



# Is the deal as good as it looks?

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Mortgages should be simple: A bank lends a borrower an amount of money at a certain interest rate over a period of time. If the borrower doesn't pay the money back, the bank gets the house. Easy, right? Wrong.

Mortgages are far more complex than they look and because of the huge sums involved, picking the wrong deal can be extremely costly. Low interest rates can be deceptive and borrowers need to make sure their 'great deal' adds up.

Headline interest rates are a guide, but little more. Certainly, you should check that the interest rate you are paying is competitive, but a number of other things can outweigh a seemingly good rate: Various charges are connected to a mortgage and will vary between providers and between mortgages. These charges can knock out any gains made from the lower interest rate. Almost all

providers will charge an arrangement fee plus fixed rate mortgages will often have a reservation fee and a survey will cost upwards of £250 (although some lenders may offer this for free so it is worth looking around). Offset and current account mortgages are usually more expensive because of the many features they offer – so make sure you will use those features or you may be better off with something simpler.

The most important and controversial area is exit penalties. Mortgage providers may charge you a hefty fee for redeeming before the expiry of a pre-set period, usually the term of their discount or fixed rate offer. However, some of these fees might last beyond any promotional deal and a few lenders are now charging exit fees regardless of how long you have been with them.

A good rule of thumb is that you don't get something for nothing. If a lender is allowing you to borrow with no deposit, or giving you back a lump sum, you will undoubtedly be paying for it somewhere else. Also, check whether interest is calculated daily as this means capital repayments will take effect immediately and could therefore save you significant amounts over the life of the loan. The best mortgages are often the most simple, rather than those with bells, whistles and a low headline rate.



**YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**