

Shedding light on the mortgage world

Jonathan Hughes (JH): What is the minimum deposit required to secure a mortgage in the current market?

Dyfrig Roberts (DR): From a HSBC Bank point of view, the maximum 'Loan To Value' is 90%. A customer will require a minimum 10% deposit for borrowing up to £400,000. For borrowing above £400,000 the minimum deposit is 20%.

JH: How much can someone borrow?

DR: It's difficult to be specific but as a guide we work to Gross Salary Multiples of five times Gross Salary. In addition, this is subject to an affordability analysis, which is the key factor in any mortgage application.

JH: Is it difficult for a first time buyer to get a mortgage at the moment?

DR: Not at all. At HSBC Bank we are looking to assist first time buyers wherever possible, subject to customers meeting our normal lending criteria.

JH: What different types of mortgage are currently available?

DR: There are essentially two repayment types for mortgages. A 'Capital Repayment Mortgage' is where monthly repayments include both the interest and a small portion of the capital so that the mortgage is repaid at the end of the mortgage term. An 'Interest Only Loan' involves only the interest being paid each month, with the capital repaid at the end of the mortgage term in one lump sum.

Repayments on a Capital Repayment Mortgage are naturally higher than an interest only mortgage. For an Interest Only mortgage to be approved, though, a customer must have a suitable repayment vehicle in place, such as a detailed plan on when and how repayments will be made. Currently Interest Only mortgages are available solely to Premier customers that satisfy certain criteria.

In terms of mortgage products there are essentially two: a 'Residential Owner Occupation Mortgage' and a 'Residential Buy To Let Mortgage', depending on the use of the property once it has been purchased.

JH: How important is the interest rate when deciding which mortgage option to go for?

DR: There are three different types of rate available. A 'Tracker Rate' mortgage is where the interest rate tracks movements in the Bank of England Base Rate. The margin above base rate is fixed at the outset but if the Base Rate increases or reduces then monthly repayments will increase or reduce accordingly. With a 'Fixed Rate Mortgage', the rate is fixed for two, three or five years. The rate and the monthly repayments are fixed for the specific fixed rate period. Finally, there is a 'Discount Rate Mortgage', where the rate is set at a percentage below the Standard Variable Rate for a period of two years. The rates available are dependent on the 'Loan To Value'. The lower the 'Loan To Value', the better the rate.

JH: Is it difficult for a first time buyer to get a mortgage at the moment?

DR: Not at all. At HSBC Bank we are looking to assist first time buyers wherever possible, subject to customers meeting our normal lending criteria. It's worth noting, however, that some fixed and tracker rates may attract a booking fee, so it is always important to balance the interest charged with the booking fee payable. The 'Annual Percentage Rate', or APR, will give a true cost over the period of the loan.

Fixed rates give customers the security of knowing that their repayments will not change over the period of the loan. However, with a fixed rate mortgage at HSBC customers are afforded the flexibility to repay the loan early or make over-payments without penalty.

JH: What are the potential costs to look out for when selecting a mortgage?

DR: There are a number of mortgage related costs to be aware of. These would typically include a Booking Fee, a Completion Fee and a Valuation Fee. The Booking and Valuation Fees are dependent upon the mortgage package requested as some are fee free. The other costs to be aware of are estate agents fees if selling a property, Stamp Duty on the property purchase, legal fees for the customer's lawyers, Stamp Duty on the borrowing, and legal fees for the Bank's lawyers.

JH: Is it possible to transfer an existing mortgage to a new property?

DR: 'Existing HSBC Mortgage Terms' are portable, which means that it is possible to transfer a mortgage to a new property provided that the amount and the term are not amended. Any new mortgage borrowing above the portable amount, however, will be granted at current rates.

For any questions or enquiries about HSBC's mortgages contact the HSBC mortgage team direct on +44 1534 606489, or for any property law advice call the Ogier property team on +44 1534 514056 or email info@ogierproperty.com.

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