Moving Home Guide

Derbyshire™
Mortgage Services

However many times you find yourself moving home, the process can still be as stressful as it is exciting. We've created this handy guide to ease any concerns about your mortgage when moving home.

We want to ensure that your house move is as stress and hassle free as possible, no matter whether you are moving home for the first time or the tenth time. As your circumstances change, we want to help you understand that your mortgage deal can change too, and there might be something available now that is even better suited to you than before. From what will happen to your current mortgage, to the different types of mortgages that might be better suited to your new life in your new home, this guide will provide a handy source of information about your mortgage when moving home.

1. Your Current Mortgage

1.1 How will my existing mortgage be repaid?

Even if you're still tied into an existing mortgage deal, it's very possible to move home. Your existing mortgage lender may let you transfer your mortgage and borrow any additional funds subject to you and your new property meeting their affordability and lending criteria. You might find, however, that you get a better deal with another lender. If you do go with another lender, your existing mortgage will be dealt with by your solicitor as a part of the conveyancing process, where they will repay your old mortgage as they sort out the paperwork for your new mortgage.

1.2 Do I need a new deposit?

When moving home, it is possible for you to use the equity in your current home (the difference between the sale price of your property and your outstanding mortgage balance) as a deposit for your new home. If you wish, you can add further savings to this. As with all mortgages, the greater deposit you can put down, the better your mortgage rates are likely to be.

1.3 I don't want to sell my current house

If you would like to move home without selling your current house, you will need to look at a let to buy mortgage. Take a look at our let to buy mortgages page on our website, or contact us for more details about this product.

2. Your New Mortgage

2.1 What type of Mortgage do I need?

Your new mortgage might be very different to your current one. There is an overwhelming choice of mortgages available, and we understand that a mortgage deal that worked for you previously might not be right for you now. We will always look at your individual circumstances and find the right mortgage product for you and your needs.

Mortgages typically fall into one of two categories: Repayment Mortgages and Interest-Only Mortgages.

Repayment mortgages are the most common way of repaying your mortgage, where each month you will repay some of the capital and interest until you have paid back everything and own your home outright. Interest only mortgages are difficult to obtain without a repayment vehicle or a large amount of equity in your property. They will require you to just pay the interest month by month, but pay the capital outright at the end of the period – it requires a lot of planning to ensure you have a suitable repayment vehicle in place. Within these two categories, however, there are further variations:

- Standard Variable Rate (SVR) Mortgages are a rate determined by the lender. These tend to be higher rates and lenders can change these. The interest rate will also fluctuate as mortgage rates change.

- Fixed Rate – in these mortgages the interest rate is fixed for a certain number of years (anywhere between 2 and 10!). Knowing exactly how much you will be repaying each month is a great advantage, but you could unfortunately be stuck on a higher rate if other mortgage rates go down. You can get out of a fixed rate mortgage if you choose, but you will have to pay a charge for switching before the end of the period. After the fixed interest rate period ends, your mortgage will revert to the lender's SVR.

- Tracker Mortgages – these mortgages will adjust in line with a nominated interest rate, typically the Bank of England base rate. For example, if your base rate is 0.5%, and there's an add-on rate of 1%, your overall mortgage rate will be 1.5%. Some lenders might set a minimum rate to how far your interest rate will drop, but there's no limit to how high it can reach.

- Discount Rate Mortgages – these are a reduction on the lender's SVR, but if the lender changes their SVR, this mortgage can also go up and down. The discount will only last for a fixed period (often 2-5 years) before returning to the SVR.

- Capped Mortgages – a capped mortgage is a variable rate mortgage with a cap on how high your interest rate can rise. In these mortgages, your repayments can't exceed a certain level, but you can still benefit from any decline in rates.

We will always look at your individual circumstances and find the right mortgage product for you.

2.2 How much can I borrow?

The amount you are able to borrow for a mortgage will vary from lender to lender, as well as depending on your own financial status. Typically, you can borrow around 4-4.5 times your income, but this will depend on the assessment the lender makes of your income and outgoings, and whether your income is comprised of basic pay, self-employed income, commission, overtime, or a variety of other forms of income. Our mortgage calculator can help to provide a rough estimate of the sum you could borrow, but if you'd like a more accurate figure, don't hesitate to contact one of our experienced advisors.

2.3 How much will my mortgage cost?

How much your mortgage costs you each month and overall will depend on how much you borrow, over how many years you choose to pay it off and the interest rate on the deal you choose. Call us and we can give you an estimate of your monthly repayments – our services are free.

2.4 Stamp duty

Stamp Duty Land Tax, to give it its full title, is incurred by any property purchased over a certain value. This value presently sits £125,000. The stamp duty rate can be quite substantial and it is important that this is factored into your budget and consideration for your deposit. In England, the tax you pay on a property will begin at 2% between £125,001 and £250,000, and rise in increments to 12% on properties over £1.5million. Take a look at our Stamp Duty Calculator to work out how much you will need to pay.

2.5 How important is my credit file?

If you have a good credit file, you are more likely to get a better mortgage rate since you will be able to choose from a wider range of lenders. There are many ways that you can check your credit, and it is possible to improve and maintain good credit by ensuring you are on the electoral roll at your current address, avoiding unauthorised overdrafts and payday loans, and making sure you don't miss any other debt repayments. Credit issues can make applying for a mortgage more difficult, but our advisors may still be able to help, so please get in touch to see what we can do for you.

