



## Arranging a mortgage

Start the process sooner rather than later

Some home buyers end up losing their dream home because they arrange the mortgage too late. You should start the process of applying for a mortgage before you even start seriously looking for somewhere to buy. If you are looking at properties to buy before starting to arrange your mortgage, you may have it too late.

The process of applying for a mortgage and completing a property purchase is fairly standard regardless of what type of mortgage deal you apply for, and which lender you use. However, the duration of that process from beginning to end can vary quite significantly depending on your financial status (particularly if you are self-employed or have had credit problems in the past) and the lender.

### MORTGAGE IN PRINCIPLE

A mortgage in principle (also called 'mortgage application in principle' or 'mortgage decision in principle') is a statement from a lender that says they will lend you a specific amount based on the information you have provided. It is not a guarantee, but an indication that they would be willing to lend you the money 'in principle'. It can be used to show estate agents or sellers that you do in fact have the funds to buy a property, but it is also likely to leave a 'footprint' on your credit report, which can affect your credit score.

### MAKING AN APPLICATION

You'll need quite a few documents before you apply for a mortgage, so if you're planning ahead, it's a good idea to start gathering important paperwork and getting it organized now, to make the process faster when it comes to actually applying. Banks and building societies want to see proof of your income and outgoings, so you will need to provide related documents, including at least three months of payslips, your most recent P60, up to six months of bank statements, as well as details of any other earnings such as benefits or investments. If you're self-employed, you'll need to provide a tax return and accounts from the last few years.

You'll likely also need proof of identity and proof of address, such as a passport, driving license or utility bills. What is required will vary between lenders, and may also vary depending on your personal circumstances, for example, not being a UK citizen. However, the above collection of documents should be a good starting point.

### MORTGAGE APPLICATION DECLINED

If your mortgage application is declined, there may be a few different reasons the lender has made this decision. Firstly, it might be a good idea to check that all the information you provided is correct – it's not impossible for either a borrower or a lender to make a mistake, so review everything carefully. If you are not earning enough, or you are spending too much, the lender might have decided that you would not be able to afford your repayments. In this case, it might be wise to rethink the size of the mortgage you are able to get, and to also think about how to better budget your spending. It may also be possible to get something called a 'guarantor mortgage'. This is when another person, usually a relative or close friend, agrees to accept responsibility for the debt, in the event that you are unable to keep up repayments. One potential barrier for getting a mortgage can be your credit history, particularly if you have a history of missed payments, defaults or insolvency. Checking your credit report thoroughly before you even apply can help ensure you are aware of any errors or problems that might concern a lender. If you do have issues, you can find more information in this article on helping improve your credit history.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.