Mortgages Product Options

Mortgage rates, like all interest rates, go up and down, and any change may affect your monthly payments. That's why, instead of charging interest at the standard variable rate, many lenders offer various options to help you stay in control. Some lenders even offer combinations of the options shown below. We have all the details.

- The Standard Variable-Rate Mortgage
- The Base-Rate Tracker Mortgage
- The Fixed-Rate Mortgage
- The Discounted-Rate Mortgage
- The Capped-Rate Mortgage
- The CAT Standard Mortgage
- The Cashback Mortgage
- The Flexible MortgageThe Standard Variable-Rate Mortgage

With this type of mortgage your payments go up and down as the mortgage rate changes. Mortgage interest rates usually move in line with the base rate set by the Bank of England, although there is often a delay between the two.

The Base-Rate Tracker Mortgage
This is similar to a standard variable rate mortgage but the rate is directly linked to the Bank of England base rate and immediately alters with changes in that rate.

The Fixed-Rate Mortgage
As the name implies, with this type of mortgage your rate is fixed for a stated period of time, so your mortgage payments are effectively 'frozen'. This can help to make budgeting much easier, very helpful when you're buying your first home or starting a family for example.

The Discounted-Rate Mortgage
Many lenders offer discounts from their standard variable rate for a set period. This is a good way for borrowers to keep repayments lower in the early years of the mortgage.

The Capped-Rate Mortgage
With a capped mortgage your mortgage rate can vary, but only up to an agreed limit, the 'cap'. Once at this limit, if mortgage rates go higher, your mortgage rate, and therefore your repayments stay the same. If rates go down, so will your repayments. A variation on this is to include a 'collar'. This is a rate below which your rate cannot fall.

The CAT Standard Mortgage
The Government has set certain standards aimed to make it easier for you to choose a mortgage. These standards determine the mortgage's 'Charges', 'Access' and 'Terms'.

The Cashback Mortgage
Here, the lender offers a cash lump sum to new borrowers. The lump sum can be quite large - perhaps several thousand pounds. The cashback can be used in any way you wish, to pay for some home improvements, buy a car or even have a holiday. It's up to you.

The Flexible Mortgage
These can take many forms and are designed to offer the borrower a variety of repayment features, putting you in control. The nature and extent of the flexibility can differ from one lender to another, but usually flexible mortgages offer one or more of the following:

- Overpayments - Here you can pay more than the usual monthly mortgage payment and/or make a single lump-sum payment. Any overpayment will immediately reduce the balance of your loan, thereby reducing the amount of your next monthly payment. Borrowers with a repayment mortgage may also choose to reduce the term of their loan. Overpayments can have a significant effect in reducing the amount of interest you pay to your lender over the term of mortgage, saving you hundreds or even thousands of pounds.

- Underpayments/Payment Holidays - Provided you have built up a reserve fund of overpayments beforehand, you can pay less than the usual monthly payment, or even make no payment at all for a limited period (for example between 3 and 6 months). This can be very helpful during times of financial difficulty, having children or when their is extra pressure on the family budget. During periods of underpayment, interest will continue to be charged and this may increase the amount of your loan.

- Loan drawdown - You can borrow additional monies either by increasing your mortgage (up to an agreed limit) or by borrowing against previous overpayments. This option is often made easy by the lender by the use of a chequebook

facility. It can be a quicker process than the traditional further advance.
Additional Information
When your fixed, capped or discounted rate period ends your monthly payments may increase when your interest rate changes to the lenders standard variable rate. It is important that you budget accordingly to meet any increase in your payments. It may be a good idea to contact us at this time to discuss your options.

Early Repayment or Redemption Charges
Most lenders offer a range of special interest rate options as described. Some or all of these products can have 'lock-in' periods or redemption penalties, during which you will have to pay a financial penalty if you want to repay or change the terms of the loan. It is important when you consider the type of loan to also consider any penalties the lender may charge for repaying the loan early and how these may affect your circumstances.

Another factor to consider is whether you can move your product (known as portability) if you want to repay the loan and buy another property with a mortgage from the same lender. Arrangement fees and other factors are also likely to influence your final choice. We will be able to explain the various options and what conditions apply.