Mortgages Explained

Castle Independent Mortgages registered in England No. 5041414 Registered office. 01 Bank Plain Norwich NR2 4SF
Castle Independent Mortgages are authorised and regulated by the Financial Services Authority.

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A mortgage is a loan secured on property

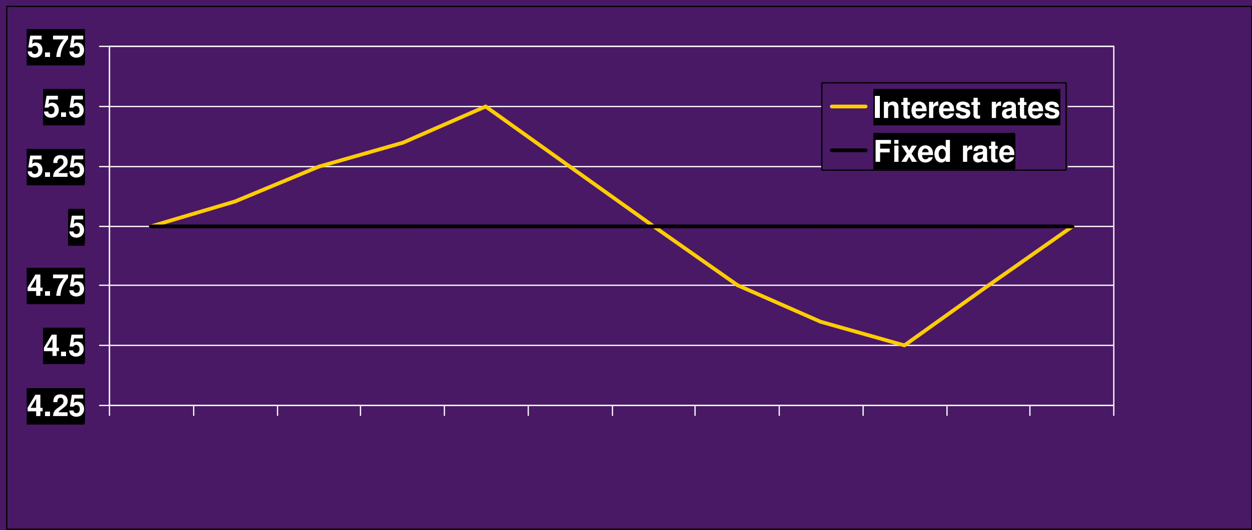
The most important points to consider are:

- How you pay the interest on the loan
- How you pay back the money you borrowed

Remember, Your home may be repossessed if you do not keep up repayments on your mortgage

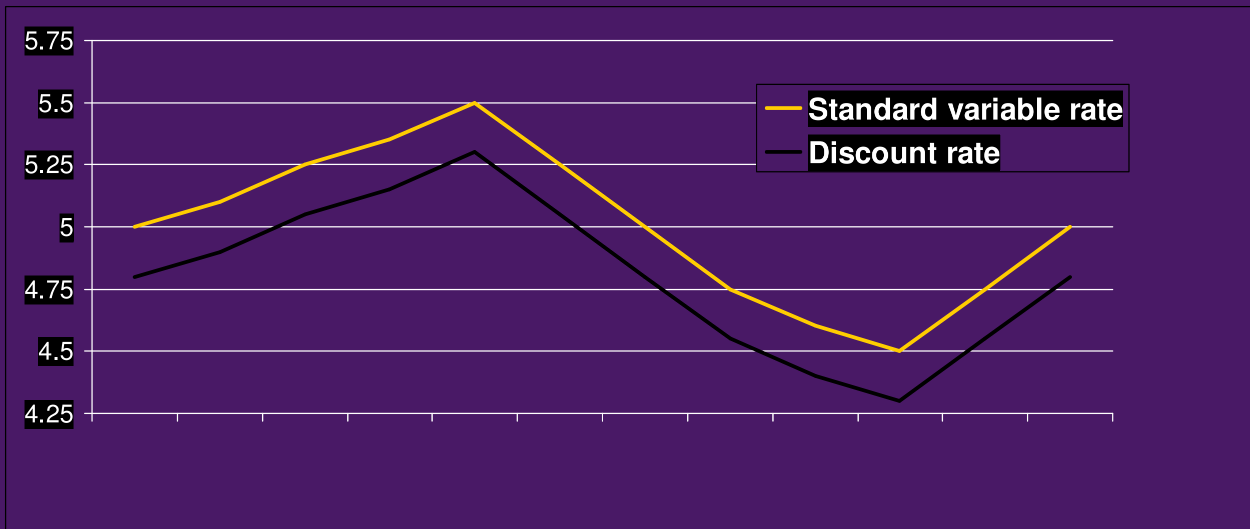
Fixed Rate

Fixes the repayment for a set term, eg: 3 years
Enables you to budget in the early years, regardless of interest rate changes
Level is set based on expectations for interest rates over the term



