviser, in order to approximate the costs involved with your purchase. This should be used as a rough guide only and in some cases the actual amounts of your expenses may be more than the guideline costs. This chart is an indication of your upfront costs. In addition to these, you will need to take into account your monthly mortgage repayments and any insurance payments.

TYPICAL UPFRONT COSTS	ESTIMATE FOR YOUR PROPERTY
Stamp Duty Land Tax	£
Solicitor / Conveyancer Fees	£
Land Registry	£
Mortgage Adviser Fees (if applicable)	£
Lender's Application / Arrangement fees	£
Lender's Valuation Cost	£
Survey Fee	£
Buildings and Contents Insurance	£
Removal Company	£
Other	£
TOTAL	£

RISK WARNING

If you decide to add fees to your loan, interest will be charged on these amounts. This will increase your monthly repayments and the total amount payable over the term of your mortgage.

Conveyancing

WHAT IS IT?

When purchasing a property, you will need to instruct a solicitor to perform the necessary legal work. This will consist of, but not exclusive to, legal searches on the property, legal assessment of the management pack if you are buying a leasehold property and conversations with the vendors solicitors to gain a full report on the property you are purchasing.

Some lenders might even offer the incentive of cashback towards legal fees on your first-time buyer mortgage. Often lenders will cover the legal costs when you remortgage.

