Watts
Mortgage & Wealth Management Ltd

Understanding Mortgages

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Are you looking for independent mortgage advice?

Watts Mortgage & Wealth Management Ltd is one of the UK's leading mortgage brokers for over 30 years. Based in Nantwich, our team of expert Mortgage Advisers provide a first class, whole of market mortgage service to our clients in Cheshire and throughout the UK.

We deal with many lenders and also have access to some exclusive packages. We look to help guide you through the process and find a mortgage that should be affordable to you. This booklet guides you through the mortgage process and provides information that may be useful to help get a mortgage approved.

Establish your budget

Before you start looking for your new home, you will need to establish a budget. This will be based on a number of factors including your income, deposit and other savings, your your credit history and current ongoing commitments.

Also, don't borrow more than you need to and keep within your means. This is the most important factor ensuring that you do not overstretch yourself on the mortgage repayments.

Brokering a Mortgage

Getting a mortgage approved is sometimes more complex for some cases due to increased regulation and tighter lending criteria. Where cases are considered as complex, many people who visit a high street lender can sometimes struggle to secure a mortgage or a good mortgage rate.

We suggest you try not to make multiple applications to lenders. If each lender does a credit search this could affect your credit rating and possibly preclude you from some of the more attractive deals and end up costing you more money.

At Watts Mortgage & Wealth Management, we can access the whole of the market to secure appropriate rates for our clients.

Whether you have bad credit, self-employed or unusual income or a county court judgement (CCJ) against your name, we can broker a deal that is suitable for you.

Mortgage Approval

The mortgage process can take any length of time depending on the lender, the client and the type of purchase. At Watts Mortgage & Wealth Management, we have brokered mortgage offers within as little as 2 days whereas a typical application may take 6-8 weeks. Your mortgage adviser will assist you in working to your specific timescales.

Agreement in Principle

An Agreement in Principle (AIP) or Decision in Principle (DIP) is a pre-approval of a mortgage. This is based on the information submitted and the clients credit score. While this is often an indication of the value of the mortgage that a customer is likely to achieve, this is not a legally binding mortgage offer.

Some Estate Agents may require proof of a mortgage before accepting an offer on a property. Your mortgage adviser can assist you in securing this as an AIP can often be completed within a few hours of finding the right lender.

Underwritten Application

The full underwritten application approval is when the lender has either automatically or manually checked the application in line with any documentation submitted and is happy to authorise the mortgage subject to the valuation on the property being acceptable.

Once the property is accepted, the mortgage will then be confirmed as 'offered' formally. This means that the mortgage is set up ready to go when the solicitors and all parties are ready to complete the transaction. A copy of your mortgage offer will be sent to both you and your solicitior as part of the process.

The time taken from submitting the full application to obtaining an underwritten agreement is usually 2-5 days. This is dependant on the lender and can sometimes take longer.

Associated Costs

There are a number of fees and charges you might need to pay if you're taking out a mortgage. These include mortgage broker fees, valuation fees, arrangement fees and more. Your mortgage adviser will discuss these in more detail with you.

You may also be required to pay Stamp Duty (SDLT) on a residential property purchase over £500,000*.

This information is of a general nature and every care is taken to ensure it is accurate at the time of writing - January 2021. However, all information and figures are subject to change. You should seek professional advice tailored to your needs and circumstances before making any decisions. Your home may be repossessed if you do not keep up repayments on your mortgage. *SDLT - https://www.gov.uk/stamp-duty-land-tax

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For many people, getting approval for a mortgage can be completely straightforward and not the daunting experience some fear, however certain factors can make the process more difficult. For instance, anyone with adverse credit, self-employed or anyone looking for a unique funding solution.

Generally, approval is based around the following key areas:

- **Affordability** - How much can you afford to borrow, and is your income acceptable?
- **Deposit** - Do you have enough, and is the source acceptable?
- **Credit History** - Have you had any credit issues in the past? If so, you may need a larger deposit.

What Documentation is Required?

In order to get approved, you will likely be asked for several documents in order for the bank or your adviser to establish certain things about your situation. Exactly what is needed to get prequalified for a mortgage will differ from person to person, but generally you will need to:

Evidence your ID (Passport / drivers licence)
Evidence your address (utility bills / council tax statements)
Evidence your income (payslips / self employed accounts and/or tax returns)
Evidence your outgoings (bank / credit card statements)

At Watts Mortgage & Wealth Management, we will also ask you to provide proof of your deposit in the form of bank statements / building society books and a copy of your Experian / Equifax Credit Report.

Understanding Interest Rates

There are many different types of mortgage products available in the market place. The main types of interest rates are as follows:

Variable Rate

A variable rate mortgage has an interest rate that can fluctuate. If the mortgage interest rate falls, your monthly mortgage repayment reduces; but if the mortgage interest rate goes up, so does your monthly repayment.

Discounted Rate

With a discounted rate mortgage, the lender's standard variable mortgage interest rate is discounted for a specified period of time. The discounted rate could be a set about for a specific term or be 'stepped'. For example, a 2% discount in year one and a 1% discount in year two. The interest rate will vary as the standard variable mortgage rate moves up or down but the amount of discount will remain the same.

Fixed Rate

A fixed rate mortgage has an interest rate which stays the same for a set period of time. During the fixed rate period, your monthly repayments stay the same. At the end of the fixed rate period, the interest rate will change - usually to the Standard Variable Rate (SVR).

Fixed rate mortgages are usually taken out by people who need to budget or believe general interest rates are likely to increase. However, if the SVR rate drops below the fixed rate level, you will continue to pay at the fixed rate and will therefore pay more.

Tracker

Tracker rates are another form of variable interest rates and are usually linked to the Bank of England's base rate. The interest rate is usually a specified percentage above or below the Bank of England's base rate for a specified period of time.

Offset

An offset mortgage is where you have savings and a mortgage with the same lender. It means you can use your savings to reduce the interest charged on your mortgage, while still having access to the money in your savings account. It still has the effect of deducting the amount of your savings from your mortgage balance so you only pay the interest on the difference.

Capped Rate

With a capped rate mortgage, the interest rate has an upper fixed limit for a specified period, known as a 'cap' and a variable interest rate applied.

If the variable interest rate exceeds the capped rate, you benefit by paying the capped rate. If the variable interest rate falls below the capped rate, you will benefit by paying the lower rate.

Flexible

Many mortgage lenders today offer a more flexible approach to mortgage borrowing by, for example, allowing mortgage overpayments, offering daily interest charging or even allowing payment holidays.

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