Linear
Financial Solutions

Your essential mortgage guide

The process of finding a mortgage doesn't have to be tricky. Linear Financial Solutions is dedicated to making everything as easy as possible for you.

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Your dedicated Linear advisor

Your Linear advisor will want to learn more about you, your circumstances, and your overall financial position. They'll also want to hear your thoughts on the type of mortgage you believe is right for you.

Researching the options

Using their expert knowledge your Linear advisor will find solutions that best suit your exact needs.

Recommending the right solution

Once your advisor has identified options available, they'll meet with you again or discuss recommendations over the phone.

Step 1

Speak to us and get an **Agreement in Principle** from an appropriate lender, suitable for your needs.

Step 2

We will guide you through protecting your mortgage. We will also give advice on conveyancing, property and redundancy protection.

Step 3

With our help, find your ideal home. We will even advise you on making that all important offer.

Step 4

Meet with us to finalise your mortgage and protection arrangements.

Step 5

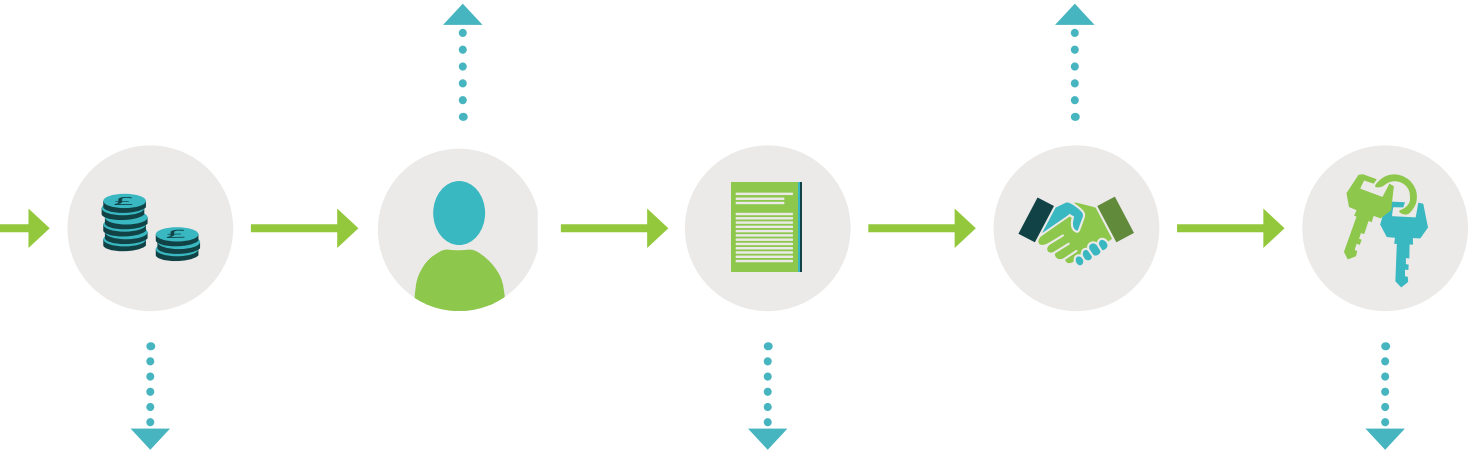
A survey or valuation is carried out and local searches undertaken.

Your first appointment with your Linear advisor

- The initial meeting is to get to know you and understand your needs and circumstances
- Explanation of our services and fees*
- Explanation of mortgage repayment methods and schemes
- Confirm your identity and address (copies of ID may be taken at this first appointment)
- Establish and discuss your needs in terms of mortgages and protection
- Carry out a full income and expenditure exercise to review a budget plan
- Apply to an appropriate lender for an Agreement in Principle
- Issue you with a mortgage certificate

*Fees will be clearly set out by the advisor in your initial meeting

Your mortgage journey



Step 6

This is when a mortgage offer is made by a lender.

Step 7

Speak to us to ensure all arrangements are in place before exchange.

Step 8

Exchange contracts.

Step 9

Completion.

Step 10

Congratulations on purchasing your new home!

Your second appointment

- Your advisor will recommend the most suitable mortgage and/or protection scheme
- Application of the mortgage and/or protection scheme
- Payment of discussed fees*

Customer service review

We are really keen to ensure that our service to you does not stop there. We will review your mortgage offer and/or protection arrangements and we will stay in touch so that you can keep up to date with your mortgage plan.

*Fees will be clearly set out by the advisor in your initial meeting

Types of mortgages

Before you choose a specific deal, you need to decide what type of mortgage is the most appropriate for your needs. Your Linear advisor will talk you through the various options, but here's a brief summary.

