Financial Planning Report

Prepared for:

Mr Mort & Mrs Mort

Prepared by:

A N Adviser
Mortgage Adviser

PPOL

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Shropshire
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06/04/2022

SUITABILITY REPORT

Introduction and Basis of Advice

I am authorised as an Independent Financial Adviser and I can confirm you have been provided with a copy of our Client Agreement, our Terms of Business, the services we offer and how we can be remunerated for these services.

The advice that follows is based on my understanding of your current financial position, objectives and characteristics. The report should be read in conjunction with the relevant product information, illustrations, fee disclosure and Key Features documents. I would stress that if you do not understand any of the information then please contact me as a matter of urgency.

I would also mention that if any relevant information has not been disclosed then this could affect the suitability of my advice.

Summary of Current Position

Name	Mr Mort	Mrs Mort
Date of Birth	01/01/1970	01/02/1972
Gender	Male	Female
Marital Status	Married	Married
Occupation	Accountant	Teacher
Employment Status	Employed	Employed
Tax Status	Higher Rate Tax Payer	Basic Rate Tax Payer
Monthly Net Income (£)	3,000	2,000
Monthly Expenditure (£)	3,150	Joint
Total Investments (£)	50,000	
Other Assets (£)	300,000	
Total Liabilities (£)	140,000	
Smoker	No	No
Health	Good	Good
Financial Dependents	2	

The investments, assets and liabilities figures shown above were as per those disclosed by you and recorded on our 'Your Information' document dated 5 March 2022.

Your respective incomes are derived from your jobs and easily covers your regular expenditure.

Your children are aged 13 and 15 and remain financially dependent on you.

I have covered your advice objectives in greater detail within the Executive Summary of this report.

You have specifically requested that I focus my advice on the following <Insert your free text>

Risk Profile

We discussed at some length your attitude to risk and in particular the relationship between risk and reward.

Mortgage Attitude to Risk: **Cautious**

Ensuring that mortgage capital and interest are guaranteed to be repaid at the end of the term is important to you. You are not prepared to take risks with your mortgage.

Protection Attitude to Risk: **Guaranteed**

Premiums are set at the outset of the policy and will continue at that level throughout the term of the policy providing no subsequent changes are made to the policy.

If you feel that this does not accurately reflect your attitude to risk, please contact me as a matter of urgency.

Review of Mortgage Arrangements

Please find below a review of your existing mortgage arrangements. Further information can be found in the section *Notes on Financial Products* in the Appendix.

Mortgage - Principality Building Society - Main Residence

Property	Main Residence
Mortgage Holder	Joint
Purpose	Residential
Repayment Method	Capital & Interest
Repayment Vehicle	Monthly Premiums
Commencement Date	10/04/2020
Initial Loan Amount	£160,000
Remaining Loan Amount	£145,000
Property Value	£330,000
Loan To Value (LTV)	46%
Remaining Term	12
Current Interest Rate	3.59%
Annualised Percentage Rate of Charge	3.61%
Monthly Repayment	£1,145

Benefits & Features

A summary of the benefits and features applicable to this mortgage are set out below. See Notes on Financial Products in the Appendix for more details of these features.

- **Fixed Interest Rate** at 3.59% is guaranteed to remain unchanged for an introductory beneficial period. Please note once the introductory period ends your payments could rise significantly.
- **Beneficial Interest Rate Period** until 10 April 2022 after which the interest rate will usually change to the lender's standard variable rate prevailing at that time (currently 4.49%). Please note once this period has ended your payments could rise significantly.
- **Early Repayment Charge** of 4,800 is levied if you terminate the mortgage within the introductory beneficial period

I have recommended that you should **re-mortgage** for the following reasons:

- It is possible to obtain a more competitive interest rate
- The amount you would like to borrow has changed
- You would like to raise additional funds
- No repayment penalties would be incurred on changing your mortgage
- Your borrowing requirements have changed and having looked into a further advance of £20,000 with your existing lender, you have been unable to secure the borrowing and repayment terms you require

Top Up Disclosure

I have made you aware that where additional borrowing is required this may be available from your existing lender or an alternative lender by way of a second charge loan, an unsecured loan or a remortgage.

Review of Protection Arrangements

Please find below a review of your existing protection arrangements. Further information can be found in the section *Notes on Financial Products* in the Appendix.

