

Mortgages

Talk to us today

Mortgages Made Simple



Our guide to
taking out
a mortgage

 Ask in branch  0845 33 00 622  westbrom.co.uk



Mortgages Made Simple

Your step-by-step guide to mortgages

Arranging a mortgage can seem daunting and confusing. It doesn't have to be and to help you we've created this handy guide to take you through the process.

Are you looking to move or buy your first home?



Research

Work out how much you can afford to borrow, where you'd like to live including local amenities, schools and your commute to work.



Speak to us

Speak to your local Personal Mortgage Manager to discuss your personal financial requirements and find out how much you can borrow and the best mortgage deal for you.



Decision in Principle

We'll give you a Decision in Principle (DIP) to help with your negotiations when buying your new home.



Research again...

Now you've spoken to us and found out how much you can borrow, double-check your research to make sure it's still relevant.



Speak to us again...

You've found a house and your offer's been accepted. You'll need to re-visit your Personal Mortgage Manager to go through the final part of applying for your mortgage.



The legal bit...

We'll help you to get a solicitor to deal with the legal work involved in buying a property. Or, if you prefer, you can get your own solicitor to do this bit.



The survey...

We'll then sort the valuation for your property.



The offer

We're now ready to give you a mortgage offer.



Exchanging contracts

You're nearly there – it's time to exchange contracts. This means you're now legally bound to buy your new home.



And finally...

You've now completed your mortgage. Congratulations on your new home.

Is your current mortgage deal coming to an end?



About our mortgages

One of the first decisions you'll need to make is whether you would benefit from expert advice when choosing the best mortgage deal for you. An appointment with one of our Personal Mortgage Managers gives you two options:

Advice

If you feel you would benefit from someone taking you through all the options available to you then we can give you a recommendation based on what you tell us, and the information available to us at the time.

You may need to talk to us again if your personal circumstances or external factors, such as mortgage rates, change after our conversation. This is because the advice given could become unsuitable following these changes.

Non-advice

If you would prefer us not to recommend a mortgage deal, we'll still provide you with information on how much you can borrow, but we won't be able to advise you on the most suitable product for you.

The mortgage products available

The West Brom currently offers a range of competitive fixed, tracker and variable rate mortgages:

Fixed rate mortgages

If you want the peace of mind of knowing what your mortgage payments will be every month, then a fixed rate mortgage could be for you. This type of mortgage fixes your interest rate for an agreed period of time and means your rate won't be affected by changes in the Bank of England Base Rate, whether it goes up or down.

Tracker mortgages

A tracker mortgage links your interest rate to the Bank of England Base Rate so your monthly payments move as this changes. This means you could benefit from cheaper payments when the Bank Base Rate is low but you will also need to budget for higher mortgage payments in case the rate goes up.

Variable rate mortgages

There are several types of variable rate mortgages, including standard variable and discount. Like tracker mortgages they don't offer protection from future rate increases but they could allow you to benefit from cheaper payments when interest rates are low.

Standard variable rates are often set by the individual lender which means they might change without the Bank of England moving the Base Rate. This includes the West Brom so our Standard Variable Rate (SVR) may change from time to time without the Base Rate moving. If it does change we will write to you with plenty of notice to let you know if your mortgage payments will be going up or down.

From time to time, the West Brom may withdraw certain types of mortgages and change its product range.

How much can I borrow?

There are several things you need to take into account when working out how much you can borrow. Firstly, you have to decide how big a deposit you can afford. Many mortgage deals will require a minimum deposit and the amount will vary by lender. Generally, the bigger the deposit, the lower the interest rate you'll end up paying.

Once you've sorted your deposit, you can calculate your Loan to Value (LTV). Loan to Value is the amount you want to borrow as a percentage of the value of the property you're buying. For example, if your property is worth £100K and you borrow £70K, you will have a LTV of 70%. Knowing the LTV is useful as this is one of the factors used to determine the rate of interest you pay.

Some other things lenders take into account are:

Your age

This will depend on the lender but, for example, at the West Brom the main earner must be aged 21 or over. Additional applicants must be aged 18 or over on the completion of the mortgage.

Your income

So that we can make sure your mortgage is affordable you will need to provide payslips, bank statements, HM Revenue & Customs documents and three years' accounts if you're self employed.

Your outgoings

You should consider how changes to your personal circumstances, or future interest rate rises, might affect your finances and your ability to meet your monthly mortgage payments. There are also additional costs associated with buying a home that you'll need to think about, such as legal and maintenance fees and stamp duty land tax.

