Your quick guide to
MORTGAGES

So, you'd like to buy a house. That's a good start! However, the process of getting a mortgage may seem overwhelming and confusing. Here's a brief guide to get you on your way.

What is a mortgage?

A mortgage is a form of borrowing* (or home loan) used to cover the remaining cost of a house or flat after your deposit has been paid.

*Borrowing is secured on the property being bought.

Fixed or variable?

FIXED RATE MORTGAGE

A mortgage where the interest rate stays the same for the duration of the fixed rate period, e.g., five years. This means you'll pay the same amount every month until the deal ends.

VARIABLE RATE MORTGAGE

A mortgage that varies with interest rates. Tracker mortgages (which track the Bank of England's base rate) and discount mortgages (which are pegged below the lender's standard variable rate) are types of variable rate mortgages.

How much deposit do I need?

The Cumberland currently offers residential mortgages up to 95% loan to value (LTV) (80% in London & SE England).* This means that you may only need to save 5% of the cost of the house you'd like to buy, which would be a 95% mortgage (deposit of 20% required in London & SE England meaning an 80% mortgage).

*Subject to eligibility and lending criteria at the time.

5%

Length of Term

Mortgage Term
This is the length of time over which your entire mortgage is to be repaid.

Product Term
You can choose to take out a mortgage product over a number of years. This product determines your interest rate and fees. Your options can vary depending on the mortgage provider but are typically 2 or 5 years, however, other term lengths exist.

At the end of this period, subject to your desired lending amount, current mortgage balance, and future plans, you would then choose a new mortgage product from your existing provider or a new mortgage lender. This process generally continues until you have repaid your mortgage in full.

Repayment Types

Repayment
This type of loan involves repayment of the capital gradually over an agreed period. Each monthly payment you make consists of two parts, interest on the loan and repayment of part of the capital.

Interest-Only
This means you only pay interest on the balance over the agreed term. At the end of the term you must fully repay your outstanding balance as a lump sum, and you will need to ensure you have a suitable repayment strategy in place. The monthly mortgage payments do not include any costs associated with your repayment strategy.

You can also have a combination of Repayment and Interest-Only.

(Up to 80% Loan to Value, subject to eligibility and lending criteria at the time)

5 TOP TIPS

1. Save for a deposit (the more deposit you have, the lower amount of mortgage that you'll require).
2. Meet with a mortgage advisor to talk through your options and ask any questions.
3. Allow time to consider your finances, so you won't be rushed into a big decision.
4. Don't forget other potential costs such as arrangement fees, legal fees, stamp duty etc.
5. Use a mortgage calculator to check the affordability of different mortgages.

Visit our mortgage hub to find out more.
To speak to a real person, not a robot, get in touch today.

The Cumberland
Kinder banking. It's in our nature.

Your mortgage is secured on your home. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.