Decreasing Term Assurance - Ownership - Joint

Company	Policy Number	Monthly Premium	Expires
Canada Life	WT4555	£29.50	12 years

Life Assured	Death Benefit	Payable Event
Joint	£145,000	Joint Life 1st Death

Policy Benefits & Features

See Notes on Financial Products in the Appendix for more details of these features.

- **Death Benefit** - The stated sum assured will be paid out as **a lump sum payment** to the nominated beneficiaries on death of the life(s) assured
- **Terminal Illness Cover** - Your plan allows for the sum assured to be paid on account of you suffering from an incurable terminal illness and the illness is expected to lead to death within 12 months
- **Guaranteed Premiums** - This plan has guaranteed premiums in so much as the monthly premium you paid for your cover at outset is unchanged and will remain fixed throughout the policy term
- **Waiver of Premium** - Should you be unable to work through ill health, your premiums will still be paid for you until the end of the policy term, a specified age or until you are able to return to work. The payments will commence after a set deferment period of

I have recommended you **cancel** this protection plan for the following reasons:

- The overall cost of my new recommendation is lower than your existing arrangements
- Your existing cover does not reflect your current circumstances and requirements
- You wish to increase the level of cover and this is not possible under your current arrangement

If the recommended alternative plan is established on any basis different to that of your existing cover the illustrated premiums will not act as a wholly fair comparison. I do stress that you should not cancel your existing protection until we have received underwriting terms on the proposed new plan and it has been placed on risk.

Mortgage Recommendations

Service Disclosure

- I provide impartial and independent mortgage advice on first and second charge loans. I have researched the whole of the relevant market without limitation to recommend the mortgage which best reflects your individual needs and circumstances.

Advice Restrictions

- My advice is regulated by the Financial Conduct Authority (FCA) and unless stated otherwise will not cover 'direct only deals' with lenders
- My advice in this report assumes that you are not a high net worth mortgage customer & not a mortgage professional and that your borrowing requirements are not for business purposes as defined under the Mortgage Market Review (MMR) legislation effective from 26th April 2014

I confirm that I have provided you with the following documents:

- Key Facts Illustration Plus (KFI+)
- Money Advice Service (MAS) - You can afford your mortgage now but what if...?

Mortgage - Nationwide - Main Residence

Property	Main Residence
Mortgage Holder	Joint
Purpose	Residential
Repayment Method	Capital & Interest
Repayment Vehicle	Monthly Premiums
Commencement Date	10 April 2022
Initial Loan Amount	£165,000
Property Value	£330,000
Loan To Value (LTV)	50%
Term	12 years
Current Interest Rate	2.89%
Annualised Percentage Rate of Charge	2.92%
Monthly Repayment	£1,280

Arrangement Fees I confirm that you have elected to pay any associated mortgage provider and product fees at the outset which will avoid any interest being added to the fees. An illustration has been provided to you with and without the fees being added to the loan.

Fees Not Refundable - Arrangement fees are NOT refundable in the case that the mortgage is not proceeded with.

Capital & Interest - Your monthly repayment to the lender includes an element of capital in addition to the interest due at the prevailing rate on the amount borrowed. The proportion of each will change throughout the period of the loan with the capital element increasing with each monthly payment. Provided the repayments due are met in full and on time the mortgage will be repaid in full at the end of the set term.

Benefits & Features

A summary of the benefits and features applicable to this mortgage are set out below:

See Notes on Financial Products in the Appendix for more details of these features.

- **Fixed Interest Rate** at 2.89% is guaranteed to remain unchanged for an introductory beneficial period. Please note once the introductory period ends your payments could rise significantly.
- **Beneficial Interest Rate Period** for 2 years after which the interest rate will usually change to the lender's standard variable rate prevailing at that time (currently 4.59% equating to monthly repayments of £1,628). Please note once this period has ended your payments could rise significantly.
- **Early Repayment Charge** of 3% of mortgage amount is levied if you terminate the mortgage within the introductory beneficial period

I have recommended this mortgage provider for the following reasons:

- Nationwide is the UK's largest mutual building society, owned by its members. They are financially strong and hold an 'A+' (Stable) senior preferred credit rating from Standard & Poors, a leading independent ratings agency. As of 30 September 2021, their total assets figure was £285.4bn.
- The recommended lender is financially strong
- They have received numerous awards for their customer service.
- Your financial profile befits their typical mortgage client

I have recommended this mortgage product for the following reasons:

- The terms offered were deemed the most competitive available
- The terms meet with your attitude to risk and reflect your repayment objectives
- The fixed rate of interest will provide certainty of affairs and the ability to budget during the introductory period

An early redemption penalty applies on the recommended mortgage. A charge will be applied if you redeem or transfer your mortgage to an alternative lender within the redemption period. I refer you to the charges section of the recommendation and your personal illustration for further information.

