

Mortgage costs and fees

Mortgage costs and fees can be hard to get your head round. Our essential guide gives you an idea about what to expect.

The upfront costs:

Valuations and Surveys

Before making a mortgage offer, the lender requires a Valuation of the property; this is to protect them and to ensure that the property forms adequate security for the mortgage. The valuation fee is usually paid by the borrower, with payment required up front with the application. The fees themselves vary considerably between lenders and depend on the size of the property; they usually start from around £200. Sometimes the lender will offer to pay the valuation fee or refund it to the borrower when the mortgage completes.

A more comprehensive Building Survey can be carried out by a surveyor at the same time he carries out the lenders valuation, which could save you money overall. Surveys costs upwards of £300 depending on the size of the house.

However, you must check your lender will accept this first.

Arrangement fees

Mortgage companies may charge Arrangement Fee to give you a mortgage. In general, the lowest interest rate mortgage products have the highest fees. Fees vary so allow at least £500 for this.



If you arrange your mortgage through an intermediary, they may charge you a Mortgage Broker Fee of up to 1% of the mortgage amount. This depends on whether they get commission from the lender and how complex the loan is to arrange.

In addition, you'll usually have to pay a Higher Lending Fee (or Mortgage Indemnity Fee), if you borrow over 90% of the property value which reflects the extra risk for them of losing money in the event that you default on payments. However, it is becoming increasingly rare for lenders to offer mortgages with a high loan to value ratio.





Mortgage costs and fees continued

Building Insurance Checking Fee - if you are buying a freehold property and don't arrange buildings insurance through the lender they may charge you around £25 to check the policy is suitable.

Some lenders will allow you to add most of these costs to the mortgage itself rather than paying them up front. The broker fee will usually need to be paid up front or when the mortgage starts.

Running costs

On top of these fees, there are other costs of running a mortgage. The main ones are:

- *Early Repayment Charges - if you take out a discounted tracker or fixed-rate deal and close the mortgage before the end of the discount or fixed rate period, you'll usually be charged a fee for this - these can be quite considerable, up to 3% of the mortgage outstanding. Some lenders will allow you to transfer the mortgage to another property when you move without imposing a charge.*
- *Charges for making occasional lump sum payments - though with some mortgages you can make them free of charge*
- *Mortgage Closing Fees - this is different from the Early Repayment Charge and is charged on most mortgages when they are paid off. Fees vary but are usually less than £300*

- *Life Insurance - this is required by most mortgage lenders and means that if you die, an amount will be paid out equivalent to the value of the mortgage. Life insurance may be included within savings plans like endowment policies. The cost can usually be paid monthly*
- *Buildings Insurance - usually charged as a monthly cost*
- *Other optional insurance such as Accident, Sickness, Unemployment, Income Protection and Critical Illness cover are also available. Check what level of cover your employer already gives you or if you are already gives you or if you are already covered elsewhere*
- *There may be charges for missed payments and/or if you fall into arrears. Remember, your home is at risk if you do not keep up with repayments on your mortgage.*

Speak to your estate agent, bank or financial advisor for further information on which mortgages are most suitable for you. You can also take a look at the Financial Services Authority (FSA) website.

...a move to be sure of



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