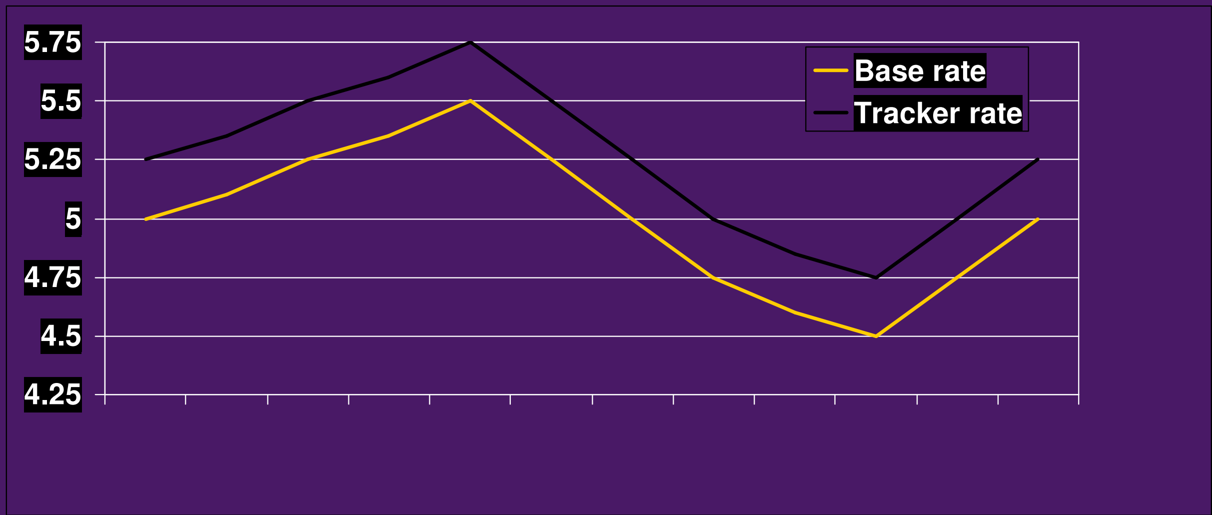
Discounted Variable Rate

Offers a discount on the providers standard variable rate for a fixed term. For example - 0.5% for 3 years or the life of the mortgage
Can be higher discount for shorter periods
Can be a ‘loss leader’ for providers to gain business



Tracker

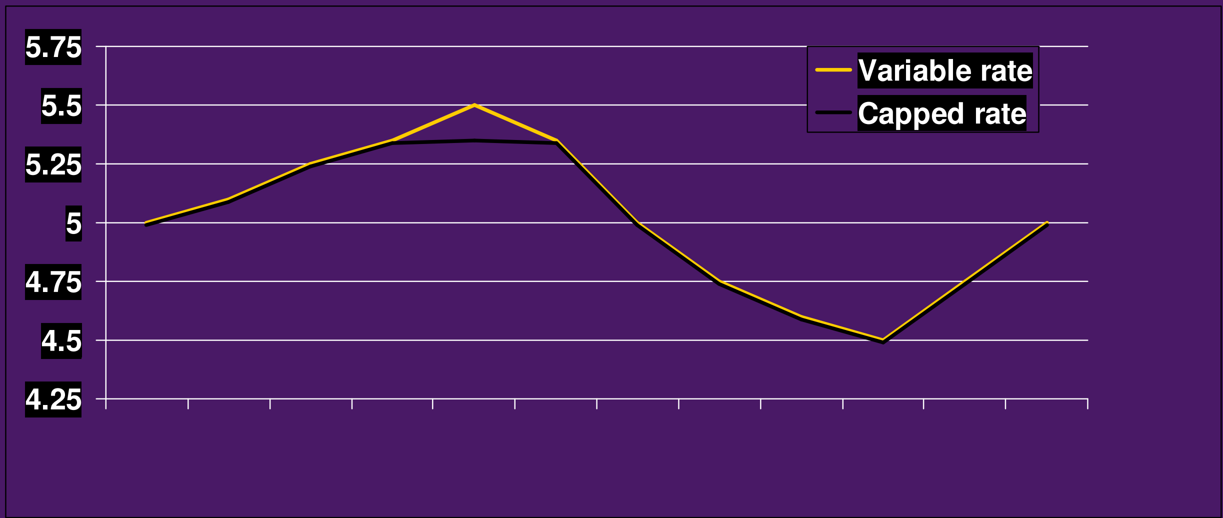
Interest rate payable is linked directly to Bank of England base rates
Typically base rate + 0.5% or + 1.0%
Can track for a fixed term. For example - 0.5% for 3 years or the life of the mortgage
Link remains in place for entire term of the mortgage



