

# Your mortgage guide

Learn about HSBC mortgages and  
how we could help you

# First Time Buyers

Buying your first home is exciting, but it's also likely to be one of the biggest financial decisions you'll make. The good news is that the mortgage process doesn't have to be difficult. Here are the key steps to buying your first home.

## 1. Understanding your mortgage options

Once you've decided that the time's right for you to get on the property ladder, we'll be here to support you.

Here's a quick summary of some of the mortgage types and repayment options you'll come across.

- Fixed rate mortgages fix your mortgage repayments until an agreed date; no matter what happens to the Bank of England base rate your rate would remain the same as you are locked into a fixed rate.
- Tracker rate mortgages are a type of variable rate mortgage. They follow the Bank of England base rate so your repayments can vary, meaning they can go up or down.
- Capital repayment means that each month you'll pay off some of what you've borrowed and the interest on the loan that has accrued that month. If you keep your repayments up to date, at the end of the mortgage term you'll have paid off your mortgage.
- Interest-only repayment means that you're only paying the interest on what you've borrowed. You'll be responsible for repaying the original amount you borrowed at the end of the mortgage term.

## 2. Getting a Decision in Principle

A Decision in Principle gives you a clear idea of how much you might be able to borrow from us. It's the first key step in the mortgage process.

You can apply for a Decision in Principle in branch. It's useful to have because it shows estate agents that you're serious about house hunting and gives them an indication of the size of mortgage you may be able to get.

We base the Decision in Principle on what you tell us, our security checks and a soft credit check, which won't affect your credit file. It doesn't commit you (or us) to anything.

## 3. Finding a property

When you've found your perfect home, make an offer to the estate agent. It's worth putting this in writing.

If you have your Decision in Principle, estate agents and sellers may look on you more favourably. You're more likely to be able to move quickly, which can help if you're about to become part of a property chain of buyers and sellers.

## 4. Applying for a mortgage

You can apply for your mortgage in branch. Arrange an appointment with one of our mortgage arrangers. They'll take you through your application.

Before your mortgage appointment, you can provide us with your supporting documents. The documents we'll need will be explained to you when you make your appointment.

Have all of these ready so we can evaluate your application and help the process go as smoothly as possible.

## 5. Finding legal representation

You'll need to appoint a real estate lawyer or conveyancer to represent you. Arranging this is your responsibility, so try asking family and friends for recommendations or research local firms. Professional bodies like local law societies can help to provide you with further information and available professionals.

## 6. Valuing your property

We'll carry out a Standard Valuation of the property to confirm its value. This is for our benefit as a mortgage lender. We don't charge a fee for our Standard Valuation on our residential mortgages.

For peace of mind, you may want to arrange a more detailed survey at your own expense.

- A Homebuyer Report covers any urgent defects and problems.
- A Building Survey gives a fuller picture of the property's construction, condition and maintenance needs.

## 7. Reviewing your mortgage offer

If we've approved your application, we'll send you your mortgage offer, usually by post. Review it carefully and let us know if there's anything you don't understand or that doesn't look right. Otherwise you don't need to contact us. The mortgage offer documents will need to be signed and returned back to us.

## 8. Carrying out the legal work

Your lawyer or conveyancer will deal with all the legal aspects of your mortgage. This involves carrying out legal checks called enquiries (with the seller's legal representative) and searches (with the local authority, property registers and other bodies).

They'll get the seller to fill in a questionnaire about the property and ask you for your deposit.

## 9. Exchanging and completing

Once your lawyer or conveyancer has completed all the legal work, you can agree a completion date with your seller.

On the completion date, we'll release the funds for your mortgage. Don't forget it will be your responsibility to arrange buildings and contents insurance. You can now move into your new home.

# Moving your mortgage to HSBC

When you move your mortgage to HSBC you'll be remortgaging – changing your existing mortgage deal. The remortgaging process is straightforward and works in a similar way to getting a standard mortgage: you'll need to apply for a Decision in Principle and then for the mortgage itself.

## 1. Deciding to remortgage

Your first step is to work out whether it's the right time for you to move your mortgage to HSBC.

