Mortgage Proposition

Mortgage

Committed to your finances

Sterling Welsh

Mortgage Proposal for Greg Gibbs

Hi **Greg**

Thanks for asking Sterling Welsh to help you with your mortgage. I can assure you that you are in safe hands. Please accept this complimentary guide to the entire mortgage process. It explains all that you need to know when applying for a mortgage and shows you what to look out for along the way.

We've arranged thousands of mortgages for people just like you and so I have no doubt that we will be able to find the best mortgage for your needs.

I look forward to helping you with your mortgage and if you have any questions then feel free to get in touch at any time.

Regards

David Rose DipFA, CeMAP.
Independent Financial Adviser

Sterling Welsh

About us

Sterling Welsh provide a high quality holistic financial planning service to a wide variety of different client types. We offer a clearly defined service, transparent fee structure and an effective service proposition.

Our core values ensure we act with the utmost degree of integrity and professionalism at all times and are open and ethical in everything we do. We operate a transparent charging structure and put our clients' best interests at the heart of the business.

We believe that professional financial advice can add significant value to individuals and to businesses. It is because of this belief that we are able to offer a comprehensive ongoing review service designed to create real value for our clients.

Sterling Welshs' four key principles centre around honesty, integrity, reliability and value.

We:

- Will be open, honest and transparent with you at all times and believe that honesty is the best policy
- Will act with integrity in everything that we do (our reputation depends on it)
- Believe in delivering on our promises to you and ensuring that we do what we say we will do
- Believe that you have every right to

OUR TEAM

Our team is at the heart of our business. Our Advisers and Servicing Team deliver consistently high standards and are committed to delivering an excellent customer experience for all our clients.

THE WAY WE WORK

Sterling Welsh follow a carefully designed advice process so that you know exactly what is happening at each stage of its five steps:

Step 1 - Engagement

Identify your needs and objectives

We will arrange an introductory meeting to fully explain how our service works, identify your primary financial needs and objectives and answer any questions.

Step 2 - Discovery

Gather information

If you feel you can benefit from our service, your Adviser will work with you to fully understand your objectives and develop these into well defined goals. Your Adviser will gather financial information to provide a comprehensive picture of your circumstances.

Step 3 - Research & analysis

Prepare an analysis of your situation

Once your objectives are agreed, we will work with you to complete a Personal Recommendation and Suitability Report. This written report provides an analysis of your current financial position and will recommend the most suitable mortgage product, whilst also highlighting any protection needs that you may have.

Step 4 - Report presentation

Develop an action plan

Once we've constructed your Personal Recommendation and Suitability Report, we'll take you through it stage by stage. It will set out specific and realistic recommendations designed to achieve your stated objectives.

Step 5 - Implementation

Report implementation

Now it's time to put the recommendation into action. You can relax in the knowledge that we will be taking care of all the necessary final steps to turn our recommendation into reality. This involves arranging both the mortgage and protection products on your behalf.

Developing a personal service

Sterling Welsh realise that every situation is different and every individual is unique. We've therefore developed a range of services, which can be tailored to meet your specific needs no matter how complex.

We will work in partnership with you and look to develop an excellent working relationship that will evolve over time.

Our fees will depend on the type of relationship you choose to have with us and will be discussed and agreed with your Adviser. Of course your circumstances may change over time and we will be flexible in the way we work. Rest assured that however you choose to develop your personal service, our four key principles – honesty, integrity, reliability and value will underpin our relationship at all times.

OUR RELATIONSHIP AND HOW WE GET PAID

Fees incurred for our professional offering will depend on the services you want and the type of relationship you wish to have with us, either over the short term or on an ongoing basis.

We will agree actual amounts on a case by case basis dependent upon the amount of work required. We will of course provide you with a full explanation of our fees prior to going ahead. Please see a copy of our standard client agreement that explains our fees in more detail.

Generally speaking, we charge for our services on the following basis:

- No charge for the initial meeting and information gathering – we will bear the cost of this.
- A fixed fee for conducting research and the preparation of your Personal Recommendation and Suitability Report. This will depend on the extent of the work required, subject to an agreed minimum and on its length and complexity.
- For mortgage product selection and implementation we would then typically charge a percentage of the mortgage amount. This will of course depend on the nature of your Personal Recommendation and Suitability Report.

We look forward to working with you to help you build a secure and prosperous future.

Sterling Welsh

FACTSHEET

Arranging a mortgage

Start the process sooner rather than later

Some home buyers end up losing their dream home because they arrange the mortgage too late. You should start the process of applying for a mortgage before you even start seriously looking for somewhere to buy. If you are looking at properties to buy before starting to arrange your mortgage, you may have it too late.

