



SIMPLY MORTGAGE

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EXPLORING THE DIFFERENT TYPES OF MORTGAGES?

Take time to think about what you want and how
much you'll be able to afford

EMBARKING ON THE MORTGAGE JOURNEY

Streamlining the process, making it less
intimidating and more achievable

FIXED OR TRACKER?

Making the right mortgage
choice for your unique needs



EXPLORING THE DIFFERENT TYPES OF MORTGAGES?

Take time to think about what you want and how much you'll be able to afford

Taking out a mortgage can seem daunting, and it often feels like the lender holds all the cards.

Each lender employs its unique criteria to determine whether or not they wish to lend to you. You'll likely receive swift approval if you fit neatly within a lender's parameters. However, if your circumstances are less than ideal, you'll likely face rejection.

Selecting the appropriate mortgage might seem like a labyrinthine task. Still, you must make an informed decision taking your financial wellbeing into consideration and not get swamped by myriad options. This is particularly important for first-time buyers. To aid you in feeling as confident as possible, we've collated the primary different types of mortgages so you know precisely what you're seeking.

REPAYMENT VERSUS INTEREST-ONLY MORTGAGES

Mortgages fall into one of two categories:

- Repayment
- Interest-only

Repayment mortgages, sometimes called capital and repayment mortgages, enable you to borrow enough to purchase a property (less your deposit) and repay that total sum, along with interest, over a specified period.

Interest-only mortgages allow you to borrow sufficient funds to buy a property (again, less your deposit) and then only pay interest on that amount until the end of the mortgage term. You will then repay the original sum, often by selling the property.

Most individuals planning to reside in their property tend to opt for a repayment mortgage. Not all lenders offer interest-only options and those that do typically impose stringent criteria, such as a substantial deposit and a pre-approved repayment method in place to offset the capital at the end of the term.

Many landlords manage their mortgages on an interest-only basis, and lenders generally accept this.

FIXED RATE OR VARIABLE MORTGAGES

Typically repayment mortgages are either fixed rate or variable. Fixed rate mortgages offer set monthly payments that remain unchanged for an agreed period – typically between two to five years, although occasionally longer. While the interest rate

is often higher than for variable mortgages, you benefit from the certainty of knowing it won't increase.

This could lead to savings in the long run. For instance, if the Bank of England's interest rates rise during your fixed mortgage term, you'll be relieved that your mortgage payments remain unaffected. Conversely, if the Bank of England interest rates fall, you'd probably prefer your mortgage payments to do the same – but that's the trade-off for stability.

Variable mortgages feature monthly payments that fluctuate. They may follow the Bank of England interest rates, or they might not.

This depends on which type of variable mortgage you opt for from the following choices:

VARIABLE MORTGAGES

Variable mortgages come in various forms, each distinguished by how the interest rate is calculated, determining your monthly repayments.

Tracker mortgages follow the Bank of England base rate, with a slightly higher interest rate. This means your monthly repayments will fluctuate in tandem with the base rate.

STANDARD AND DISCOUNTED VARIABLE RATE MORTGAGES

Standard variable rate (or SVR) mortgages are governed by an interest rate set by the lender. Consequently, your payments may vary at the lender's discretion.

Conversely, discounted variable rate mortgages offer lower monthly repayments than the SVR, thanks to a temporary discount. Once this period concludes, you'll transition to the standard variable rate.

Any variable mortgage can be capped, ensuring your monthly payments will never exceed a certain threshold. This cap provides some level of protection, though it's often set relatively high, so careful consideration is advised before committing.

BROADENING YOUR MORTGAGE HORIZONS

Beyond the main mortgage types, there are other unique features to consider. Cashback

mortgages provide a lump sum when you take out the mortgage but generally incur a higher interest rate on repayments.

Offset mortgages enable your cash savings to reduce the interest you pay on your repayments. By contrast, current account mortgages link your current account to your mortgage, potentially lowering the interest you pay.

SCRUTINISING ASPECTS OF ABILITY TO MAINTAIN REPAYMENTS

Applying for a mortgage requires more than just the ability to meet monthly repayments. It's essential to consider your income, expenditures and potential changes in your circumstances. Mortgage lenders will scrutinise these aspects to gauge whether you can maintain repayments should interest rates escalate or circumstances alter.

CALCULATIONS BEHIND MORTGAGE APPROVALS

Mortgage lenders primarily base their decisions on the loan-to-income ratio. This is a simple calculation: the amount you desire to borrow is divided by your earnings. The maximum you can typically borrow is often restricted to four-and-a-half times your annual income.

AFFORDABILITY ASSESSMENT IS A KEY DETERMINANT

Lenders also conduct an affordability assessment, considering your outgoings alongside your income to calculate the monthly payment you can manage. This crucial step helps them determine your financial capability and resilience in the face of changing circumstances.