You might be considering remortgaging because:

- The fixed rate on your current mortgage is coming to an end.
- You want a better deal that will save you money on your current mortgage.
- Your financial circumstances are about to change.
- You'd like to fix your mortgage rate for a few years.
- You're considering borrowing more – for home improvements or to consolidate existing loans or credit card debts.

We have a wide range of mortgages at competitive rates.

## How much to borrow

Your property may be worth more now than when you took out your original mortgage. This could mean that your Loan to Value (LTV) ratio will be lower than when you took out your original mortgage. For example, if you bought your home for £200,000 and took out a repayment mortgage of £170,000, at the time of purchase, this would give you an LTV of 85%. A few years down the line you may only have £100,000 outstanding on your mortgage, therefore your new LTV would be 50%. A lower LTV ratio is good news because the rates available are more likely to be better than higher LTV mortgages.

## Costs

Make sure you consider all the costs of remortgaging, rather than going straight for the deal with the lowest interest rate. These may include booking fees, completion fees and legal fees. Your current lender may charge you an exit fee and, if you're breaking the terms of your current mortgage – for instance, leaving before a fixed rate period is up, you may have to pay an early repayment charge.

We'll carry out a Standard Valuation of your property to confirm its value. This is for our benefit as a mortgage lender. We don't charge Standard Valuation fees on our residential mortgages.

## Timing

If you're looking to remortgage because your current fixed rate is coming to an end, plan for your new mortgage to start immediately after the fixed period has ended to avoid those early repayment charges.

It can take 3 to 6 weeks to move your mortgage, so don't leave your application to the last minute.

## 2. Getting a Decision in Principle

Once you've decided to move your mortgage to HSBC, the next step is to apply for a Decision in Principle. This will show how much you might be able to borrow from us.

It doesn't commit you to anything and it's not a guarantee that we'll lend to you.

You can get a Decision in Principle in branch. It's based on what you tell us, our security checks and a soft credit check, which will have no impact on your credit score. We'll only carry out a full credit check when you apply for your mortgage.

## 3. Applying for a mortgage

If you're happy with the Decision in Principle you can go ahead and apply for your new mortgage.

You'll need to provide supporting documents so we can confirm your income and other details. This will include paperwork for your current mortgage and home insurance cover. Have all this ready to help the process go as smoothly as possible.

## Applying in a branch

- Arrange an appointment with one of our mortgage arrangers. They'll take you through your application.
- Before your mortgage appointment, provide us with your supporting documents. The documents we'll require will be explained to you when you make your appointment.

Once we've got all the information we need, we'll review your application and let you know the decision as soon as possible.

## 4. Finding a conveyancer

Even though you're not buying a new property, moving your mortgage does involve some legal work. We will appoint a conveyancer to cover the standard legal work – there is no charge for this service. You will need to appoint your own conveyancer to cover any additional checks required, as there are costs involved which we do not cover.

## 5. Valuing your property

We'll arrange for your property to be valued to check that it will provide security for your proposed new mortgage. We won't charge you for this.

## 6. Reviewing your mortgage offer

If we've approved your mortgage application, we'll send you the offer documents to review, usually by post. You don't need to contact us unless there's anything you don't understand or if something appears to be incorrect.

## 7. Finalising the legal work

Your own conveyancer will carry out all your necessary legal checks. They'll also ask your current lender exactly how much you owe on your mortgage.

Finally, they'll send you the legal mortgage document to read and sign in the presence of a witness. Review it carefully.

## 8. Setting a completion date

Once all the legal work is done, you can agree a court date with your conveyancer. This is the date when we'll release the funds for your mortgage with us and pay off your mortgage with your previous provider.

You've moved your mortgage to HSBC.

# Buy to Let

Whether you're expanding your property portfolio or just starting out as a landlord, a buy-to-let investment can be a big commitment. Once you've decided to go ahead, the mortgage process is relatively straightforward, though we'll ask you for some extra information to help us evaluate your application.

## 1. Deciding to buy

If you're going to invest in a buy-to-let property your decision must make commercial sense.

You'll need to research demand for rental property and, as you'll be responsible for paying the mortgage, know how you'd manage if you couldn't find tenants or the rental market changed.

As a landlord, you will have to be prepared for the risks and responsibilities that are involved. These include one-off fees and ongoing costs, some of which you can offset against the tax payable on your potential rental income. You may be liable for a number of other taxes. (HSBC cannot provide tax advice; we recommend that you talk to a tax expert.)