The process of applying for a mortgage and completing a property purchase is fairly standard regardless of what type of mortgage deal you apply for, and which lender you use. However, the duration of that process from beginning to end can vary quite significantly depending on your financial status (particularly if your are self-employed or have had credit problems in the past) and the lender.

MORTGAGE IN PRINCIPLE

A mortgage in principle (also called 'mortgage application in principle' or 'mortgage decision in principle') is a statement from a lender that says they will lend you a specific amount based on the information you have provided. It is not a guarantee, but an indication that they would be willing to lend you the money 'in principle'. It can be used to show estate agents or sellers that you do in fact have the funds to buy a property, but it is also likely to leave a 'footprint' on your credit report, which can affect your credit score.

MAKING AN APPLICATION

You'll need quite a few documents before you apply for a mortgage, so if you're planning ahead, it's a good idea to start gathering important paperwork and getting it organized now, to make the process faster when it comes to actually applying. Banks and building societies want to see proof of your income and outgoings, so you will need to provide related documents, including at least three months of payslips, your most recent P60, up to six months of bank statements, as well as details of any other earnings such as benefits or investments. If you're self-employed, you'll need to provide a tax return and accounts from the last few years.

You'll likely also need proof of identity and proof of address, such as a passport, driving license or utility bills. What is required will vary between lenders, and may also vary depending on your personal circumstances, for example, not being a UK citizen. However, the above collection of documents should be a good starting point.

MORTGAGE APPLICATION DECLINED

If your mortgage application is declined, there may be a few different reasons the lender has made this decision. Firstly, it might be a good idea to check that all the information you provided is correct – it's not impossible for either a borrower or a lender to make a mistake, so review everything carefully. If you are not earning enough, or you are spending too much, the lender might have decided that you would not be able to afford your repayments. In this case, it might be wise to rethink the size of the mortgage you are able to get, and to also think about how to better budget your spending. It may also be possible to get something called a 'guarantor mortgage'. This is when another person, usually a relative or close friend, agrees to accept responsibility for the debt, in the event that you are unable to keep up repayments. One potential barrier for getting a mortgage can be your credit history, particularly if you have a history of missed payments, defaults or insolvency. Checking your credit report thoroughly before you even apply can help ensure you are aware of any errors or problems that might concern a lender. If you do have issues, you can find more information in this article on helping improve your credit history.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

First-time buyer

Getting onto the property ladder can be a big step

Buying a home is the largest purchase you're likely to make. Getting onto the property ladder can be a big step. Where should you live? Which property should you make your home? How will you pay for it?

FACTSHEET

SAVING FOR A DEPOSIT

If you're a first-time buyer, you need to save for a deposit before looking at properties. Generally, you need to try to save at least 5% to 20% of the cost of the home you would like. Saving more than 5% will give you access to a wider range of cheaper mortgages available on the market. As a first-time home buyer, the most important thing to bear in mind is whether you can really afford to take this step. It's wise to put together a budget before you start looking for a property. There are now also strict checks when you apply for a mortgage.

LOCATION, LOCATION, LOCATION

It's a good idea to write down what you want from a home and order it in terms of priority. You need to think about where you want or need to live, what type of area you'd prefer, and the size of the property you want or need. You also need to get a feel for an area to check it suits your lifestyle. Find out about transport links and parking, where shops and green spaces are, how busy the area is, and how far you'd be from friends and relatives. In addition, consider how critical the location is relative to local schools, the hospital, commuting distance to your work, accessibility to public transport, and closeness to family and friends? Think about what's going to be most important to you in an area: a low crime rate? Proximity to pubs, restaurants and entertainment?

MAKING AN OFFER

Before you make an offer on a property, you should ask the estate agent if the seller is ready to move. Have they found another property to move to and secured a mortgage? Have they received any other offers? Which fixtures and fittings are included in the price? In Scotland, before you express an interest in a property, you appoint a conveyancer. Once you find a property you're interested in, your conveyancer registers a 'note of interest' on your behalf so you're kept informed of any closing date for submitting an offer.

