


# Our top ten mortgage tips

 The contents of this leaflet are intended to be for general guidance only; they are not a substitute for bespoke advice and are based upon our understanding of the current mortgage market.

## 1 Interest Rates – A view

Between the October 2008 and March 2009, Bank of England Base Rate (BBR) fell in 6 steps from 5.00% to 0.50%.

BBR is set by the Monetary Policy Committee of the Bank of England at their monthly meeting and in setting the rate their objective is to keep inflation within the Government target. It seems likely that borrowers will enjoy low interest rates for a little while yet.

## 2 Fixed Rate versus Tracker Rates

At the present time tracker rates are generally a little less than fixed rates but carry with them the danger that when BBR does rise the position will be reversed.

My general guidance is that customers buying a fixed rate mortgage should do so principally because of the certainty and peace of mind that it brings rather than because it is more or less expensive than a tracker rate at a particular moment in time. Think carefully before making a decision; the cheapest rate now might not always be the best deal in the long run.

## 3 Reversion Rates – Main Residence Mortgages

When a fixed or tracker arrangement ends the interest charged by the lender will revert to their standard variable rate (SVR). Because of the falls in the BBR these SVRs are at historically low levels. Given that, there is currently not much incentive to remortgage away from your existing lender or to 'buy' another fixed or tracker product from them. My general guidance is to stay on the SVR but to keep a close eye on interest rate movements.

## 4 Reversion Rates - Buy to let mortgages

The same general guidance applies to those customers of mine who have buy-to-let mortgages. Additionally some lenders have a reversion rate which itself tracks BBR and will do so for the life of the loan. Such rates are far less than is generally available in the market today, so remortgaging is probably inappropriate in the short-term.

## 5 Mortgage Portability

Many lenders offer mortgages where the terms are portable not only during the initial period but also afterwards. Customers moving home might take advantage of the terms to secure a loan at the SVR on their new property.



## 6 Transaction Costs

Remortgaging from one lender to another will involve some transaction costs, although many lenders will offer incentives such as, for example, a free valuation.

However these transaction costs can reduce the effectiveness of remortgaging. Make sure, therefore, that you take account not just of the headline interest rate but also of any associated transaction costs.

## 7 Interest Only Mortgages

At a time when interest rates were higher, a significant number of customers will have set up interest only mortgages without setting up an associated investment, the proceeds from which would be used to repay the capital.

Customers with no associated investment will have no means of repaying the capital at the end of the mortgage term. If you are in this position consider taking advantage of the lower interest rates to increase your mortgage payments so as to move the loan from an interest only to a capital and interest basis.

This general guidance does not apply to buy-to-let mortgages.

## 8 Loan to Value

Lenders have introduced significant differential pricing depending upon the loan to value. Generally there will be break points at 60% and 75%. My general guidance is to put down the biggest deposit possible.

**MICHAEL  
FORWARD**  
Financial advice for life

## 9 Credit History

Since the beginning of 2008, lenders have adopted a much more unforgiving attitude towards customers with an impaired credit history – even those with minor blemishes. As an example, small amounts of mortgage arrears or late payment when servicing the debt on a credit card borrowing will normally be sufficient for a lender to turn down an application. In such times it is important that you take all possible steps to preserve a good credit history and if you are not sure of your credit rating visit a website such as [www.equifax.co.uk](http://www.equifax.co.uk) where upon payment of a small fee you can obtain access to the publicly held information about your credit rating.

## 10 Mortgage Brokers

Whether moving house or remortgaging, make use of a good “whole of market” mortgage broker. You may have to pay a fee for the service, but frequently that fee will be far less than the broker can save for you by finding a lower interest rate or lower transaction costs or both. It is possible to arrange your own mortgage either by visiting a comparison website or by visiting lenders’ offices. However, a good mortgage broker can provide much additional help in steering you through a quite complex transaction, at what can be a quite stressful time.



For mortgage advice you can choose how we are paid, a fee usually £550, or we can accept commission from the lender, or a combination of both.

Your property may be repossessed if you do not keep up repayments on your mortgage.