## 2. Finding out how much you could borrow

Once you've decided to go ahead, your first step is to apply for a Decision in Principle. This shows how much you may be able to borrow from us. It's based on what you tell us, our security checks and a soft credit check; this won't appear on your credit file.

You can apply for a Decision in Principle at a branch.

Buy-to-let mortgages work a little differently from standard residential ones. When we think about how affordable a buy-to-let mortgage is, we consider the expected monthly income you'll get from renting out the property, not your current salary. You'll need to have a deposit of at least 25% and we have a maximum lending limit.

If you've decided to buy or remortgage a buy-to-let property with HSBC, you'll also need to meet our eligibility criteria.

## 3. Looking for a property

When you're house hunting for a property to rent out, you need to think like a landlord. Look for a great location and take a property wish list to your viewings.

Once you've found your property and had an offer accepted, it's time for your mortgage application.

## 4. Applying for a mortgage

You can apply for your mortgage at a branch.

We'll ask you to provide some supporting documents so that we can evaluate your mortgage application. We'll also want to know about the rental income you're expecting and potential running costs for the property, as well as details of any other buy-to-let properties you own. Have all this ready as it will help the process go as smoothly as possible.

### Applying in a branch

- Arrange an appointment with one of our mortgage arrangers. We are not able to provide any advice but we can take you through your application.
- Before your mortgage appointment, provide us with your supporting documents.

## 5. Appointing a conveyancer

A real estate lawyer or conveyancer will look after all the legal aspects of your purchase. It's your responsibility to appoint one, so try asking friends for recommendations or research local firms. Professional bodies like local law societies can help to provide you with further information and available professionals.

## 6. Valuing your property

We'll value your property to check that it's suitable security for the amount you want to borrow.

We won't charge you for this Standard Valuation report. You can arrange for a Homebuyer Report or a full Building Survey if you want to understand the condition of your property in greater detail and we would recommend you consider this carefully.

## 7. Reviewing your mortgage offer

If we've approved your mortgage application, we'll send you the offer documents to review, usually by post. You don't need to contact us unless there's anything you don't understand or if something looks incorrect. The mortgage offer documents will need to be signed and returned back to us.

## 8. Finalising the legal work

Your lawyer or conveyancer will carry out all the relevant enquiries and searches for your property. They'll also get the seller to complete a questionnaire about the property and ask you for your deposit.

## 9. Exchanging and completing

Once the legal work is done, you're ready to agree your court date with your conveyancer and exchange contracts. The completion date is when we'll release the funds for your mortgage – and the property is yours.

## Jargon buster

Get to grips with mortgage terminology with our jargon buster.

**Additional borrowing:** The term used when a customer already has a mortgage on a property and wishes to borrow more.

**Annual Percentage Rate of Charge (APRC):** The APRC (Annual Percentage Rate of Charge) represents the overall cost for comparison and can be used to compare mortgages.

**Bank of England base rate:** The Bank of England base rate is set by the Bank of England as the base cost for borrowing pound sterling. HSBC Tracker mortgage interest rates are linked with a margin above this base rate.

**Booking Fee:** A fee charged on some mortgages to secure a particular mortgage rate.

**Capital and Interest Repayment:** Your monthly payment covers the monthly interest and also reduces the principal amount you borrowed, thereby reducing the total balance outstanding.

**Completion fee:** A fee to cover the cost of electronically transferring the mortgage funds to the borrower.

**Deposit amount:** Your contribution towards the purchase price.

**Early Repayment Charges:** An Early Repayment Charge (ERC) is a charge you may have to pay if you repay the whole or part of your mortgage, by paying it back early (which includes if you move to a different HSBC product or move to a different lender) during a certain period.

**Estimated property value:** The open market value of the property being used as security.

**Equity:** The monetary difference between a property's open market value and the mortgage held against the property. If, for example, your property is worth £500K and your mortgage amount is £300K, the equity (i.e. the amount not encumbered by a mortgage) is £200K.

**Exit fee:** This is a closure administration fee payable to the lender when you fully repay your mortgage. We do not charge an exit fee.