2.6 Why is my new mortgage different to my old one?

Your new mortgage is likely to be different from your current or previous mortgage simply for the reason that your personal circumstances and mortgage rates may have changed. Whenever mortgage lenders offer a mortgage, they run a credit check and assessment of your income and outgoing expenses. If your job status has changed, for example from employed to self-employed, or if you now receive benefits or maintenance payments, these may all be taken into consideration by a lender, as well as other outgoing costs such as childcare, credit cards, other loan repayments and utility bills.

Mortgages also vary from lender to lender, as each calculates the way you can borrow differently. Buying a house through one mortgage lender could be very different to another, but we will always search for the best deals for your circumstances, however they may have changed.

3. Moving Home

3.1 Do I need a survey?

Your mortgage lender will require you to get a basic valuation before they agree to lend against the property. This valuation isn't strictly a survey and may not pick up any defects or problems within the property – you may not even see a copy of the report! Some lenders will offer a valuation for free, but most will charge for the valuation based on a scale that reflects the value of the property itself. There are, however, two other key types of survey that you can have performed on the property to gain more information before you commit to buying it:

1. Homebuyer's Report: a homebuyer's report should demonstrate the soundness of a property and whether it is suitable for purchase at the agreed price. The survey is approved by the Royal Institution of Chartered Surveyors (RICS) and covers the accessible parts of the property. It will specify major defects and, where possible, include a roof inspection, but it will not include details of remedial work. This survey is most suited for homes built within the last 80 years and up to 2000 square metres.

2. Building Survey (formerly a Full Structural Survey): this is the most detailed type of survey available, and also the most expensive. They can take hours to complete and cover all aspects of the property in great detail. Unlike other surveys, if a defect within the property that would've been present when the survey was carried out is found after the fact (for example, woodworm or rising damp), you have right of recourse to the Surveyor. This detailed survey is best suited to older pre-1900 properties, or for large and unusual structures, or for any properties which need substantial refurbishment or have had structural problems in the past.

With any survey, a surveyor may suggest that you obtain additional specialist reports if they believe that certain areas of the property need further investigation. Our valuation guide can provide additional information on the different types of survey and valuation.

3.2 Insurance and protection

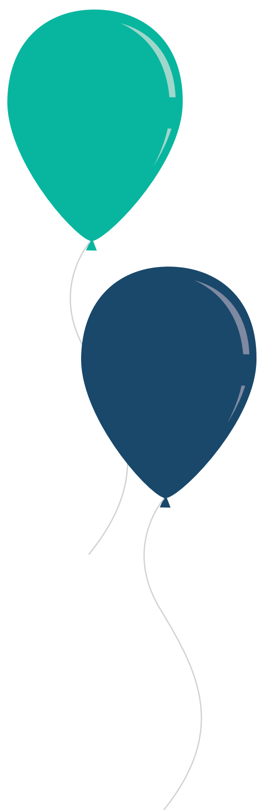
When moving home, it is vital to make sure that your property, you, and your dependents are all protected should the worst happen. Buildings insurance is a requirement from your mortgage lender, so you must make sure that you purchase and continue to renew this insurance so as not to break agreement with your mortgage lender.

While life insurance isn't compulsory for a mortgage, it's important to think about whether any mortgage repayments could still be made in the event of your illness, inability to work, or death. If you miss any repayments, you run the risk of your home being repossessed and sold by your lender to retrieve the money you owe, which could be devastating for you and your loved ones.

3.3 Legal assistance

When buying a house, you will need to employ the services of a solicitor to complete the conveyancing part of the process. We can recommend several reputable local firms if you don't already have a solicitor in mind. You solicitor will liaise with the solicitor of the property seller, as well as raising any other legal enquiries such as confirming land boundaries, performing land registry checks or performing searches of water drainage and previous coal mine shafts.

We want to make the process as hassle free as possible for you. Once your mortgage offer arrives with you and your solicitor, we will also go through the offer with you to ensure that you understand exactly what you are committing yourself to.



3.4 Completion

Exchanging contracts and completion are the final stages of the moving process. When the vendor's and buyer's solicitors exchange contracts to check over details, you are legally bound to buy the property and the vendor is legally bound to sell. Should either party back out of the deal, the other will be entitled to claim compensation for any losses.

By this point, your mortgage offer will have also been confirmed, and your solicitor will send over the deposit to the seller's solicitor. They may also choose to carry out any further checks if required, and will draw up the transfer deed ready to register the property in your name immediately after completion.

Your solicitor should have provided you with a sum total of all of your expenses that will need to have been cleared in their bank account before the completion takes place. Once this has happened, the solicitors will authorise the estate agents to release the keys to you. As long as the chain moves smoothly, you will be able to collect the keys on the pre-arranged date and begin the physical logistics of moving home.

4. What Next?

We hope that this guide has been useful for understanding what to do with your mortgage when moving home. Our priority at Derbyshire Mortgage Services is always to find the best deal on a mortgage that is suited to you and your circumstances, and our dedicated team of expert advisors will be with you every step of the way, from first meeting until the day you move in.

We will never charge you for our services, so if you're ready to start your journey to moving home, or if you have any queries, or even if you're just considering your options for the future, why not give us a call on 01332 554098 and let us help you start planning today.