

TRY | FINANCIAL

Common features of a mortgage

ARREARS AND REPOSSESSION

If at any time you're unable to meet your mortgage payments, you should speak to your mortgage lender straight away. Repossessing a property is generally a last resort - your lender will try to reach an arrangement with you to help you to keep your home. If your lender sells your property after repossessing it, and there's any money owed following the sale, you'll be responsible for it plus any selling fees.

ANNUAL PERCENTAGE RATE OF CHARGE (APRC)

As well as telling you the interest rate on your mortgage, lenders must also calculate the APRC. This is the total cost of the loan, including interest and fees shown as a percentage rate. The APRC is intended to help you compare different types of mortgages from different lenders. When calculating the APRC, lenders assume you'll pay the mortgage for the full term. Generally, the lower the APRC, the better the deal but this is assuming you stay on the same mortgage product throughout the term of your mortgage.

CASH BACK

With a cash back mortgage, your lender pays you a lump sum when you complete your mortgage. The cash back can be a fixed amount or can be worked out as a percentage of your mortgage. If you move to another lender in the early years of the mortgage, it's very likely you'll have to repay some or all of the cashback received.

CREDIT SCORING

When you apply for a mortgage (or any sort of credit) the lender will usually 'credit score' your application. This helps the lender decide whether to accept your application, the amount of money they're prepared to lend to you and what rate of interest you'll pay. Credit scoring works by awarding points based on your circumstances. Each lender has their own scoring system. You'll generally score more points if you've been in your job longer, own your own home and have paid all of your loans on time in the past. Having a good credit history will improve your chances of getting a good mortgage rate.

You can get your individual credit report by registering with either Experian at www.experian.co.uk, Equifax at www.equifax.co.uk or www.creditkarma.co.uk.

EARLY REPAYMENT CHARGE

This is a charge you may have to pay if you want to pay off your mortgage before the end of a set period.

ENERGY PERFORMANCE CERTIFICATES

Energy Performance Certificates (EPCs) are required by law for all homes bought, sold or rented. They give information on how to make the property more energy efficient and reduce carbon dioxide emissions. They're provided by accredited domestic energy assessors, and they carry out the assessment and produce the certificate.

EPCs contain:

- Information on your home's energy use and carbon dioxide emissions.
- A recommendation report with suggestions to reduce energy use and carbon dioxide emissions.

EPCs carry ratings that compare the current energy efficiency and carbon dioxide emissions with what the property could potentially achieve if energy saving measures were put in place. EPCs are valid for ten years.

FREE LEGALS

Some lenders offer arrangements that include the cost of completing the legal work involved in arranging a mortgage and buying a home. These arrangements vary but could reduce the amount you'll pay at outset.

GOVERNMENT BACKED INITIATIVES

There are a number of government backed initiatives which have been created to encourage and assist individual property ownership. Your adviser will be able to provide you with the most up-to-date information on specific schemes which may be applicable for your personal situation.

HIGHER LENDING CHARGE

Lenders sometimes charge a fee if your mortgage is a high percentage of the property's value. They use this fee to buy insurance in case they repossess your property and sell it for less than the amount outstanding on the mortgage. You will still be responsible for any money owed after the sale of your property.

HOME REPORTS FOR PROPERTIES FOR SALE IN SCOTLAND

Houses for sale in Scotland now have to be marketed with a Home Report. This is a pack of three documents: Single Survey, an Energy Report and a Property Questionnaire. The Home Report is made available on request to prospective home buyers. The Single Survey contains an assessment by a surveyor of the condition of the home, a valuation and an accessibility audit for people with particular needs. The Energy Report contains an assessment by a surveyor of the energy efficiency of the home and its environmental impact. It also recommends ways to improve energy efficiency. 'Property Questionnaire' is completed by the seller of the home. It contains additional information about the home, such as Council Tax banding, that will be useful to buyers.

NEGATIVE EQUITY

If the value of your property falls below the amount you owe on your mortgage this is called 'negative equity'. If this happens, and you need to sell your property, you'll still be responsible for repaying the full amount of the mortgage.

OVERPAYMENTS

Some lenders will allow you to make overpayments on your mortgage. This is generally restricted to 10% of the outstanding balance each year. Lender rules and restrictions may differ so speak to your adviser before you decide to make any overpayments.

PORTABILITY

Some lenders let you move your mortgage to a new property when you move to a new house.

UNDERPAYMENTS AND PAYMENT

Some mortgages allow you to reduce the amount you pay each month, or to stop making monthly payments, if you've previously overpaid. Lenders only normally allow you to make underpayments or take payment holidays for a limited time. This can be useful if your income falls or stops for a short period. In both cases, you'll be paying less than the normal monthly payment so the amount of your mortgage will increase.

TAX AND WILLS

Your adviser can't give you any advice about the tax implications of buying property. If you are at all unsure about this, you should get advice from a tax specialist. When you buy a property, we strongly recommend that you ensure your Will is up to date. This means that your assets, including your property, are given out in line with your wishes.

VALUATIONS AND SURVEYS

There are three types of valuations and surveys-valuation reports, homebuyer's reports and building surveys.

Basic valuation report

This is a basic report paid for by you but completed by the valuer for your lender. Your lender will use this report to help them decide whether they'll lend you the amount of money you need to buy your property.

Homebuyers report

This is a more detailed report that a surveyor completes for you. There's an important difference between a basic valuation report and a homebuyer's report. The valuation report belongs to the lender and the valuer completes the report for them. With a homebuyer's report, the surveyor works for you and they're responsible to you if they fail to spot things. Whilst this costs more than a basic valuation, you should consider asking for a homebuyer's report as it will give you more information about your property. It's particularly useful if you're buying an older property. Your lender will normally use the homebuyer's report to help them decide whether to lend on your property, so you won't normally need more than one report. Your lender can arrange this.

Building Survey (previously known as a Structural Survey)

This is the most detailed type of survey that's completed by a surveyor working for you. The surveyor is responsible to you if they fail to spot something. Building surveys are recommended if you're buying:

- An older property
- A property that needs substantial refurbishment or;
- There have been structural problems in the past

Additional surveys or reports may be needed by your lender before they will make you a mortgage offer.

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