

### **Best mortgage is not always the cheapest**

According to Richard Jones of Security Financial Services, when it comes to mortgages, there is a lot more to consider than just the rate.

Comments Richard: "It's all very confusing. Everyone you speak with seems to be an expert and boasts at what fantastic deals they've got themselves. Much of the press have articles with best buys that look too good to be true. Or the lender only offers their mortgages to certain professionals or age groups that never seem to include you."

He reports that he is in the throes of arranging a mortgage for a couple of first time buyers. They discussed their options and the rates he could get them were very similar over both two, three and five years.

The couple were keen to fix for five years but during their conversation Richard asked what their longer term goals were and was told they planned to move from this first home in about three years to something bigger and more suitable for a family.

Says Richard: "I explained arrangement fee, valuation fee, stamp duty, legal fees, our broker fee and, perhaps biggest of all, potential redemption penalties. I thought that they would be wise to fix for three years because if they fixed for two years and still intended to move a year after the end of their fixed rate it would be unlikely for me to find a re-mortgage package that would be viable for only one year bearing in mind the penalties.

"I also explained that in a similar way a five year fixed rate might be too long because most fixed rates have early redemption penalties and although mortgages are frequently portable between houses, moving house I tend to find is always a good opportunity to have a fresh look at all the family budgets and finances so moving mortgages from one house to another can be more of a hindrance than a help."

As an example, Richard says at the moment you can have a two year fixed at 4.84% with a £475 fee but you are tied in for five years with penalties, so after two years you're paying 7.5% for the next three years!

Or for a fixed rate of 4.99% for two years but a 3.5% initial fee, however, this lender does offer very high income multiples if that's what you need. Or it might be that a two year fixed rate at 6.89% might be the best option for you because there are no redemption penalties from day one which might be what you need.

Richard says a rate of 5.24% looks good at first glance but dig a little deeper and you find that it's only for the first six months. On larger mortgages of say £200,000, it is frequently worth paying a large initial fee of say £1,500 to make a 0.5% saving on the rate which will in turn save you £1,000 a year.

He adds: "We all have different and individual needs and various factors need to be considered based on our own circumstances. It's because of this that everyone ought to discuss their financial needs with an IFA on this page instead of any one organisation who might just try to sell you whatever they have in their bag rather than what is right for you."

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