Variable rate

Your monthly payment fluctuates in line with a Standard Variable Rate (SVR) of interest, set by the lender. You probably won't get penalised if you decide to change lenders and you may be able to repay additional amounts without penalty too. Many lenders won't offer their standard variable rate to new borrowers.

Tracker rate

Your monthly payment fluctuates in line with a rate that's equal to, higher, or lower than a chosen Base Rate (usually the Bank of England Base Rate). The rate charged on the mortgage 'tracks' that rate, usually for a set period of two to three years. You may have to pay a penalty to leave your lender, especially during the tracker period.

You may also have to pay an early repayment charge if you pay back extra amounts during the tracker period. A tracker may suit you if you can afford to pay more when interest rates go up - and you'll benefit when they go down. It's not a good choice if your budget won't stretch to higher monthly payments.

Fixed rate

With a fixed rate mortgage the rate stays the same, so your payments are set at a certain level for an agreed period. At the end of that period, the lender will usually switch you onto its SVR (see 'Variable rate'). You may have to pay a penalty to leave your lender, especially during the fixed rate period. You may also have to pay an early repayment charge if you pay back extra during the fixed rate period.

A fixed rate mortgage makes budgeting much easier because your payments will stay the same - even if interest rates go up. However, it also means you won't benefit if rates go down.

Discounted rate

Like a variable rate mortgage, your monthly payments can go up or down. However, you'll get a discount on the lender's SVR for a set period of time, after which you'll usually switch to the full SVR. You may have to pay a penalty for overpayments and early repayment and the lender may choose not to reduce (or delay reducing) their variable rate - even if the Base Rate goes down.

Discounted rate mortgages can give you a more gentle start to your mortgage, at a time when money may be tight. However, you must be confident you can afford the payments when the discount ends and the rate increases.

Flexible mortgages

These schemes allow you to overpay, underpay or even take a payment 'holiday'. Any unpaid interest will be added to the outstanding mortgage; any overpayment will reduce it. Some have the facility to draw down additional funds to a pre-agreed limit.

Capped and collared rate

Some lenders offer variable, tracker or discounted products that have a pre-defined upper 'cap' or lower 'collar' that the rate will not breach when rates go up and down.

Offset mortgages

Taking out an offset mortgage enables you to use your savings to reduce your mortgage balance and the interest you pay on it. For example, if you borrowed £200,000, but had £50,000 in savings, you would only be paying interest on £150,000. Offset mortgages are generally more expensive than standard deals, but can reduce your monthly payments, whilst still giving you access to savings.

Repayment methods

Capital repayment

This is the most appropriate method for repaying a residential mortgage. Your monthly payments will comprise a portion to pay the interest on the money you have borrowed, as well as a portion to repay the capital sum (the amount you borrowed). The benefit of capital repayment is that you can see the mortgage reducing each year and you are guarenteed to repay the debt at the end of the mortgage term, as long as payments are maintained.

Interest only

If you opt for an interest only loan, your monthly payments will cover the interest on a mortgage balance. The capital (the amount you borrowed) will remain the same and will need to be repaid at the end of your mortgage term. This means you will need a separate investment or combination of investments to generate the capital required.

Lenders are becomming increasingly strict on the types of investments they will accept as a repayment vehicle. If you fail to generate enough to repay your mortgage by the end of the mortgage term, you may be forced to sell your property and downsize.

Your home may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

Protecting you and your investment

Your Linear advisor will guide you through the various ways to protect your property, its contents, and your ability to keep up with your mortgage repayments should the unexpected happen.

Buildings and Contents Insurance

As its name suggests, this insurance protects the property against events like fire and flood. All lenders require you to fully insure the property for the total cost of rebuilding it. Contents insurance protects your household goods and personal property.

Life Insurance

If you die unexpectedly, a Life Insurance policy will pay out a cash sum to your family. Mortgage Protection is a type of Term Assurance where the amount of cover decreases over the term of the policy, tying it in with the outstanding amount on a repayment mortgage.

Critical Illness Insurance

Critical Illness Insurance pays out a lump sum if you're diagnosed with a specified critical illness such as cancer, stroke or heart attack. You can use the cash payout to clear your mortgage, pay for medical treatment or anything else you choose.

Income Protection

Income Protection can replace part of your income if you're unable to work for a long time because of illness or disability. It will pay out until you return to work or the policy ends, whichever happens first. Income Protection plans usually have a waiting period before the benefit becomes payable, and the longer the waiting period you choose, the lower the monthly premium. Some plans now have the facility to add unemployment cover.