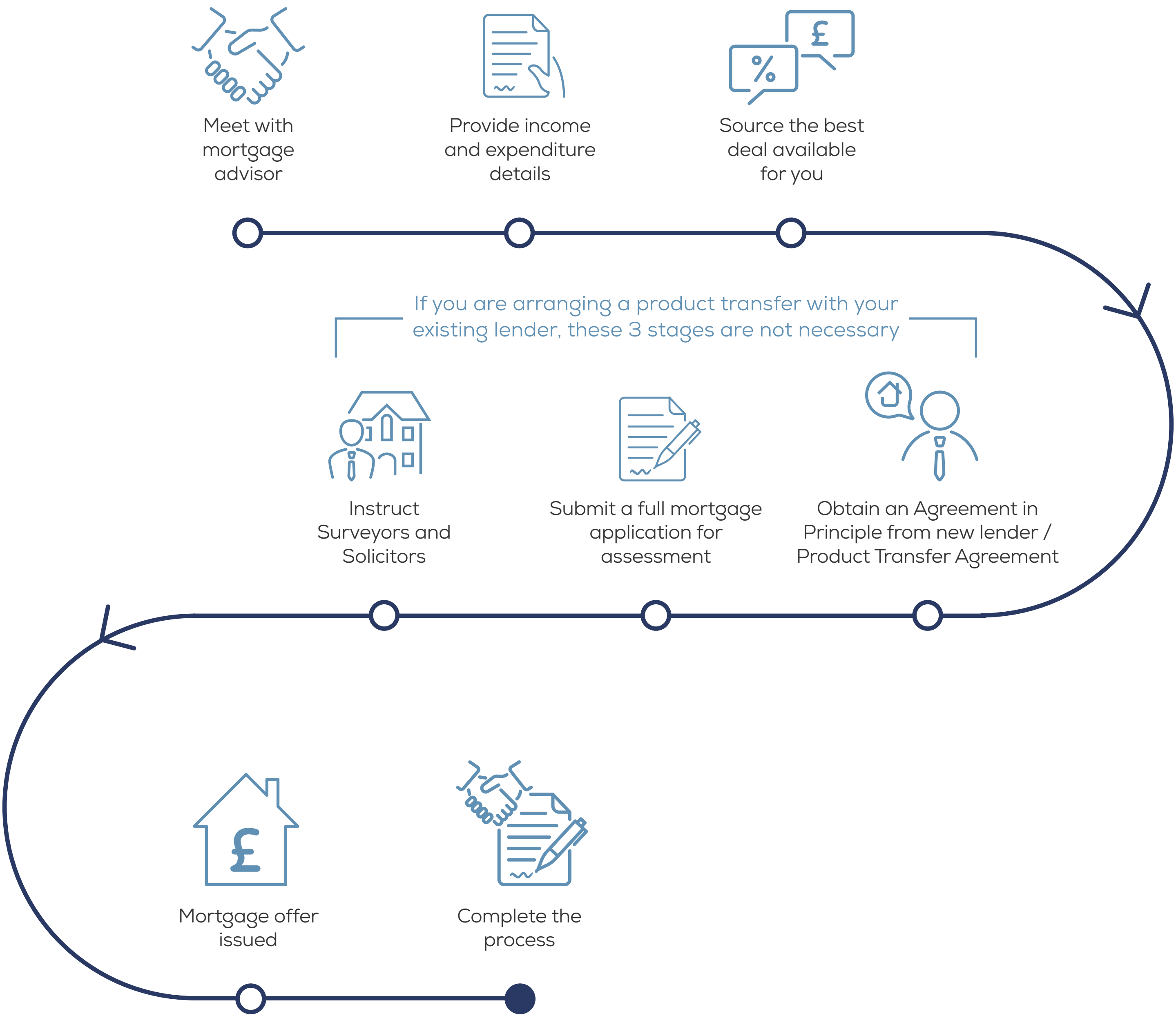
Mortgage Process

First Time Buyer

1. Meet your adviser and provide income and expenditure detail
2. Adviser will source the best deal available for you from all products' lenders in the market
3. Obtain an Agreement in Principle from the lender
4. House search, Estate Agents / online
5. Agree a Property purchase price & recommend a product
6. Submit a full mortgage application for assessment
7. Instruct Surveyors and Solicitors
8. Mortgage offer issued
9. Exchange contracts
10. Complete the purchase

Mortgage Process

Remortgaging



Mortgage Process

Buy-to-let

1. Provide income and expenditure detail to your adviser
2. Adviser will source the best deal available for you
3. Obtain an Agreement in Principle from the lender
4. House search, Estate Agents online
5. Agree a Property purchase price & recommend a product
6. Submit a full mortgage application for assessment
7. Instruct Surveyors and Solicitors
8. Mortgage offer issued
9. Exchange contracts
10. Complete the purchase
11. Start searching for a suitable tenant

Check with the proper specialist about all your obligations as a landlord:

- EPC
- Deposit Scheme
- Right to rent

Survey

Your mortgage lender will carry out a valuation survey that will look solely at the property's worth – it doesn't cover structural issues and won't highlight any problems with the property, and you may be liable to cover the costs as part of your mortgage product.

How much a property survey costs can vary hugely depending on the type of survey carried out. Remember this is for the lenders' benefit, and they may not share the report with you.

As a house survey is a detailed inspection of the condition of a property, you may prefer also to commission your own report from a qualified surveyor. They would visit the property, carry out an inspection and prepare a report on what they've found.

Home buyers generally have a survey done on a property after their offer has been accepted by the seller, and once their mortgage lender confirms they are happy with their standard survey (however, the process differs in Scotland).

This is for your own purposes only and does not need to be shared with your mortgage provider.

Depending on the property's value and what type of report you go for, this could cost anywhere from a few hundred pounds to over a thousand pounds.

The main survey types are:

RICS HOME SURVEY – LEVEL 1

The RICS Home Survey Level 1 is the most basic survey.
It is suitable if you're buying a property built from conventional materials and it is in a seemingly reasonable condition.

It will include a summary of risks to the building and grounds in a clear and high-level report. However, the report will not provide detailed advice or recommendations nor a valuation.

A RICS Home Survey Level 1 can typically cost between £300-£900.

RICS HOME SURVEY – LEVEL 2

Also known as a Home Buyer Report, this mid-level survey is a popular choice for most people buying a conventionally built property which is in reasonable condition. It covers everything that a level 1 covers, as well as a report on any roof spaces and cellars.

The report will also include advice and recommendations on any required further investigations and indicative costs for any repairs and on-going maintenance needed.
You can also opt for a valuation to be included in a Level 2 report, which will include market value and rebuild costs.

A RICS Home Survey Level 2 can generally cost between £400-£1000.

RICS HOME SURVEY – LEVEL 3

This is also known as a 'full structural survey'. If you are buying a very old, dilapidated, listed or unconventional building, or even if you have any concerns over the property, this could be a really useful investment. Although this survey is the most expensive, it is also the most thorough.

As well as the issues highlighted in a Level 2 report, it will also highlight any identifiable risks and causes of potential or hidden defects in areas not inspected. It will outline the likely scope of any appropriate remedial work needed and even explain the likely consequences of non-repair. Plus, you'll get recommendations in respect of the priority and likely timescale for necessary repairs.

The RICS Home Survey Level 3 can typically cost from £630 to £1500 or even more depending on the property.

