

## General Guide to Mortgage Types

<b>Mortgage Basis</b>	<b>Description</b>
<b>Repayment (Capital &amp; Interest)</b>	<p>A portion of the monthly payment to the lender is used to meet the cost of interest charged by the lender and the balance of each payment is used to repay part of the original capital borrowed.</p> <p>In the early years of a capital and interest mortgage by far the largest part of each regular payment is used simply to pay the interest under the loan and so the capital itself reduces slowly.</p> <p>Typically after 10 years of a 25-year repayment mortgage little more than 10% of the original capital will have been repaid. However, as the capital starts to reduce, increasing proportions of each month's payment is used to repay outstanding capital. This is because, as the outstanding capital reduces, so too does the interest payable on that capital.</p> <p>There is no built in life cover so it is often a requirement for a mortgage protection life assurance policy to be taken out.</p>
<b>Interest Only</b>	<p>The payment to the lender is in respect of the interest on the loan only and the capital amount borrowed does not reduce. You are therefore required to arrange an appropriate method of repayment to ensure that the loan can be repaid at some point in the future. As the repayment vehicle is not an integral part of the mortgage it can be used to repay another mortgage, should you re-mortgage or move house. Types of repayment vehicles include ISA's, Pensions and Endowments. Please note that when you take out a repayment vehicle and interest only mortgage there is no guarantee that the repayment vehicle chosen will provide sufficient capital to repay your mortgage at the end of the selected mortgage term.</p>
<b>Mortgage Type</b>	<b>Description</b>
<b>Variable</b>	<p>The interest rate payable is on a variable basis and will fluctuate in line with the Bank of England base rate.</p>
<b>Fixed</b>	<p>The interest rate payable will be fixed for a specified period. After expiry, the variable interest rate will normally be payable for the remainder of the mortgage term.</p>

- Discounted** The interest rate payable will be discounted for a specified period. After expiry, the variable interest rate will be payable for the remainder of the mortgage term.
- Capped** The variable interest rate will be payable, but will be capped at a maximum rate for a specified period, providing a ceiling on the amount potentially payable during the capped term. After the expiry of the capped term variable rate interest is normally payable for the remainder of the mortgage.
- Cash Back** Following completion of the mortgage you will receive a specified cash lump sum. The interest rate payable is normally on a variable rate basis. A proportion of the cash may need to be repaid to the Lender if the mortgage is transferred or repaid in the first few years.
- Flexible** This type of mortgage allows you to retain flexibility in the repayment of your mortgage throughout the term. This is likely to include a facility to increase and decrease your payments and borrowings and in certain circumstances temporarily cease your payments. It is normally arranged on a variable rate basis and current accounts can be combined to offer a full offset mortgage facility.