Trusts

By placing your policy in trust you are ensuring that the right money is in the right hands at the right time. Speak to your Linear advisor regarding placing your policy in trust.

Special lending

Your Linear advisor has access to the UK's leading specialists in second charge loans and bridging finance.

Buy to let

Whether you're an experienced landlord or just starting out, you'll have specialist requirements that set you apart from a standard residential purchaser.

Through your Linear advisor, you'll have access to all the major lenders in the buy to let market including those specialising in lending to professional landlords. We've also developed relationships with general insurers who've designed specialist landlords' buildings and contents policies.

Second charge loans

Second charge loans can be secured against residential or buy to let properties. They are provided by specialist lenders and are generally short-term loans secured against the property, but where the lender has second call on the property if the borrower defaults. Second charges tend to be more expensive than 'firsts', but can still be the best option for people seeking to raise capital - but whose main lender is unwilling to provide further finance, or where expensive early redemption charges would be incurred.

Bridging finance

A bridging loan is taken out to 'bridge' the gap between the purchase of a new property and the sale of an existing one. Loans are generally short-term and secured on the existing property, but repaid as soon as this is sold.

'Bridges' may help you to secure your new property, but you should be aware that they can be expensive and if the sale of your existing property falls through, you will be left paying two loans at once.

Your home may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

Stamp duty

Stamp duty is a 'purchase tax' and is generally payable where the purchase price of the property is higher than a pre-defined limit set by the government. Your Linear advisor will be able to confirm the current charge, which is based on a percentage of the property purchase price. Stamp duty is not payable for remortgages.

Higher lending charge

If the amount you wish to borrow is greater than a certain proportion of the property's value (typically 75%) you may incur a higher lending charge.

This charge is there to protect the lender in the event the property is repossessed and the loan, plus any unpaid interest, exceeds the sale value of the property. In some cases the charge can be added to the loan.

Early repayment charge (ERC)

Some lenders charge for early repayment of your loan before the end of the normal mortgage term. This can sometimes be a significant amount, so you should always check the terms in the offer letter from your lender.

Deeds release or exit fee

Some lenders charge a fee to release the deeds of a mortgaged property to you or a new lender.

Advisor's fee

Your Linear advisor will explain how they will be paid for arranging your mortgage. The exact details will be shown on your Key Facts illustration.

There may be a fee for mortgage advice. The precise amount will depend on your circumstances, but we estimate that it will be £399 to £599.

Your home may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

The costs

Valuation fee

Lenders usually ask you to enclose a cheque for the valuation fee with your mortgage application form, or you can pay it by credit/debit card. The type of valuation you choose will depend on factors such as the age and condition of the property and whether there is any history of subsidence in the area. If the valuation isn't carried out the fee can be refunded. See also 'Surveying' on page 12.

Arrangement fee

You can either pay this in advance, enclosing a cheque with your mortgage application, by credit/debit card, or on completion of your mortgage. Some lenders will allow the fee to be added to your mortgage, but this means you will be charged interest on it over the term of the mortgage. You may get some or all of it back if the mortgage is declined or withdrawn (this will be specified in your mortgage Key Facts illustration).

Legal costs and fees

The fees charged by a solicitor include the charge for conveyancing (the transfer of ownership of land), the costs of legal registrations and miscellaneous costs (known as disbursements) such as Local Search fees and Land Registry fees. You should try to obtain an estimate of these costs early on in the process. Some lenders may offer to finance some or all of the legal costs as an incentive.

What else do I need to know?

Solicitors

Before going ahead with a property purchase you may need to appoint a solicitor or conveyancer to act on your behalf. They will undertake the legal work required to ensure the ownership of the property and land transfers successfully.

If you don't already have a solicitor who undertakes conveyancing work, your Linear advisor will be able to recommend one using a specialist company that provides access to a nationwide network of solicitors.

Surveying

Before you take out a mortgage, your lender will instruct a valuation to confirm the price you're paying for the property is appropriate. The most common types of survey are:

Basic mortgage valuation

This is for the lender's own purposes confirming the property provides security for the loan.

Homebuyer's report

This provides brief information on the property's condition. The report will include comments on the property's defects and the valuer's opinion as to its marketability.

Full structural survey

This report is based on a detailed examination of the property. Any areas of concern that you might have will be investigated.

Some lenders will offer to pay for the basic mortgage valuation as an incentive. You may also want to consider one of the more detailed surveys, depending on the age and condition of the property. In most cases you can use the same surveyor to carry out both surveys, but there's nothing to stop you appointing an independent surveyor should you choose to do so. Your Linear advisor will be able to help you with this.