Your credit history

A good credit history can have a positive effect on your mortgage decision, just as a poor one can be negative, so a credit check is undertaken for all mortgage applicants.

The mortgage term

A West Brom mortgage can last between 5 and 35 years, depending on the mortgage product and your personal circumstances. However, this does differ by lender.

When choosing how long you want your mortgage to run, it's important you consider your future income as well as your current income. This is so you can check you'll be able to afford your monthly payments for as long as you have your mortgage.

In some cases, a lender might allow you to change the length of your mortgage. If you decided to pay your mortgage back over a longer period, then your monthly payments will decrease but you will end up paying more interest over the lifetime of your mortgage. Alternatively, if you reduce the length of your mortgage, your monthly repayments will increase but you will end up paying back less interest overall.

There are three ways you can pay back your mortgage:

Capital repayment

With a capital repayment mortgage, your monthly mortgage payments consist of the interest and the capital you borrowed. Your monthly payments will be higher but it does mean that you start paying back the money you borrowed straight away and that your mortgage will be fully paid off at the end of the term.

Interest only

With an interest only mortgage, your monthly payments will only consist of interest on the money you have borrowed and are therefore often lower than if you had a capital repayment mortgage. However, it does mean that you don't pay the amount you borrowed until the end of the mortgage so you'll need to arrange a way of paying this off. This can be done through either an endowment, an Individual Savings Account (ISA) or a pension policy. One of our Financial Planning Managers will be happy to chat through your options but remember you will need to regularly check your repayment vehicle is on track to repay your mortgage.

Part and part

This is a mixture of the above repayment terms. The interest and capital repayment elements will work in exactly the same way and you will still need to find a way to pay back any capital still left once your mortgage has finished.

Other important things you need to know

The valuation

This is usually arranged by the lender and you can get three different levels depending on the amount of detail you're after. The options are:

Standard/basic valuation

Required as a minimum, this is a basic report with a limited inspection.

For a more detailed report, which indicates the condition of the structure or whether your property has a reasonable purchase price, then you'll need one of the following:

Homebuyers report

This is a 'halfway' house between the basic valuation and a full building survey. The report is limited in focus but there is a relatively good chance that any building defects will be identified.

Full building survey

This is a thorough and complete inspection of the property carried out by a qualified professional surveyor. It is the most expensive type of report, but is the one most likely to highlight major problems with your property.

Other costs you'll need to consider whether you're buying your first home, moving or remortgaging:

What you're doing	The potential costs you need to think about
Buying	Arrangement, booking, completion and product fees Legal fees Valuation or survey fees Search fees Stamp Duty (for properties over a certain amount – see HMRC guidelines) Land Registry Fees
Selling	Legal fees Early repayment charges from your existing lender Estate agent commission Removal costs
Remortgaging	Any fees payable to the previous lender New lender: <ul style="list-style-type: none">• Arrangement, booking, completion and product fees• Valuation or survey fees• Legal fees• Land Registry Fees

Did you know?

Finding your way through the mortgage maze can be tricky with lots of words and phrases you may be unfamiliar with. To help you we've come up with explanations for the most commonly used terminology.

A

Advance

The money you borrow to buy your property.

APR

This stands for Annual Percentage Rate (APR) and is the rate you use to compare different mortgages. The APR is calculated based on several things, including the interest rate you'll be paying, the length of the mortgage term and any charges applicable on your deal.

Arrangement, booking, completion and product fees

Fees that a lender may charge as part of setting up your mortgage.

B

Bank of England base rate (BBR)

This is the rate set by the Bank of England and used by most lenders on their tracker mortgages.

Buy to let (BTL)

Currently not available through the West Brom, these are mortgages used to buy properties for renting purposes. They are very similar to residential mortgages but are normally assessed on how much you'll earn from the rental income rather than your salary.

C

Capital

The amount of money you borrow and pay interest on.

Completion

The point where you become the legal owner of your property and finally get the keys to your new home.

Contract

This is the document that you sign to become the legal owner of your new property. Once signed, you'll then 'Exchange Contracts' with the person selling the house and you'll be fully committed to buying the property.

Conveyancing

The term used to describe the legal process of buying or selling a property.

Conveyance fee

The fee payable to a solicitor, or licensed conveyancer, to carry out the legal part of buying or selling a house.