Useful Checklist

In order to package your full mortgage application, your adviser will need to review some supporting documents. Therefore, it is helpful to collate the following supporting paperwork:

	FTB	REMO/PT	BTL
Latest 3 months payslips / 3 years audited accounts or SA302	○	○	○
Latest 2 years P60	○	○	○
Last 3 months statements for ALL bank and savings accounts held	○	○	○
Proof of ID (passport / driving licence)	○	○	○
Proof of address (utility bill dated in last 3 months – not mobile phone bill)	○		○
Current visa if a foreign citizen	○	○	○
Details of any prior commitments – e.g., credit card statement / loans statement / existing mortgages balance and account number / car finance statement / HP credit / childcare costs or schooling fees	○	○	○
Proof of deposit – if family members are contributing, you will also need a gifted deposit form	○		○
EPC Certificate			○
Tenancy Agreement / expected rental income evidence			○

Insurance

What kind of protection do you need?

You will need to ensure you have adequate insurance in place to protect yourself, your income and your home, should the unexpected happen. CC&A offers professional advice from a team of dedicated insurance specialists, so that you have the peace of mind of knowing that if anything were to happen to you, your home and family are financially secure.

LIFE INSURANCE

Life Insurance could be taken out to cover a mortgage debt. If you die before your mortgage term ends, your chosen beneficiaries will receive a lump sum they can use to pay off the outstanding amount on your mortgage, giving them one less thing to deal with at a time of high stress and ensuring they can continue to live in the home when you're gone. It can be taken out as a tax-free lump sum, or as an annual income replacement known as a Family Income Benefit (FIB).

CRITICAL ILLNESS COVER

Critical Illness Insurance covers you should you succumb to a serious illness (definitions vary from policy and provider. In the event of a claim these defined definitions would need to be met), giving you a one-off lump sum, which dependent on the level of cover you choose, you could use to redeem your mortgage in full, part or to simply provide a significant financial boost when you most need it. It doesn't matter whether you are still able to work or not, your cover will be paid regardless.

INCOME PROTECTION

If you're unable to work, for example through illness, Income Protection Benefit (IPB) will pay you a tax-free salary until you return to work, or when the policy ends. The advantages of IPB are straightforward: you can receive up to 60 percent of your salary tax-free every month, ensuring you are able to cover your mortgage and other monthly outgoings. There are also low-cost options available, which run for two years.

PROPERTY INSURANCE

It is a compulsory requirement of a mortgage to have an active Buildings Insurance policy in place. This covers the cost of repairing damage to the structure of a property. Your insurance should cover the full cost of rebuilding your property. You might also want to think about insuring your personal belongings with Contents Insurance. It is always a good idea to put some protection in place against any loss or damage to the things you own. CC&A can put you in touch with general insurance experts.

Jargon Buster

AGREEMENT IN PRINCIPLE (AIP) / DECISION IN PRINCIPLE (DIP)

This is a document that is provided by a mortgage lender which can confirm to the seller or estate agent of a property that you are able to borrow a certain amount. Also known as a decision in principle.

APRC / APR

APRC (Annual Percentage Rate of Charge) is a rate the lender is always required to quote when providing details on a mortgage product. It is a calculation to show the total amount of interest paid over the whole mortgage term.

ARRANGEMENT FEE

This is a fee charged by mortgage lenders for setting up your mortgage. You can pay this upfront or add it to your overall mortgage. If you were to pick the second option though, you will be charged additional interest on this amount.

ARREARS

The legal term for a debt that is overdue.

BASE RATE / BANK OF ENGLAND BASE RATE (BOE RATE)

A rate of interest set by the Bank of England. The base rate influences the interest rates that many lenders charge for their mortgage products.

BRIDGING LOAN

A bridging loan is a type of short-term property backed finance. They are often used to fund you for a period of time whilst allowing you to either refinance to longer-term debt or sell a property.

BUILDINGS INSURANCE

Buildings insurance covers the cost of repairing damage to the structure of your property. This is a condition of your mortgage offer.

BUY-TO-LET

A property purchases with the intention to let it out.

CAPITAL REPAYMENT MORTGAGE

When your mortgage payments consist of repaying the capital amount borrowed as well as the accrued interest, so that the amount borrowed decreases throughout the term and by the end of the term of the mortgage will be fully repaid.

CASHBACK MORTGAGE

A cashback mortgage is one where a cash lump sum is paid to the mortgage applicant on completion of the mortgage.

CCJ

A County Court Judgment (CCJ) is a type of court order in England, Wales and Northern Ireland that might be registered against you if you fail to repay money you owe.

COMPLETION

The day you collect the keys or for remortgage transactions, when the deal is finalised.

CONTENTS INSURANCE

Contents insurance covers your possessions in the event of theft, loss or damage, including natural disasters, fires or flooding. It's separate from home insurance, which covers the building you live in, including fixtures and fittings.