The interest rate on your mortgage will revert to the lender's current variable rate once your beneficial introductory rate expires. This could mean that your monthly payments increase substantially. Assuming interest rates remain unchanged, I believe the payments will still remain affordable to you. However, I am unable to predict how interest rates and your circumstances may change in the future.

Further Information and Risk Warnings

To ensure that you and your family are able to remain in your home, it is important you protect your mortgage against the effects of your death, diagnosis of certain critical illnesses or being unable to work through ill health or unemployment with the appropriate protection products. It is also important to ensure your home and its contents are protected against damage or loss. These products do not need to be bundled with the recommended mortgage provider.

Under the terms of the mortgage, you must maintain suitable buildings insurance for a sum not less than that specified by the lender's valuer.

Full terms and conditions of your mortgage are contained within your conditional mortgage offer letter issued by the lender. Please note that because the formal mortgage offer is subject to valuation and the production of satisfactory references, the mortgage illustration does not constitute a binding offer of a mortgage. On receipt of your mortgage offer letter please read it carefully and contact either your solicitor or me if you have any queries.

Property values and prices may fluctuate according to market conditions, and the value of your property may go down as well as up. In the future, this could mean that your mortgage loan exceeds the property's current market value (ie a negative equity situation).

Finally, I have stressed the importance of not over-committing yourself in terms of your mortgage repayments and other expenses. I would like to take this opportunity to confirm that the above recommendation is affordable to you and you have sufficient regular income to cover the monthly repayment of your mortgage now and for the foreseeable future.

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

Protection Recommendations

Please find below my recommendations for your protection arrangements. Further information can be found in the section *Notes on Financial Products* in the Appendix. Please note – should your plans include any investment element then this will be subject to daily fluctuations.

Decreasing Term Assurance - Ownership - Joint

I have recommended a **Decreasing Term Assurance** plan for the following reasons:

- It is the cheapest form of insurance which meets your stated needs and objectives
- You would like to ensure that your mortgage balance would be repaid in the event of your death

Company	Monthly Premium	Total Premium	Term
Legal & General	£27.00	£3,888	12 years
Life Assured	**Death Benefit**	**Payable Event**	
Joint	£165,000	Joint Life 1st Death	

Please be aware in the event of a claim, the selected sum assured may not be sufficient to meet all of your financial requirements. However, I confirm that the highlighted level of cover was deemed acceptable at this time.

The selected **term** is recommended for the following reasons:

- It meets your primary objectives
- It will provide protection for your family over the outstanding term of the mortgage.

I have recommended this protection **provider** for the following reasons:

- Legal & General Group is one of the world's largest insurance and investment management groups. It also provides mortgage lending and equity release products under its home finance division. As of 30 June 2021, the value of their assets under management across the group, was £1.3 trillion. The group is financially strong having been awarded an 'A' (Stable) long term issuer credit rating by Standard & Poors, a leading independent ratings agency.
- They offer a competitive premium for the policy required
- They are well established and financially strong
- They have provided us and our clients with an excellent service in the past
- They are known for having a good claims history and paying claims quickly
- The research undertaken of the market place has identified this as being the most suitable solution for your needs and objectives

I have recommended this particular protection **product** for the following reasons:

- The level of cover has been set to match your outstanding mortgage term
- Cover will decrease throughout the term in line with the outstanding mortgage balance.

Policy Benefits & Features

My recommendations are to include the policy features or benefits shown below. See Notes on Financial Products in the Appendix for more details of these features.

- **Death Benefit** - The stated sum assured will be paid out as **a lump sum payment** to the nominated beneficiaries on death of the life(s) assured
- **Terminal Illness Cover** - Your plan allows for the sum assured to be paid on account of you suffering from an incurable terminal illness and the illness is expected to lead to death within 12 months
- **Guaranteed Premiums** - The monthly premium will remain fixed throughout the policy term
- **Waiver of Premium** - Should you be unable to work through ill health, your premiums will still be paid for you until the end of the policy term, a specified age or until you are able to return to work. The payments will commence after a set deferment period of **3 months**

Options Not Included

Total Permanent Disability Benefit - Would be paid if you become totally and permanently disabled, and you are unable to carry out your own occupation or perform a certain number of recognised activities of daily living.