STRESS TESTING YOUR ABILITY TO REPAY

Aside from assessing your present financial situation, lenders also contemplate the future. They perform a 'stress test' to evaluate your ability to repay the mortgage under different scenarios. This could include rising interest rates or lifestyle changes like redundancy, starting a family or taking a career break.

LENDER'S DISCRETION ON LOAN AMOUNTS

If lenders perceive that you may struggle with your mortgage payments under these potential circumstances, they will typically limit how much you can borrow. This precautionary measure ensures that both you and the lender are protected from potential financial distress. ■



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HOW CAN WE HELP YOU ON YOUR MORTGAGE JOURNEY?

Securing a mortgage is more than just paperwork. It requires thorough financial preparation. Before undertaking a mortgage affordability check or arranging a mortgage interview, ensuring your finances are in top shape is crucial. For further information or to discuss your circumstances, please contact us.



EMBARKING ON THE MORTGAGE JOURNEY

Streamlining the process, making it less intimidating and more achievable

Navigating the different mortgage deals and deciphering the mountains of paperwork can seem like a herculean task. Fear not; we're here to streamline this process, making it less intimidating and more achievable.

From gaining insights into various mortgage types to offering advice on expediting the application process, we stand by you every step of the way.

These are steps you'll need to consider to ensure you are mortgage-ready:

YOUR FINANCIAL STABILITY IS KEY

First things first – compile your financial records. This includes evidence of income, assets, debts and credit history. These documents are crucial for lenders as they assess your financial stability and gauge the risk associated with lending to you.

BOOST YOUR CREDIT STANDING

A robust credit score can significantly enhance your mortgage approval chances while securing a more favourable interest rate.

UNDERSTANDING YOUR FINANCIAL CAPACITY

Before you apply for a mortgage, you need to ascertain your budget. Consider the mortgage repayments and other expenses associated with homeownership, like stamp duty, insurance and maintenance.

BUILDING A SOLID SAVINGS FOUNDATION

Accumulating a sizeable savings pot can boost your chances of mortgage approval. It also acts as a safety net for covering deposits, fees, relocation expenses and unforeseen costs.

DEMYSTIFYING MORTGAGE LOAN REQUIREMENT

Every mortgage variant comes with its set of unique prerequisites. Grasping these requirements will aid in selecting a mortgage that aligns perfectly with your needs.

CHOOSING THE RIGHT MORTGAGE TYPE

The mortgage market includes different types of options to consider, such as

fixed rate, variable rate and government-insured mortgages. Each type has pros and cons, so it's essential to consider your long-term plans and financial situation before deciding.

COMPARING MORTGAGE RATES AND LOAN TYPES

Different lenders offer a variety of mortgage rates and loan types. A thorough comparison will help you uncover the most affordable and suitable mortgage that matches your needs. ■

READY TO TAKE THE NEXT STEP?

The process of finding the right mortgage doesn't have to be a formidable one. We're here for you through every stage of the process. Whether you're a first-time homebuyer ready to make that initial leap or a seasoned homeowner planning your next move – if you require further information or guidance, please don't hesitate to get in touch.

FIXED OR TRACKER?

Making the right mortgage choice for your unique needs

With higher interest rates, it's perhaps no surprise that many borrowers seek the security and stability that a fixed rate mortgage provides. This type of mortgage offers a sense of security, with the repayment amounts remaining unchanged throughout the mortgage term.

Historically, short-term fixed rates (typically two or three years) have been the most popular with borrowers. Combining low rates with the flexibility to change your arrangements at the end of the fixed period has seen many homeowners choose this type of deal. However, more and more consumers are turning to a longer-term fix.

It's important to consider that longer-term fixed rate deals typically come with early repayment charges during the fixed period. If you wanted to move home or repay your mortgage, you could end up paying thousands of pounds of charges if you committed to a five-year deal.

FIXED RATE OR TRACKER MORTGAGE, CERTAINTY OR FLEXIBILITY?

However, a fixed rate mortgage may not suit everyone's situation. If the base interest rate falls during 2024, the opportunity to benefit from lower monthly repayments would be missed. Conversely, if the rate increases, costs would rise. This unpredictability might steer some towards a tracker mortgage, particularly with speculation by some experts suggesting a decrease in the base rate over the next 12 to 24 months. A tracker mortgage could provide immediate reductions in the interest you pay. Ultimately, it's a question of whether you value certainty over flexibility.

ASSESSING MORTGAGE TERM LENGTHS

The length of the mortgage term significantly influences the decision-making process. While 25-year terms have traditionally been the norm, the rise in property prices has seen a shift towards longer mortgages as a means to reduce monthly repayments. However, given the recent increase in mortgage rates, committing to such a long-term deal might not be the most prudent move. Choosing the right mortgage could result in significant savings, whether you're buying a home or remortgaging.