Capped rate

Usually tracks the provider's standard variable but will not exceed a pre-agreed level within a set term

Popular when interest rates are rising as borrowers want to limit how high their payments could go



Flexible mortgage

Allows overpayment, underpayment and payment holidays (subject to conditions)
Enables you to decide the payment plan to suit circumstances
Overpay with bonuses, inheritances or regularly with savings made elsewhere:

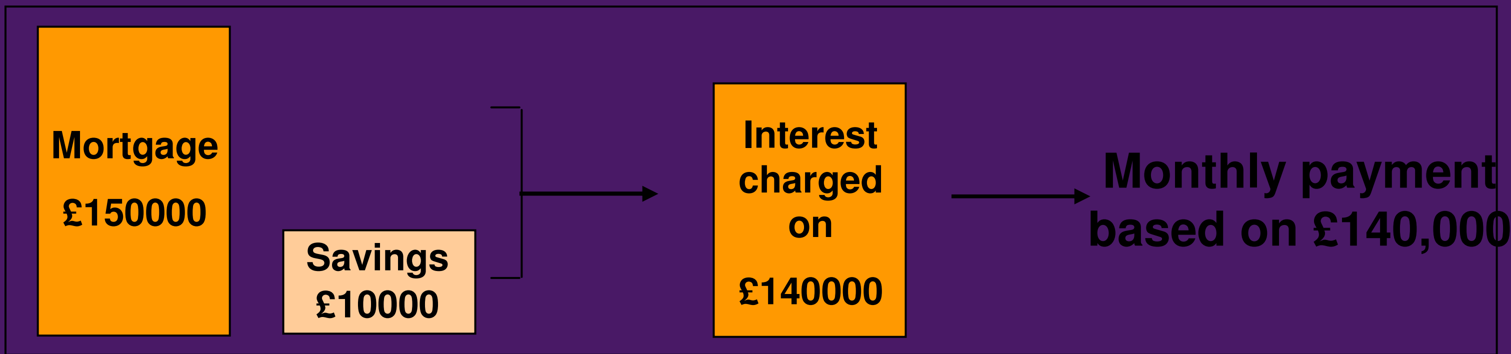
- Interest payable as capital is paid off
- Can help you pay off the mortgage early and save pounds in interest

Underpay over Christmas, the summer holidays or if earned income falls for a short period (eg: maternity leave/redundancy)

Types of Mortgage

Offset

- Enables you to 'offset' savings against your mortgage without actually paying the capital amount off
- Zero interest is paid on the savings account, BUT
- No interest is charged on the equivalent amount on the mortgage
- Net effect is your savings interest to the level of mortgage interest charged
- Could offer tax benefits as no interest is being received on savings



Repaying the Capital

Repayment mortgage

Each payment pays of a bit of the debt and interest on the loan.
At the end of the term the mortgage is guaranteed to be repaid

Interest only mortgage

You pay just the interest payments every month and make other provision to pay off the capital at the end of the mortgage term

Other ways to repay capital

- Individual Savings Account
- Unit trust / mutual fund investment
- Pension
- Sale of property

Please note:

Your home may be repossessed if you do not keep up repayments on your mortgage.
There may be a fee for mortgage advice. The level of the fee will depend on your circumstances and will be disclosed at outset.
A discounted rate can offer savings which can be used as overpayment.
Terms and conditions may apply to some of the mortgages mentioned in this presentation.