I confirm you did not wish to include this feature due to the following reasons:

- The additional cost was prohibitive

Critical Illness Protection - Would provide a tax-free payment in the event of a life assured being diagnosed with a pre-determined critical illness, within the agreed term of the policy.

I confirm you did not wish to include this feature due to the following reasons:

- The additional cost was prohibitive

Policy In Trust - In view of your circumstances and stated objectives I have not recommended that this policy be placed under trust at the current time. So, in the event of a claim - for a single life policy, the proceeds will be paid into the estate and may be subject to inheritance tax; for joint lives assured, the proceeds will be paid to the policy owner or paid in accordance with a will.

Alternative Products Considered But Discounted

I confirm due consideration was given to a range of products, but the alternatives were subsequently discounted for the following reasons:

Level Term Assurance

- You did not require the amount of protection to remain level throughout the term of the policy

Family Income Benefit Plan

- You preferred any benefit to be paid as a lump sum

Whole of Life

- You only required protection over a specific term

Income Protection

- The objectives of the protection planning are to cover death and not illness

Important Information

Further Information and Risk Warnings

A summary of the risk warnings associated with my advice can be found in the Appendix of this report and should be read with particular care. Additional information regarding the recommendations can also be found in any Key Features Documents provided.

Cost of Services

A summary of how my company can be remunerated for the advice received and the provision of my services is detailed in the disclosure documentation provided.

Our Service Proposition

My company offers a number of service propositions which govern the type of service and the regularity of contact and reviews you will experience. The ongoing servicing of your plans is recommended but not compulsory and if taken up can be cancelled at any time. The associated costs of our propositions and when they commence are set out in our disclosure documentation already provided and these costs may go up or down in line with the fluctuating value of the underlying assets. I confirm that you have elected for the following service:

- A focused and limited advice transaction service instigated by client request

Charges Summary

Existing Mortgage Charges   Main Residence

Exit Charges	
Exit Charge	**Early Repayment Charge**
£150	£4,800 = 3% of Mortgage Amount (prior to end of fixed term)

Existing Protection Charges   Decreasing Term Assurance   Joint

Ongoing Charges	
Commission	**Commission Paid By**
0.90 p.m.	Provider

Proposed Mortgage Charges   Main Residence

Entry Charges			Exit Charges	
Arrangement Fee	**Valuation Fee**	**Procuration Fee**	**Discharge Fee**	**Early Repayment Charge**
£699	£75	£675	£130	3% of mortgage amount = £4,950

Proposed Protection Charges   Decreasing Term Assurance   Joint

Entry Charges		Ongoing Charges	
Commission	**Commission Paid By**	**Commission**	**Commission Paid By**
£300	Provider	1.00 p.m. from year 4 onwards	Provider

Entry Charges: One off charges taken before or on investment.

- Commission: A payment made directly to the adviser
- Arrangement Fee: A fee payable for the arrangement of a mortgage loan or an annuity
- Valuation Fee: A charge to evaluate the worth of a property
- Procuration Fee: A payment made directly to the adviser by the recommended product provider

Ongoing Charges: Regular charges, typically taken over a year.

- Commission: Continuing payments made directly to the adviser

Exit Charges: One off fees taken on termination.

- Exit Charge: Applicable under the plan or investment rules following early sale, surrender, encashment or transfer
- Discharge Fee: A charge levied by a lender on repayment of the mortgage debt
- Early Repayment Charge: A fee that may be levied if part or all of a mortgage or loan is repaid before the end of the beneficial interest rate period

Binding Offer and Reflection Period

Under the terms of the European Mortgage Credit Directive (MCD), you will receive a binding offer that must follow any previous non-binding offer letters or agreements in principle from your lender. Once a binding offer has been received, you will be entitled to a pre-sales reflection period of at least 7 days during which you may accept the offer. There is no right of withdrawal from a MCD regulated contract once it has concluded.

Cancellation Notice

You have a legal right to cancel your mortgage product anytime up until the contract is complete, once completed you have no legal right to cancel.