The seller must give you a copy of the Home Report which outlines what the property is worth, its condition, the repairs required and its energy-efficiency rating. In Wales, England and Northern Ireland, you can make an offer directly to the estate agent. You can let them know you're serious about buying the property by having a mortgage approved in principle, and want to move quickly. If the seller rejects your offer, if you can afford to, you can increase your offer. Once you offer is accepted, ask the estate agent to confirm it in writing and take the property off the market In Scotland, you instruct your conveyancer to make a written offer on a property on your behalf. If the offer is acceptable, the conveyancers agree the conditions of sale through the exchange of formal letters. This process is called 'concluding the missives' and may happen quickly if little negotiation is required. Once the missives are concluded, neither you nor the seller can pull out without penalty.

MORTGAGE AGREEMENT IN PRINCIPLE

When you put an offer on a property, you can show estate agents you're serious about buying by obtaining an 'agreement in principle' (AIP) from a lender. The AIP states the amount the lender is likely to lend you. It's not a legally binding agreement as it's subject to a valuation of the property and you send in any evidence the lender requires, such as payslips. You shouldn't ask many lenders for an AIP, as it requires a credit check against your credit file. The credit check leaves a footprint which can be seen by other lenders on your file and may affect your ability to get credit.

To make a full mortgage application, you'll need to provide your lender with:

- details of the property
- proof of your employment and income, e.g. your most recent payslips
- proof of your identity and address
- copies of your bank statements for the last three months If your lender is happy with the evidence you've provided and the purchase price of the property after a valuation, they'll send you a formal mortgage offer.

ARRANGING YOUR MORTGAGE

When considering the different mortgage deals available, we'll discuss the following with you:

- Type of loan – repayment (where you pay part of the balance and interest each month), interest-only or both
- Type of mortgage – for example, fixed-rate, tracker or schemes designed to help first time buyers
- Mortgage rate – it's important to look beyond the initial interest rate and consider what the rate will be after the deal ends
- Mortgage fees – these can be considerable, particularly if you change your mortgage before your deal ends, so make sure you check what fees apply to the mortgage you're considering

MORTGAGE 'STRESS TEST'

Mortgage lenders will check that you can afford the mortgage and also 'stress test' your ability to make your payments if interest rates were to rise or if your circumstances changed, such as a planned retirement date or if you started a family.

As part of the mortgage application process, you'll need to show the lender evidence of any outgoings you have and prove your income.

LEGAL MATTERS

A conveyancer deals with the legal side of a buying a property. They arrange the transfer of ownership by drawing up and exchanging contracts with the seller's conveyancer (or 'concluding missives' in Scotland). They also arrange the payment of Stamp Duty Land Tax or Land or Buildings Transaction Tax in Scotland, and conduct legal searches, including local authority, water drainage and environmental searches and register the property title in your name. In Wales, England and Northern Ireland, you appoint a conveyancer once your offer is accepted on a property. In Scotland, you appoint a conveyancer before you make an offer on a property, as they are responsible for placing the offer on your behalf. A survey should point out any major issues with the condition of the property. If it brings up issues you're not aware of, you could ask the seller to reduce the sale price or fix the issues before exchange of contracts. If they're not willing to do this, you may need to reconsider your options.

The different surveys available are:

- a snagging report – a survey for new builds giving an overview of defects and poor finishing
- a home buyer report – a more detailed survey giving guidance on defects and repairs that need sorting out
- a building report – a comprehensive survey for older properties giving a full breakdown on the structure and condition of a property. It can be tailored to the property

In Scotland, the seller provides you with a Home Report outlining what the property is worth, its condition, the repairs required and its energy efficiency rating. You can also choose to instruct your own survey as well.

Exchanging contracts – your conveyancer will arrange for all the paperwork to be in place before completion date.

They will exchange contracts (or conclude missives) with the seller's conveyancer, once you've:

- received your final mortgage offer
- checked through and are happy with all the legal documents
- transferred your deposit to your conveyancer
- agreed a completion date
- signed the contract

You'll need to have buildings insurance in place before you exchange in England, Wales and Northern Ireland. In Scotland, buildings insurance must be in place before the completion date known as the 'Date of Entry'.

You're legally bound to buy the property once you've exchanged contracts or concluded missives. If you decide to pull out after this point, you could lose your deposit and may face legal action from the seller.

After exchanging or concluding missives, you'll need to sign the mortgage deed and a document to transfer ownership of the property to you.

Completing – usually, completion takes around six to eight weeks but it may be longer if you're in a property chain. On the day of completion, you can move into your new home once your conveyancer confirms the money has been transferred to the seller's conveyancer.

Home surveys

Considering your different options

FACTSHEET

A home is the most expensive purchase most people ever make. As an owner, you will benefit from expert advice on the condition of your property – whether you plan to live in it, rent it out or sell it.