LURE OF A FIXED RATE MORTGAGE

A fixed rate mortgage holds appeal for those seeking predictable monthly repayments. It provides peace of mind knowing exactly what your repayments will be for the duration of the deal, facilitating effective budgeting and safeguarding against unexpected bills if interest rates rise. However, with mortgage rates having increased substantially, you may only want to commit to a fixed deal if you plan to retain your property for the term of the deal, usually two to five years. An early exit from the deal could trigger an early repayment charge.

STANDARD VARIABLE RATE MORTGAGE, A DEFAULT OPTION

The standard variable rate (SVR) is the lender's default rate, typically higher than fixed rate or tracker deals, making it a less favoured choice among many borrowers. The SVR can vary and doesn't necessarily track the base rate like tracker mortgages. Typically, borrowers will shift to the SVR automatically if their fixed deal expires without arranging a new deal.

GUARANTOR MORTGAGE, A HELPING HAND

A guarantor mortgage involves having a family member, such as a parent, agreeing to cover mortgage repayments if you cannot meet them. This arrangement could enable you to borrow more and make that crucial first step onto the property ladder, even with a small deposit. However, it requires careful thought, as the family members would be liable to cover the repayments should they fall behind.

LONG-TERM MORTGAGES, A DOUBLE-EDGED SWORD

Opting for a longer mortgage term can reduce monthly repayments, providing some relief in managing finances. However, longer terms also mean paying interest over an extended period, leading to higher overall costs. Conversely, shorter mortgage terms allow for quicker repayment but come with larger monthly payments. It's crucial not to overstretch financially. ■

LOOKING FOR EXPERT ADVICE TO NAVIGATE THE OFTEN COMPLEX WORLD OF MORTGAGES?

If you require further information or guidance in making your mortgage decision, don't hesitate to get in touch. Our team of experts is ready and waiting to assist you in navigating the often complex world of mortgages.

LOOKING TO REMORTGAGE?

A proactive approach can help you switch to another deal seamlessly

Remortgaging is switching from one mortgage to another on a property you already own. This could involve negotiating a new deal with your current lender or moving to a different lender altogether. Since your mortgage is likely to be your largest financial commitment, remortgaging should be approached with the same consideration as when you first secured your mortgage.

It's wise to review remortgaging every few years to ensure you are getting the best deal possible at the time. Setting a six-month reminder before your fixed deal ends gives you ample time to explore other options and complete your remortgage application. This proactive approach can help you switch to another deal seamlessly.

SWITCH BEFORE YOUR CURRENT MORTGAGE DEAL HAS EXPIRED

If you've managed to repay a significant portion of your mortgage over the past few years and have built equity in your home, switching to a different mortgage can reduce your monthly interest payments.

It's important to remember that if you switch before your current mortgage deal has expired, you may face penalties. Doing the maths might reveal that paying these penalties and switching could still be cheaper in the long run. With many options available, each tying you in for a few years, it's crucial to choose wisely.

REASONS TO REMORTGAGE

There are numerous reasons why remortgaging might be the right move for you. Your current mortgage term may be nearing its end, and you're facing the prospect of being put onto your lender's standard variable rate (SVR), which generally entails a much higher interest rate. Or you're looking to reduce your monthly repayments by finding a cheaper deal.

MAKING THE MOST OF REMORTGAGING OPPORTUNITIES

You may be considering increasing your borrowing to cover a significant expense, such as home improvements, school fees or a buy-to-let investment. Or your property's value has increased, allowing you to qualify

for a more competitive mortgage due to a lower loan-to-value (LTV) ratio.

FUTURE-PROOFING YOUR FINANCES

Maybe your circumstances have changed, and you now wish to overpay your mortgage, or the Bank of England base rate has altered and you're keen to find a more competitive rate. If you anticipate changes in your financial situation or foresee a rise in rates, remortgaging to a fixed rate deal can offer the certainty of fixed monthly mortgage outgoings. ■

IF YOUR MORTGAGE COSTS WILL RISE SOON, HOW ARE YOU PREPARING?

Whatever your reasons for considering a remortgage, it's always wise to seek professional mortgage advice and weigh up all your options. If you require further information or guidance, don't hesitate to get in touch. Our team is on hand to help you make sense of the remortgaging process and guide you towards making the best financial decision for your unique circumstances.



When it comes to mortgages, taking advice can be a daunting process, whether you are looking to take financial advice for the first time or you've taken financial advice in the past.

Finances often take a low priority for many people because they are complex, but at Simply Mortgage our clients appreciate our ability to make the mortgage-arranging process both simple and enjoyable.

At Simply Mortgage, we ask the questions, look into your future, give straightforward advice and find the right mortgage solution for you.

Contact us today to begin your journey – we look forward to hearing from you.

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