Once your protection plan is set up you have a legal right to cancel should you change your mind, the period is generally 30 days.

Affordability & Emergency Fund

You should keep some money immediately accessible to cover any unforeseen emergency expenditure that may arise. I would normally recommend that you retain an emergency fund equal to three months' expenditure within an immediate access deposit account as a bare minimum. I confirm you are happy with the level of your emergency reserve. I would also like to take this opportunity to confirm that the above recommendations are affordable to you.

Financial Services Compensation Scheme (FSCS)

The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FCA authorised firms and covers deposits, insurance and investments. The scheme can pay compensation to clients who have lost money as a result of their dealings with FCA authorised firms that are unable to pay claims against them.

The deposit limit for bank accounts is currently £85,000 or £170,000 for joint accounts.

For mortgages (including lifetime mortgages but excluding buy to let mortgages) the compensation limit is £85,000.

For life assurance and investment bonds the compensation is 100% with no upper limit.

Confirmation

I have acted in your best interest and the advice given in this report is aligned with your personal circumstances, objectives and characteristics and meets your stated objectives. If you have any queries concerning the content of this report or should you feel the recommendations are in any way an inaccurate reflection of our discussions, please contact me immediately.

Existing Mortgages

Holder	Property	Company	Remaining Loan Amount	Remaining Term	Interest Rate	Monthly Repayment	Action
Joint	Main Residence	Principality Building Society	£145,000	12	3.59%	£1,145	Re-Mortgage

Accepted:	Amended:	Declined:	Deferred:
Notes:			

Proposed Mortgages

Holder	Property	Company	Loan Amount	Term	Interest Rate	Monthly Repayment
Joint	Main Residence	Nationwide	£165,000	12 years	2.89%	£1,280

Accepted:	Amended:	Declined:	Deferred:
Notes:			

Existing Protection Arrangements

Owner	Type	Company	Life(s) Assured	Premium	Frequency	Action
Joint	Decreasing Term Assurance	Canada Life	Joint	£29.50	Monthly	Cancel

Accepted:	Amended:	Declined:	Deferred:
Notes:			

Proposed Protection Arrangements

Owner	Type	Company	Life(s) Assured	Premium	Term
Joint	Decreasing Term Assurance	Legal & General	Joint	£27.00 Monthly	12 years

Accepted:	Amended:	Declined:	Deferred:
Notes:			

Report written by **A N Adviser**

Signature ___________________________ Date ____/____/____

We the undersigned have received this report and supporting literature. We acknowledge this is a fair reflection of our relevant conversations.

Accepted by **Mr Mort and Mrs Mort**

Signature ___________________________ Date ____/____/____

Signature ___________________________ Date ____/____/____

APPENDIX

Risk Warnings

General

- The recommendations are based on current UK taxation, law and practice all of which may be subject to change
- Any quotations provided are for illustration purposes only and are not guaranteed
- For a full explanation of the charges and how they affect the plan, please refer to the personalised illustration and Key Features document(s)

Protection

- If policy premiums are stopped the cover will cease
- The actual premium payable may vary after assessment by the provider
- Please be aware certain causes of claim are excluded
- The provider may not pay out if any information is withheld, or if the information provided is incorrect
- Where premium protection has not been included and an illness prevents the policy holder from working and premiums cannot be maintained the protection will cease
- If indexation is not included, then the real value of the sum assured and policy benefits will be eroded by inflation over time
- The protection levels should be periodically reviewed to ensure they continue to meet objectives
- During any point through life, events (illness) may mean an individual becomes uninsurable. This would prevent a policy from possibly being altered or changed or preventing new policies being set up.
- Where any form of protection is being cancelled and replaced, the premiums to the ceding plan should be maintained until satisfactory terms have been received for the replacement cover and this is in force

Decreasing Term Assurance

- At no time during or at the end of the term does this policy provide a surrender or encashment value
- Cover will decrease annually over the full plan and if it is being used for debt repayment protection, any interest rise above the selected rate may result in the sum assured being insufficient to repay the debt
- If the policy pays out a death benefit, cover will cease

Mortgages

- It is a legal requirement to provide a Key Facts Illustration Plus (KFI+) or European Standardised Information Sheet (ESIS) document where advice has been provided, but the document is not a legally binding contract (unless stated as such) and does not oblige the provider to provide you with the mortgage described
- It is strongly recommended that you do not enter into any binding agreement or commit yourself to any financial undertakings until you have received, read and understood a satisfactory offer letter
- The assessment of appropriateness to the recommended mortgage provider and product is based on current circumstances and reasonably foreseeable changes to those