Buying a house is likely to be the most expensive thing you will purchase in your life, so you want to be sure your money is going towards a property that's worth it – and won't end up costing you huge amounts in the future.

Different properties require different types of survey. However, you should always discuss your requirements with your surveyor who will be able to advise you further. A property survey involves appointing a Chartered Surveyor to come and inspect the property you intend to buy. They'll take a look around the property, as detailed below, and identify any issues which you might not have spotted yourself but that could end up being costly in the long run.

If a serious problem is identified, then the survey allows both you and the seller to reach an understanding about how to proceed. That might mean asking for the problem to be rectified before the purchase completes, reducing the amount you pay for the property to take into account any work which needs to be done, or in the most serious cases it might mean pulling out of the purchase altogether.

DIFFERENT TYPES OF SURVEYS AVAILABLE

BASIC VALUATION

This isn't in fact a survey but rather a report prepared after a brief inspection of the property – and solely for the benefit of the mortgage lender. They are carried out by a RICS Valuation Surveyor appointed by the lender (i.e. a bank or building society) to establish whether the property provides adequate security for the amount you want to borrow. Obvious defects will be pointed out in the valuation, but it should not be regarded as a full survey or as a substitute for a Building Survey or Homebuyer's Report.

Most lenders charge valuation fees on a scale depending on the value of the property. The report is basic, and all lenders disclaim any responsibility for the condition of the property. You have no comeback against the surveyor for any defects or problems that are not picked up, and you may not even see a copy of the report.

HOMEBUYER'S REPORT

A Homebuyer's Report is intended to inform you, the buyer, on the soundness or otherwise of the property, and whether it is a suitable purchase at the price agreed. It is more expensive and extensive than the basic valuation. Approved by the Royal institution of Chartered Surveyors (RICS), this survey and valuation covers all accessible parts of the property, but is less comprehensive than a Building Survey, and the final report is shorter and more concise. The report specifies major defects and includes a roof inspection where possible, but does not detail remedial works.

Advice can be given on specific items if required, and if further specialist investigation is thought necessary, this will be stated in the report. The report may also offer you some limited recourse should the surveyor (acting on your behalf, rather than the lender's) be negligent. Homebuyer's Reports are most suitable for houses built during the last 80 years and up to approximately 2,000 square feet/185 square metres.

BUILDING SURVEY (FORMERLY FULL STRUCTURAL SURVEY)

This is the most detailed type of survey and is usually required when a full assessment of the property is needed. It is also the most expensive. It is also highly advisable for older properties (pre-1900) or large or unusual buildings.

Surveys of this kind can take many hours to complete and cover all aspects of the property in greater depth than the Homebuyer's Report. It can also detail remedial works required. You have right of recourse to the Surveyor in the event a defect with the property is subsequently found which would have been there when the original survey was done – for example, a woodworm infestation or rising damp.

Mortgage lenders tend to work with panels of approved surveyors, and it is generally best to allow the lender to instruct their nominated surveyor for the basic valuation that they require. If you would like a home buyer's report, many lenders will let you request one via them – otherwise, you are free to instruct any survey you need yourself. With any level of survey, if there are potential or actual defects found, the surveyor may suggest you obtain additional specialist reports.

Stamp duty

Calculated on the part of the property purchase price that falls within each band

FACTSHEET

In England and Northern Ireland, you're liable to pay Stamp Duty when you buy a residential property that costs more than £125,000 (or more than £40,000 for second homes). This tax applies to both freehold and leasehold properties – whether you're buying outright or with a mortgage.

If you're buying a property in Scotland, you will pay Land and Buildings Transaction Tax (LBTT), and in Wales Land Transaction Tax (LTT) instead of Stamp Duty. There are several rate bands for Stamp Duty. The tax is calculated on the part of the property purchase price that falls within each band.

STAMP DUTY ON SECOND PROPERTIES

Buyers of additional residential properties, such as second homes and buy-to-let properties, will have to pay an extra 3% in Stamp Duty on top of current rates for each band. This increased rate applies to properties bought for £40,000 or more. If you buy a new main residence but there's a delay in selling your previous main residence, you'll have to pay the higher Stamp Duty rates as you'll now own two properties.

You can request a refund for the amount above the normal Stamp Duty rates if:

- You sell your previous main residence within three years, and
- You claim the refund within three months of the sale of your previous main residence, or within 12 months of the filing date of your self-assessment tax return, whichever comes later

STAMP DUTY RELIEF FOR FIRST TIME BUYERS

If you're a first-time-buyer in England or Northern Ireland, you will pay no Stamp Duty on properties worth up to £300,000. This means if you are a first-time-buyer, you will save up to £5,000. For properties costing up to £500,000, you will pay no Stamp Duty on the first £300,000. You will pay Stamp Duty on the remaining amount, up to £200,000. If the property you are buying is worth over £500,000, you will pay the standard rates of Stamp Duty and will not qualify for first-time buyer's relief.