CONSENT TO LET

Enables you to let you a property without switching to a buy-to-let mortgage, terms must be agreed with your lender.

CREDIT CHECK

A credit check, also known as a credit search, is when a company looks at information from your credit report to understand your financial behaviour.

CREDIT RATING

A credit rating is an evaluation of the credit risk of a prospective debtor, predicting their ability to pay back the debt, and an implicit forecast of the likelihood of the debtor defaulting.

CONVEYANCING

In law, conveyancing is the transfer of legal title of real property from one person to another.

Jargon Buster

DEPOSIT

A deposit is an amount of money that you pay, which is a percentage of the full cost of the property you want to buy, so that a bank or money lender will give you a mortgage to pay for the rest of the property.

DEFAULTING

Falling behind on your mortgage repayments.

DISBURSEMENTS

This is another name given to the extra fees relating to your mortgage.

EARLY REPAYMENT CHARGES (ERCS)

A fee you may be required to pay if you wish to pay off your loan before the initial period of the deal ends.

EQUITY

Your equity is made up of your deposit plus what you've paid off on your mortgage. So essentially, the part of your property that you own.

EXCHANGE OF CONTRACTS

A final agreement between the buyer and the seller of a property, after the exchange of contracts the sale cannot legally be stopped.

FIXED-RATE MORTGAGE

A fixed-rate mortgage is exactly as it sounds. The mortgage interest rate stays the same or 'fixed' for the initial period of the deal, which can be anything from 1-15 years, most commonly between 2-5. This means that what you pay each month will stay the same for this period.

FLEXIBLE MORTGAGE

Flexible mortgage product offers flexibility to the structure of your monthly mortgage repayments.

FREEHOLD

You own the property and the land it's built on.

FULL STRUCTURAL SURVEY

A detailed and comprehensive look at the condition of a property by a surveyor.

FURTHER ADVANCE

A further advance is taking on more borrowing from your current mortgage lender. This is typically at a different rate to your main mortgage.

FIXTURES AND FITTINGS

A fixture is understood to be any item that is bolted to the floor or walls, and a fitting to be any item that is free-standing or hung by a nail or hook.

GAZUMPING

Make a higher offer for a house than (someone whose offer has already been accepted by the seller) and thus succeed in acquiring the property.

GREEN MORTGAGE

A mortgage or cashback offered at a lower rate if the home has an A or B rating on the EPC. **See what is a green mortgage?**

GROUND RENT

Regular payments made by a holder of a leasehold property to the freeholder/managing agent as required under a lease.

GUARANTOR

This is a third party who agrees to cover your monthly mortgage repayments if you are unable to. Often a parent or guardian.

INTEREST-ONLY MORTGAGE

Each month, you only pay off the interest, without repaying any capital from the loan. Therefore, you are required to have another way of paying off the loan when your mortgage term comes to an end.

Jargon Buster

HELP TO BUY

The government introduced the Help-to-Buy scheme in 2013. However, applications for the final phase of the scheme closed on 31st October 2022. This initiative is no longer active.

HIGHER LENDING CHARGE (HLC)

A higher lending charge is a charge made by mortgage lenders in the UK when the loan-to-value ratio of a mortgage is higher than they are prepared to accept at standard rates.

MORTGAGE ADVISER / INTERMEDIARY / BROKER

The 'middle person' in a transaction. i.e. a mortgage adviser would be an intermediary because they are the person acting between the mortgagee and the mortgagor.

LAND REGISTRY FEE

The cost to the Land Registry for ensuring the correct charges and proprietorship shows on the title deeds – your solicitor will often deal with this aspect.

LEASEHOLD

You own the property but not the land it's built on. Commonly, flats and maisonettes are leaseholds, so while you own your property in the building, you do not own the building it is in.

LEGAL FEES

Fee's payable to your solicitor to carry out the legalities involved with purchasing property.

LIFE ASSURANCE

Life assurance, often known as term assurance, pays out a lump sum once a policyholder passes away within the policy term (assuming they've met their monthly premiums).

LIFETIME MORTGAGE

With a lifetime mortgage, you take out a loan secured on your home which does not need to be repaid until you die or go into long-term care.

Jargon Buster

LOAN-TO-VALUE (LTV)

The size of your mortgage as a percentage of the property's value.

MORTGAGE DEED

The mortgage deed is what a borrower signs to accept the mortgage offer and the terms and conditions within it.

MORTGAGE ILLUSTRATION / KEY FACTS DOCUMENT (KFI)

When a lender or an adviser recommends a mortgage, they have to give you a mortgage illustration document, commonly known as a Key Facts Illustration document, its purpose is to outline in detail the mortgage being recommended.