**Fee Saver:** Fee Saver means no booking fee and no completion fee. We will cover the cost of one standard valuation where this is required by HSBC as part of your mortgage application. Other fees and charges may be payable to other parties including, but not limited to, legal fees and charges levied by your existing lender.

**Fixed rate mortgage:** A fixed rate mortgage provides the security of fixed mortgage repayments until an agreed date; no matter what happens to the Bank of England base rate, your rate would remain that same as you are locked into a fixed rate.

**Fixed until:** The date at which a fixed rate mortgage will expire.

**HSBC Buy-to-let standard variable rate:** When your initial HSBC buy-to-let mortgage rate ends, the interest on your mortgage will be calculated using a variable rate. This will vary over the term of the loan and is set internally.

**HSBC standard variable rate:** When your initial HSBC residential mortgage rate ends, the interest on your mortgage will be calculated using a variable rate. This will vary over the term of the loan and is set internally.

**Interest calculated daily:** The interest chargeable on the outstanding mortgage balance is calculated every day rather than at the end of each week, month or year.

**Interest only:** The monthly payment covers just the interest and the original capital amount borrowed remains outstanding throughout the term of the mortgage and will have to be repaid in one lump sum payment at the end of your mortgage. When taking out an interest only mortgage, you should consider how you are going to repay the principal loan amount at the end of the mortgage term.

**Interest rate:** This is the percentage rate at which the lender calculates the interest they charge the borrower for the mortgage.

**Interest rate type:** Interest payable may be variable or fixed (a certain rate fixed for a given term set by the lender).

**Loan to Value (LTV):** The loan to value represents the percentage of the value of the property which the borrower is seeking to borrow, e.g. a £100K property with an £80K mortgage = an 80% LTV.

The maximum LTV we will lend will depend on your individual situation, the property, the loan you choose and the amount you borrow.

**Lump sum payment:** When a customer makes a one-off payment to reduce the outstanding balance on their mortgage.

**Monthly repayment:** These are calculated monthly repayments at the current stated interest rate. Your monthly repayment may be "interest only" or a mix of capital amount and interest, depending on the mortgage product you have.

**Mortgage illustration:** Lenders are required to set out the details of all associated rates and fees for a mortgage product in the same format to enable customers to easily compare products.

**Mortgage term:** The length of time over which a mortgage is taken.

**New build property**

A New Build Property is defined as:

- a building that has been built in the last 24 months which includes property bought directly from a builder or developer;
- a property that has yet to be occupied for the first time; and/or
- a property that is yet to be occupied in its current form, for example following a renovation or conversion.

**Outstanding balance:** The outstanding amount owed to a lender under an existing mortgage.

**Overpayment:** An overpayment occurs when a borrower chooses to make a larger monthly repayment on their mortgage than is stipulated under the mortgage terms.

**Porting**

When you transfer your current HSBC rate from one property to another. You can do this when:

- you sell your property and buy another at the same time
- the sale and purchase don't happen on the same day. You have up to 6 months to apply to use the existing rate on a new property.

This is subject to terms and conditions.

**Remortgage:** When a person transfers their mortgage from another lender to a new lender.

**Service fee:** The fee charged by a new lender who, with the customer's written consent, requests details from the customer's existing mortgage lender.

**Standard Valuation Report:** This report is solely for the purpose of arriving at a current market value to enable the lender to determine the amount of the advance. It should not be relied on by the customer to assess the suitability or saleability of the property.

**Switching:** When a customer moves to a new mortgage with the same lender, e.g. their fixed rate period ends and they move to a tracker rate mortgage.

**Tracker rate mortgage:** The mortgage interest rate is set at a fixed percentage above the Bank of England base rate. The interest rate payable will rise and fall in line with changes to the base rate. Typically there will be a 0% floor calculated into the mortgage, which means the interest on the mortgage can never go into negative figures even if the Bank of England's base rate should fall below 0%. When taking out a tracker rate mortgage, you should consider if you can still afford the mortgage if the interest rates would increase.

**Your home or property may be repossessed if you do not keep up repayments on your mortgage.**

# Accessibility

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**If you'd like this document in another format such as large print, Braille or audio, please contact us on 03456 006 161.**

BSL Video Relay Service is also available (Monday-Friday 8am-6pm, excluding Bank and Public Holidays).

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