

Title:

Borrowing - Your Options Explained

Word Count:

391

Summary:

When you approach a lender to ask for a loan, you can expect a certain formula. Mortgages are a particular type of loan - they usually involve larger amounts, are spread over a longer period, and are secured on your house.

Keywords:

loans, home, secured, personal, options, offers, deals, interest, repayment

Article Body:

When you approach a lender to ask for a loan, you can expect a certain formula. Mortgages are a particular type of loan - they usually involve larger amounts, are spread over a longer period, and are secured on your house. As is clear from looking at any of the financial pages at the weekend, there are thousands of different mortgages out there. However, you can use these general rules to get an idea of what to expect when you apply for one.

How much can I borrow?

Providing you have a regular salary and have been employed for a certain period of time - usually six months to a year - a lender is likely to offer from three and a half times your annual salary. This will be dependent on your providing a cash deposit - usually 5 or 10 percent of the total amount needed to buy your house. Certain professions, such as doctors, are sometimes offered more than this - up to five times their salary, but this depends on other factors too.

How much will my repayments be?

Again, this depends on many different factors. The interest rate will affect the amount you pay every month, as will the size of the deposit you can provide and how much you are borrowing. Some mortgages offer special rates for the first few years. In the current economic climate and as a very general rule, you can expect to pay between 0.5% and 0.75% of the total cost of your house every month. This means for a mortgage of £100,000 your repayments might be around £500 to £750 every month.

Can I change my mind?

While many mortgages have a 'tie-in' period, meaning that you are bound to keep your mortgage for a certain period, you will normally be able to change lenders or pay off your mortgage if you choose to. However, you may find you have to pay penalties. Generally speaking, it's best to make sure you will be happy sticking with your mortgage for at least the next couple of years before you sign up.

When approaching a lender, be prepared to give them information about your finances and employment. They will usually want to see proof - for example, bank statements and wage slips to verify your income. They will also probably want to know about what financial commitments you already have, such as outstanding loans.