Credit check

A search of your credit history, undertaken with your permission, to check your borrowing record. The check uses information held by a third party and helps the lender decide whether to lend you the money you need.

D

Decision in principle

A document given by a lender that gives an indication of whether they would be willing to give you a mortgage and how much for. Even if a Decision in Principle has been given you will still need to go through a full mortgage application, which could still be declined based on personal circumstance.

Disbursements

During the conveyancing process there are certain fees that are payable to a third party. These include Stamp Duty and Land Registry fees and will be paid through your solicitor or licensed conveyancer.

E

Early repayment charge (ERC)

A fee that may be payable on your mortgage if you pay it off early. In some instances, it may still be payable even if you're moving to another mortgage deal with the same lender so it's always best to check. If an ERC applies it will clearly say so in all your documentation.

Equity

This is the difference between the value of your property and the amount of your mortgage. If the value of your property has fallen below the amount of your mortgage this is called 'negative equity'.

Exchange of contracts

The point at which you become legally committed to buying the property.

F

Full building survey

This is a thorough and complete inspection of the property carried out by a qualified surveyor. It is the most expensive type of report and often has to be requested by the person buying the house. However, if there's a problem with your property it is most likely to be discovered by this type of survey.

Freehold

This is when you own the property and the land it stands on.

G

Guarantor

This is a person who will guarantee that the payments will be made on someone else's mortgage.

H

Higher lending charge (HLC)

This charge is sometimes made if you borrow over a certain LTV, usually 90% as this is seen as carrying a higher risk for the lender. The charge can sometimes be added to your mortgage loan, rather than paid up front, but it will incur interest if you choose this option.

Homebuyers report

This is a 'halfway' house between a basic valuation and a Full Building Survey.

I

Interest

This is the money you're charged, by the lender, for borrowing money. It's payable on the full amount of your loan and the amount you pay back is determined by the interest rate and the length of your mortgage.

K

Key facts illustration (KFI)

A document that has to be issued to you as part of the mortgage process. The information in it has to be the same across all lenders so you can easily compare a financial service, product and costs from different providers, which is why it's important you take time to read it to make sure you're happy with everything.

L

Land registry fee

When buying a house you need to register your new ownership of the property with the Land Registry. To do this they will charge a fee, which you'll pay through your solicitor or licensed conveyancer.

Leasehold

There are situations where you own a property for a certain amount of time but not the land it stands on. This is known as leasehold.

Loan to value

This is the amount you want to borrow as a proportion of the value of the property you're buying.

Legal fees

The charge made by solicitors and licensed conveyancers to handle legal paperwork involved in selling and buying property.

M

Mortgage deed

The legal document that gives the lender the rights to your property.

Mortgage exit or sealing fee

A charge that is sometimes made at the end of your mortgage when the property is released to you.

Mortgage term

The length of time you have to pay back your mortgage.

O

Offer of advance

The formal offer from a lender to provide you with a mortgage.

R

Redemption

When you pay your mortgage off in full.

Repayments

The amount, usually monthly, that you have to pay back to the lender for the money you borrowed.

Repayment vehicle

Usually used for interest only mortgages, this is an investment plan designed to pay a lump sum at the end of a set period. It should cover the capital still outstanding but you have to keep track to ensure this will happen. The investment can either be an endowment, Individual Savings Account (ISA) or pension policy.

S

Secured loan

When you take out a mortgage, your property is used as security for the loan. This means that if you don't make your regular mortgage payments, the lender has the right to take possession of your property.

Standard or basic valuation

This is a basic report with a limited inspection and is a minimum requirement on most mortgages. If you are looking for a more detailed report, then you'll need either a Homebuyers Report or a Full Buildings Survey.

Stamp duty

A tax that you pay when buying properties valued above a certain amount. There are a number of levels so please check with HMRC to see if your property is affected.

T

Title deed

This is the legal document that details who owns the property.

**Braille, audio and large print versions
of this leaflet are available upon request.
Please contact us on 0845 33 00 611.**

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT
KEEP UP REPAYMENTS ON YOUR MORTGAGE.**

Head Office: 374 High Street, West Bromwich, West Midlands B70 8LR.
www.westbrom.co.uk

Calls and electronic communications may be monitored and/or recorded for your security and may be used for training purposes. Your confidentiality will be maintained. The West Brom is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Register No. 104877. 'the West Brom' is a trading name of West Bromwich Building Society.

