

MORTGAGE FEES



Arrangement Fee

This is a fee payable to your lender. It is usually added to the loan amount although you can of course pay this and not add it to your loan. It is worth remembering, that should you add your arrangement fee to your loan, you will pay interest on it for the duration of the mortgage. Lender's arrangement fees can range from none to typically around £1,000 and usually the larger the fee, the lower the rate of interest charged. It is important to take advice on whether it is cost effective to pay an arrangement fee or not. If your mortgage does not go ahead, this fee is usually not charged.

Booking/Reservation Fee

This is a fee charged by the lender and is usually payable when you apply for your mortgage and is not normally refundable. The fee can range between lenders and should be taken into account when assessing how competitive your mortgage product is.

Broker Fee

Some mortgage brokers will charge a fee for their advice which should be clear and transparent from the outset. It can either be a fixed fee or a percentage of the loan amount, on average the fee is around £500. Alternatively the broker may receive commission from the lender. Lenders typically pay a procurement fee of 0.34% of the amount being borrowed (£350 per £100,000) for residential mortgages.

Mortgage Account Fee

This fee covers the costs of setting up the mortgage, the administration that goes with it and eventually the closing down of the mortgage. You can sometimes choose to pay this upfront or defer the fee until your mortgage ends. Interest is not usually charged on this fee should you defer it. The typical cost is around £200 although some lenders do not charge at all. This fee can also be known as an exit fee or a closing down fee.

Telegraphic Transfer Fee

Usually payable on completion (the day you receive the keys to your property) and is the cost of transferring funds from the mortgage lender to the solicitor.

Insurance Fee

Some lenders will charge you a one-off insurance fee if you do not use their recommended/own buildings insurance provider. The fee is for your lender to check the policy details of the buildings insurance provider you have chosen to use to ensure it is adequate to protect their security (your house).

Early Repayment Charge

This is the charge that will be applied should you leave your lender earlier than the agreed tie-in period. It is not payable if you stay with your lender for the agreed duration of your mortgage product.

Solicitor Fees

When purchasing a property, you will incur legal fees. These will be quoted for you by your chosen solicitor. Your solicitor will usually request some funds on account, enabling them to pay for the searches relating to your property. The balance is then usually paid on completion.

Stamp Duty Land Tax

Stamp Duty is a tax payable to the government and the amount is dependent on the value of the house you are buying. Your solicitor will normally request the required amount from you on completion and pay this on your behalf.

Valuation Fee

To ensure that a property is suitable security for a mortgage, the lender will instruct a surveyor and charge a fee for a mortgage valuation. The cost can range from £350 for a basic valuation up to a full structural survey which can cost approximately £1,500.

Some lenders will offer a free valuation for first-time buyers.

Generally, a basic mortgage valuation is usually suitable to identify if a property is suitable for mortgage purposes. It must be noted however, that this valuation is done only for the benefit of the mortgage lender and offers the mortgage borrower no protection. Should the property be listed, or impaired, a more in-depth valuation should be carried out by a RICS surveyor.

A valuation fee cannot be added to the loan and is paid either on application or at the time the valuation is carried out. This fee is usually non-refundable if the property purchase does not go ahead.

Valuation Administration Fee

Some mortgage lenders will charge a valuation administration fee, a charge for dealing with the administration costs arising from processing the mortgage valuation. This is paid with your valuation fee. A typical cost is approximately £75.

Procurement Fee

If you are using an intermediary, the lender will be paying them for the work he/she has done on behalf of the lender. This will be evidenced on the mortgage illustration provided to you by your intermediary.