- It is the responsibility of the lender to assess the affordability of repayments
- The monthly repayments could be considerably different should interest rates change
- Past levels of interest rates are no guarantee of future rates
- Other fees or taxes in addition to those illustrated may be payable
- Your home may be repossessed if you do not keep up the repayments on your mortgage
- You may need to demonstrate to the lender both now and again during the mortgage term that you have in place a clearly understood and credible repayment strategy for an interest-only mortgage
- The value of the property is based on the valuer's opinion rather than fact. If the value of the property drops, the loan amount may be greater than the property's value. Property and land can be difficult to sell, so you may not be able to sell the property when required.
- If details are given incorrectly, withheld, or are false in any way, then the lender will almost certainly reject an application. This will make it much more difficult, or even impossible to apply to another lender.

Notes on Financial Products

Decreasing Term Assurance

Term assurance offers a cost effective means of obtaining life and / or critical illness cover over a specified term. The sum assured is paid out if the life assured was to pass away, or be diagnosed with a predetermined critical illness (if included) within the set term. However, unlike level term, the level of cover reduces over the term of the contract.

This form of insurance is often taken out in conjunction with a repayment mortgage. During the term of the mortgage the total amount owed to the lender decreases as capital is repaid. The decreasing term assurance sum assured decreases in line with the amount owing. This is generally cheaper than its level term assurance equivalent.

Insurance premiums became 'gender neutral' from 21st December 2012 meaning pricing is no longer gender specific. However, existing reviewable policies in force before this date can continue to be priced on a gender specific basis.

Mortgage

A mortgage is a loan secured against a property. 'Secured' means that if you do not keep up the payments, the lender can sell the property to get its money back.

Repayments Options

Interest Only - The monthly payments cover only the interest on the loan. They do not pay off any of the capital. It is imperative that a separate savings or investment vehicle is set up to build up a lump sum to pay off the mortgage at the end of the term. It is the borrower's responsibility to ensure they have enough money to repay the mortgage.

Retirement Interest Only - The monthly payments cover only the interest on the loan. They do not pay off any of the capital. No separate repayment vehicle is required as this type of interest only mortgage is designed so borrowers can use the sale of their home to repay their mortgage balance, which will usually happen on death or permanent move into residential care. Borrowers cannot benefit from interest roll up therefore they must be able to make the interest only payments for the life of the mortgage.

Repayment Mortgage or Capital and Interest Loan - The repayments are designed to gradually pay off the amount owed as well as paying the interest charged on the loan. Providing all the agreed repayments are met, the loan will be fully paid off at the end of the mortgage term.

Interest Rate Variables

Discounted Interest Rate - The interest rate will be set at a discount to the recommended lender's standard variable rate and will apply for a pre-determined period. The rate payable may increase or decrease as the lender's standard variable rate itself increases or decreases.

Tracker Interest Rate - The interest rate will be set at a rate a fixed percentage above the Bank of England Base Rate and so may rise or fall in line with the Base Rate.

Capped Interest Rate - The interest rate will be capped meaning the interest rate you pay cannot go higher than the set capped rate. This ensures you know the maximum amount your monthly repayments could rise to. Any fall in the basic rate of interest below the capped rate will still entitle you to a corresponding fall in your monthly repayments.

Capped and Collared Interest Rate - The interest rate will be linked to the recommended lender's standard variable rate but with a guarantee that it won't go above a set level or 'cap' but equally won't go below a set level or 'collar'.

Fixed Interest Rate - The interest rate is guaranteed to remain unchanged for a pre-determined period. On expiry of the fixed rate period, the interest rate will usually change to the lender's standard variable rate prevailing at that time.

Variable Interest Rate - The interest rate will vary in line with the standard interest charged by the recommended lender, meaning the interest rate payable can go up and down at the lender's discretion and your repayments will change accordingly.

Deferred interest rate - The interest rate payable is less than the standard rate and the difference between the amount that would have been paid and the amount actually paid is added to the original amount of the loan. A deferral period is agreed and your repayments will increase on the expiry of this period so as to repay the interest due on the original loan, plus the unpaid interest accrued during the deferral period.