JOINT OWNERSHIP AND STAMP DUTY RELIEF

If you're married and jointly buying a property, then you both need to be eligible first-time buyers to get First Time Buyers Stamp Duty relief. Unmarried people can still get a reduction in Stamp Duty, if the only person named on the mortgage deed is a first-time buyer.

There are a couple of things you need to be aware of:

- The maximum saving on a property purchase is still £5,000 regardless of the number of names on the mortgage deed. If the mortgage application is only in one name, it will be based on that person's income alone, which might impact how much your lender is prepared to lend you
- You need to think about what would happen if you split up. If the property is in both names, you will both have a claim. If the property is only in one name, then it's possible you or your partner could be left with nothing legally

Minimum property purchase price	Maximum property purchase price	Stamp Duty rate (only applies to that part of the property price that falls within each band)
£0	£125,000	0%
£125,001	£250,000	2%
£250,001	£925,000	5%
£925,001	£1.5 million	10%
Over £1.5 million	--	12%

Building insurance

Covering the cost of repairing damage to the structure of your property

FACTSHEET

If you own your own property, you'll need to have buildings cover just in case your home is damaged and needs a repair. It's usually a condition of your mortgage and, if you're a landlord, it's your responsibility – not your tenants'. Buildings insurance covers the cost of rebuilding a new or existing property if it's damaged or destroyed.

Buildings insurance covers the cost of repairing damage to the structure of your property. Garages, sheds and fences are also covered, as well as the cost of replacing items such as pipes, cables and drains. Your insurance policy should cover the full cost of rebuilding your house. This also includes the costs of demolition, site clearance and architects fees.

Buildings insurance usually covers loss or damage caused by:

- fire, explosion, storms, floods, earthquakes
- theft, attempted theft and vandalism
- frozen and burst pipes
- fallen trees, lampposts, aerials or satellite dishes
- subsidence
- vehicle or aircraft collisions

MORTGAGE CONDITION

If you are about to take out a mortgage or have a mortgage, buildings insurance will be a condition of the mortgage and must be at least enough to cover the outstanding mortgage. Your lender should give you a choice of insurer or allow you to choose one yourself. They can reject your choice of insurer but can't make you use their own insurance policy unless your mortgage package includes insurance. If you buy a property, you should take out buildings insurance when you exchange contracts. If you sell a property, you are responsible for looking after it until the sale is completed, so you should keep your insurance cover until then. If you're a leaseholder, your lease may say that you should have buildings insurance with a named insurer, or the freeholder may take out insurance and charge you for it.

HOME IMPROVEMENTS

Remember, if you improve your home, such as adding an extension or a loft conversion, the rebuild costs may also increase and you will need to make sure you're covered. If your property has special features (for example a thatched roof, or it's a listed building), you can pay for a survey from the Royal Institute of Chartered Surveyors to assess the rebuild costs.

AMOUNT OF COVER

It's important to make sure you insure yourself for the amount it would cost to completely rebuild your home. This is called the 'sum insured'. The cost of rebuilding your home is not the same as the price you paid for your home, or its current value if you were to sell it. Rebuild costs are usually less than the current market value, so make sure you don't over or under insure yourself. Some insurers offer unlimited cover so you don't have to work out the rebuild costs. However, if already know what they are, it may be cheaper to shop around for a policy that fits your exact needs.

GENERAL ASSESSMENT

Some policies work out the sum insured based on a general assessment of where you live and the type and age of your home. However, this may not fit your particular property, so you'll need to work out whether you've got enough cover. You should regularly review the amount your buildings insurance covers, as rebuild costs tend to rise over time. Some insurers offer policies that will increase the sum insured automatically in line with rebuild costs.

You might want to consider taking out extra buildings insurance to cover you for other risks. You'll have to pay higher premiums for this cover.

You can add on extra insurance for:

- flooding or subsidence if you live in a high risk area
- accidental damage to your home
- alternative accommodation if you have to
- move out of your home after you've made a claim
- damage to boundary walls, fences, gates,
- driveways and swimming pools
- damage to underground pipes, cables, gas and electricity supplies
- glass in windows, doors, conservatories and skylights
- liability cover if someone else's property is also damaged
- legal expenses cover