MORTGAGE OFFER

A mortgage offer is official confirmation from a lender that it will provide you with a mortgage.

MORTGAGE TERM

The length of time you are taking out the mortgage for.

NEGATIVE EQUITY

Negative equity occurs when the value of a property used to secure a loan is less than the outstanding balance on the loan.

NEW BUILD PROPERTY

A 'New Build' is defined as a property that hasn't been purchased (even if it's been occupied) within two years of being newly constructed, converted or refurbished, including properties bought off plan.

NHBC

National House-Building Council (NHBC) is the leading home construction warranty and insurance provider for new and newly-converted homes in the UK.

OFFSET MORTGAGE

An offset mortgage links your mortgage to your savings account. The value of your savings is deducted from the amount you pay interest on, which lowers your monthly payments. With an offset mortgage, you will not earn interest on your savings.

OUTSTANDING BALANCE

The current outstanding balance required to redeem a mortgage with your current lender.

PAYMENT HOLIDAY

A Payment Holiday is a feature offered within some mortgage products.

PLANNING PERMISSION

Permission needed from the local authority to undertake works (whether they be extensive or not) on your property.

PRODUCT TRANSFER

A product transfer is when you move from your existing mortgage deal to a new one with your current lender.

REDEMPTION STATEMENT

A Redemption Statement (Red Stat) is a statement a solicitor will request from your existing lender up to a week before your sale or refinance to a new bank to get the most up to date figure of the full mortgage to be redeemed.

REPOSSESSION

When a property is taken back from a lender when mortgage repayments are not being met by the mortgagor. Always as a last resort.

RETENTION

Mortgage retention is where the lender holds back some of the funds until you've completed essential works.

RIGHT TO BUY

Right to Buy is a government scheme designed to help tenants in council housing to buy their homes with often rather large discounts.

SECURED LOAN

A loan that is secured against an asset such as a mortgage on a property.

Jargon Buster

SERVICE CHARGE

A service charge is a fee collected to pay for services related to the primary product or service being purchased.

SHARED OWNERSHIP

Shared Ownership is an affordable homeownership scheme that makes it easier for first-time buyers to get on the property ladder. Buyers purchase a share of the property, and pay rent on the remaining share.

STAMP DUTY

When you buy a property in England and Northern Ireland you will have to pay a tax called stamp duty if the property is worth more than £250,000 (or more than £40,000 if it's your second home).

STANDARD VARIABLE RATE (SVR)

This is the name for the interest rate that your lender will begin charging you after your initial mortgage deal ends.

SUBJECT TO CONTRACT

Once an offer has been accepted by the seller, then the property is sold subject to contract (STC). This means that although the offer has been accepted, the paperwork is not yet complete. No money will have changed hands yet, so nothing is legally binding and the price can still be negotiated.

TIE-IN PERIOD

This is the period during which you are 'locked in' to your mortgage deal. You may have to pay an early repayment charge if you leave your mortgage during this period.

TITLE

The title is a document that gives evidence of legal ownership of property.

TRANSFER OF DEEDS

A transfer deed is a document used in conveyancing in England and Wales to transfer real property from its legal owner to another party.

TRACKER MORTGAGE

A tracker mortgage is a type of variable mortgage, which means that the interest rate you pay usually tracks the Bank of England base rate and is subject to change in line with this.

TRANSFER OF EQUITY

A Transfer of Equity is when a jointly owned property is transferred to one of the existing owners, or when a single owner adds one or more people to the ownership of the property.

UNDERPAYMENT

When you have paid less on a mortgage than the amount agreed e.g. your monthly repayment with Barclays is £500 but you pay £300 one month. Usually allowed if you have overpaid on the mortgage previously but has to be pre-agreed with the lender.

UNDERWRITING

The process of document assessment by a lender in order to agree a lending decision on the mortgage.

VALUATION SURVEY

A valuation survey is what a lender will use to independently confirm the value of the property you wish to purchase.

VARIABLE RATE

A variable interest rate (sometimes called an "adjustable" or a "floating" rate) is an interest rate on a loan or security that fluctuates over time because it is based on an underlying benchmark interest rate or index that changes periodically.

VENDOR

A person selling a property.

Charles Cameron & Associates
Blackfriars Foundry
154-156 Blackfriars Road
London SE1 8EN

T. 020 7953 7040

info@ccameron.co.uk
www.ccameron.co.uk

AN AMBER RIVER GROUP COMPANY