



WHICH MORTGAGE?

There are various types of mortgage available in the UK and choosing the right one can save you heaps of money in the long run. Depending on your circumstances certain mortgages can help you buy your dream home or repay your mortgage quickly. Below is our guide to some of the more common mortgage types.

Fixed Rate Mortgages:

Your repayments are fixed and will not change for the period stated no matter what happens to the financial climate. They can offer increased security against interest rate rises but if interest rates fall then you will not see the benefit of them. They also tend to be slightly higher rates than other types of mortgage and usually have penalties if you want to move or pay off the loan within the set term.

Variable Rate Mortgages:

UK mortgage lenders vary their interest rates in line with the Bank of England's base rate. This can mean payments go up, or down, depending on the change. These mortgages tend to be penalty free should you move or pay off the loan, but you are more exposed to fluctuations in the market and individual lenders policies.

Tracker Mortgages:

A tracker rate mortgage is usually fixed at a certain percentage above or below the Bank of England base rate. It will adjust to match rate changes made by the BoE. This means your payments may increase, if interest rates go up. However, it also means they will decrease if rates fall. Unlike the Variable Rate, these rates can only change in sync with the BoE base rate, no higher, no lower.

Discounted Rate Mortgages:

A discount rate mortgage offers a discount on one of the lender's other rates – often their standard variable rate – which will typically change in line with the BoE base rate. They are ideal for younger homeowners and first-time-buyers, who can benefit from an early reduction in payments and are confident that they will be able to afford the higher payments when the discount period ends (typically 2 years). It should be noted that you are usually tied in for a period longer than the initial discount period so the total cost should be considered carefully when applying for discounted mortgages.



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Capped Mortgages:

Similar to a Variable or Tracker in how the rates changes, but they also offer to 'cap' – a guarantee not to go above a certain level no matter what happens to the base rate but will still fall if the base rate goes down. Some may also let you switch to a fixed rate mortgage if repayments go too high.

Offset Mortgages:

If you current or savings accounts are in credit, this might be a good solution. Under the rules of an offset, your credit balances cancel out some of your borrowing and you just pay interest on what's left. If the interest rate you receive on your savings is not as high as what you are paying on your mortgage you are financially better off with an offset – however, managing the account needs more attention as you can 're-use' any of the mortgage facility you have available at any time.

Repayment Mortgages:

A repayment mortgage costs more, but guarantees ownership of your home at the end of the term. Monthly repayments go towards clearing the interest and paying back your initial borrowing. Each month you are decreasing what you owe your lender so reducing any future mortgage or the balance remaining should you want to pay off your mortgage.

Interest Only Mortgages:

With an interest-only mortgage, your monthly payments cover the cost of the interest, but do not pay off the capital value of your home. This is a good way of keeping repayment costs downs but may be a gamble in the long run unless you have other investments in place to cover the loan when it is due to be paid at the end of the term. Often people start on an interest only to make things more affordable than switch to a repayment when they have more spare cash – salary increases etc.

As always, the decision on which mortgage is best for you is for you to make and is dependent on your own personal circumstances.

Shopping around for fresh introductory deals may also save money even with penalties and fees. Mortgage brokers can also help with the sums and in some cases give you access to deals unavailable to the general market.

This is just a brief guide to some of the more popular mortgages on the market and is not meant, nor should it be taken, as professional advice.

[To Calculate How Much Your MORTGAGE MAY COST, click here](#)

[To Calculate How Much You May Be **ABLE TO BORROW**, click here](#)



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