Mortgage Types

Residential Mortgage - A standard or conventional mortgage whereby the lender provides a loan on an agreed term and repayment basis and is secured on a residential property in which you intend to live as your main residence, often referred to as 'owner occupied' mortgages.

Self-Build Mortgage - Arranged for the specific purpose of building a new house and as such offers a staged payment facility so as work progresses funds are released on pre-agreed terms to continue the build until completion. Thereafter standard mortgage terms were agreed on the finished property and valuation.

Buy to Let Mortgage - Arranged to buy property that is intended to be let in return for a rental income. It differs from a residential mortgage in that the mortgage terms take into consideration the income the property will produce in deciding how much to lend. There are two types of Buy to Let Mortgages:

- *Consumer Buy to Let* - Arranged where a borrower has inherited property or lets their previously lived in property that they are unable to sell
- *Business Buy to Let* - Arranged for existing landlords and those purchasing property specifically to let. Sometimes called an Investment Property Loan (IPL)

Bridging Loan - A short-term loan to fund personal obligations until permanent financing is secured. The loan typically has a period of 12 months or less with relatively high interest rates and lending is backed by some form of collateral such as real estate.

Islamic Mortgages - A number of mortgage structures exist for the borrower to avoid paying interest and therefore avoid any infringement of Shariah Law by either party. They are as follows:

- *Ijara* -The mortgage provider negotiates a 'Promise to Purchase' agreement with their client and purchases the property at the agreed price on behalf of their client. Coupled with the 'Promise to Purchase' agreement is a lease agreement that defines the occupancy rights for the property. The Islamic mortgage provider's client (i.e. the purchaser in normal parlance) makes regular repayments to the financial institution that incorporates two elements – payment of rent and partial repayment of capital. When the purchase price has been paid back in full, rental payments cease and title to the property is passed from the financial institution to the occupier.
- *Musharaka* - The mortgage provider purchases the property on behalf of their client. Under this agreement, the client's first capital repayment (as part of the regular monthly repayments) to the Islamic mortgage provider becomes their first share (albeit small) in the property. As repayments continue the proportion of the property owned by the client increases over time through the mortgage term. After the mortgage has been repaid in full, total ownership of the property passes to the client.
- *Murabaha* - The mortgage provider purchases the property on their client's behalf. Once this property purchase has been completed, the financial institution sells on the property to their client at a higher price (at cost price plus agreed profit). Usually, a large deposit is required to be paid by the client.

Mortgage Styles

Flexible Mortgage - This style of mortgage has advantages over other types of mortgages. The interest rate applied is variable and calculated daily instead of annually which means any capital repayment of the loan will immediately affect the interest charged on the outstanding balance. Regular overpayments or payment holidays are allowable and additional funds can be drawn from the account up to the original mortgage balance.

Current Account Facility - The mortgage operates through a current account and so your normal cash flow will alter the outstanding amount which may save some interest.

Offset Mortgage - The mortgage allows the balances of linked savings & current accounts to be offset against the outstanding loan reducing the interest amount.

Other Mortgage Terminology

APRC - The Annual Percentage Rate of Charge (APRC) is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you to compare different offers.

Arrangement Fee - This is a fee paid to the lender in connection with certain types of mortgages. It is usually paid on completion, but sometimes with the application.

Cash Back - A payment you receive from the lender when you take out a mortgage.

Conveyance - This is the deed by which a freehold unregistered title changes hands. If the property is leasehold and unregistered it is called an assignment. If the title is registered the deed is called a transfer.

Early Redemption Charges - This is a fee charged by a lender if you repay part, or all, of your mortgage or move your mortgage to another lender before the agreed date.

High Lending Charge - This is a fee levied by the mortgage lender if you borrow more than a given amount. Many mortgage lenders will lend up to 90% of the value of a property without charging this fee.

LTV - The loan to value refers to the size of the mortgage as a percentage of the value of the property (eg a £90,000 mortgage on a house valued at £100,000 has an LTV of 90%).

Mortgage Payment Protection - If you cannot work due to an accident or sickness or are made redundant this policy will pay your mortgage for you.

Portability - A term used to describe a mortgage product that can be transferred between properties when you move house.

Re-mortgage - This is the act of switching a mortgage to a new lender.

Valuation Fee - A fee payable to the lender to check what a property is worth and if it is suitable to lend a mortgage on.