

This Report Brought To You By:

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Flip My Mortgage

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1. Introduction To Mortgages

It's now estimated that mortgage payments in western countries such as UK, USA and Western Europe account for 40% of monthly household expenses. In the UK, the average mortgage has zoomed up to well over £120,000 (and much more in popular cities such as London).

There is no doubt that your Mortgage will be one of the most serious commitments you will ever make in your life – and with the huge range of mortgage types available these days it's worth understanding what mortgage type may be right for you. This could save you tens of thousands of dollars and more over the term of your mortgage payment.

Home buying is a major step. The last thing that you want to do is rush into such a mortgage option that may be completely wrong for you. Someone who is not informed about the current trends and latest information is opening themselves up to major problems.

For example, not all mortgage companies are moral in the way they do business. Known as predatory lenders, the bad ones will seek to get you into a home and sign the papers without any thought as to whether the mortgage deal they've given you is actually a good fit for your needs. For example, here are a few factors that you should consider when finding out which mortgage would be the best choice for you:

- Interest rate

- Type of mortgage (fixed? variable? offset?)

- Fees/penalties

- Lending flexibility

Mortgage providers vary significantly in this regard, and you really need to make sure you do some solid research to find your best option.

The information contained here will help you, whether you're looking for your first ever mortgage, or to refinance an existing loan.

2. The Different Types Of Mortgages Available

Mortgages are a multi-billion dollar a year industry and there are different mortgages now available to suit a wide variety of needs and situations. No matter what your circumstances, you'll probably find a mortgage that suits you.

Here, we'll look at the various different types of mortgages that are widely available in the market:

Before starting you should know that most mortgages fall into two distinct categories – repayment and interest only. With the first, your monthly payments include repayment of the loan amount plus the interest. With interest only mortgages only the interest is covered and the person arranges to make the actual loan

repayment independently.

Here's some more information about the different types of mortgages available:

Fixed Rate Mortgages – with the fixed rate mortgage your rate is steady for a certain number of years. The good thing about fixed mortgages is that you know exactly what your payments will be for the fixed period. This works well for those on a strict budget who need to know exactly what will be payable month after month. The downside to fixed rates is that if the interest rate falls you continue to pay the higher rate. Of course, on the flip side, interest rates might rise which means your rate stays at the fixed level.

Usually, fixed rate mortgages come with strict penalties should the borrower wish to end the term early.

Variable Rate Mortgages – Variable rates are linked to the underlying base rate of interest. As the underlying interest rates rise, so will your underlying variable rate. Variable rates are usually popular in economic cycles where the rate is generally headed lower. Of course, you can never tell for sure what the rate will do so there is a certain element of risk attached with variable rate mortgages.

Capped Mortgages – Capped mortgages are supposed to offer the best of both worlds. They impose a “cap” on the maximum interest rate you'll ever pay and so offers a security – so if rates fall so do your repayments, but rates can only rise to the value of your cap. On the surface the capped mortgage appears to be ideal – but dig a little deeper and you'll see that the number of cap rate mortgages offering competitive rates are somewhat limited.

Discounted Mortgage Deals – Sometimes, mortgage providers offer new clients “discounted rates” – these are rates that are lower than their standard variable rates and they last for a certain period. After the period the mortgage switches to the standard variable rate. This can be a good option but you'll need to check that the rate it switches to is competitive.

100% Mortgages – This is a mortgage where the borrower does not pay any deposit. With other mortgage types, the borrower needs to put some money down, but with 100% Mortgages, this is not required. This is a good option if you're unable to find money for a deposit but beware – 100% mortgages tend to be far more expensive than other mortgage types. You may also find that most of these mortgage types tie you in for longer periods (never a good thing) and you may be required to sign up to a mortgage indemnity policy (again, not a good thing).

Buy To Let Mortgages – Many people are discovering that they can increase their net worth quickly by acquiring “buy to let” properties. There are now specific buy to let mortgages that help people who want to let out their properties for investment purposes. These tend to be different to standard mortgages.

Bad Credit Mortgages – There are even mortgages available that cater to people who have bad credit.

Other Mortgage Types – Believe it or not we've only covered a sample of the mortgage deal types out there. There are many other very specific mortgages from self certification mortgages to offset mortgages that may cover you if the standard ones do not apply.

RECOMMENDED PRODUCTS:

[Mortgage Secrets For Investors.](#)

Mortgage secrets for real estate investors e-book. Stop getting bullied by the banks and start closing your investor loans!

[Personal Bad Credit Loans, Grants, Scholarships, Debt Help, Credit. Instant online access to unsecured bad credit loans, grants, scholarships, mortgage home loans, debt help, auctions, student loans and more. One account access for all services & programs.](#)

3. Different Types Of Household & Mortgage Insurance

There are different types of insurance that you can take out on your home and mortgage. As with trying to find your actual mortgage you should shop around for any insurance you take out – there are some good deals, and some very poor ones too that should be avoided.

You'll probably find that your bank/mortgage provider will try to get you to take out a policy with their own company – while they may push it hard, it's often not the best deal available so shop around on the internet and you'll probably be able to save yourself quite a bit.

Buildings And Contents Insurance – You'll want to insure your home and it's contents against damage. It's important to get it right when estimating how much cover you need – you don't want to pay over the odds for excessive cover, and neither do you want to underinsure.

Look at your possessions – do you have any antiques that need extra protection? What type of furniture do you have? How much would all of it cost to replace? Shop around on the internet to find some great deals and you'll save yourself thousands in the process (as opposed to signing up to whatever your mortgage provider is trying to push on you).

Mortgage Payment Protection Insurance – this type of insurance protects you against any loss of income that may affect your ability to make your mortgage payments. This can be an important cover, especially if you do not have the cashflow to make mortgage payments should you lose your job/income source.

The two important things to look out for are (1) when the insurance payment starts after your loss of income (for example, is it 30 or 60 days?) and (2) how long are you covered for (you can often get 12 to 24 months coverage).

As with most insurance types, these vary widely so make sure you shop around online and get the best deal for you.

Life Insurance – With this type of insurance, should you die your dependents will receive a sum of cash to replace a part or the full amount of your earning power. If you're single then this is cover that you don't really need – but if you've a wife and children who depend on you putting food on the table and a roof over your head, it may be cover that you should seriously consider.

Mortgage Protection Decreasing Term Insurance – This is a unique type of coverage where as the amount owed on your mortgage decreases over time, so do your insurance payments. The logic is that as your mortgage decreases, you need less to cover it should anything bad happen – so the insurance should also cost less.

Critical Illness Cover – As you might think, critical illness insurance protects you in the event that you develop a very serious injury/illness (the types of illnesses are pre-set in the policy).

Standard Illness Cover – Also known as permanent health insurance, this type of policy covers you against most types of illnesses (typically you can expect 50% of your income to be paid out until recovery).

RECOMMENDED PRODUCTS:

[Real Estate Shared Appreciate Mortgage Ebook.](#)

Discover the secrets of building a high net worth with real estate using shared appreciate mortgage in this ebook.

[Stop Your Foreclosure! An Action Guide To Saving Your Home. Discover proven techniques to stop your bank or mortgage company dead in their tracks, and halt the foreclosure proceedings today.](#)

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Essential Advice For First Time Buyers

First time buyers are especially vulnerable to taking out unsuitable or expensive mortgages – simply because they haven't the experience to know any better. This can lead to years of higher than required payments or penalties – so if you're just taking your first steps onto the property ladder it's worth looking around and comparing the many different types of mortgage deals and lenders. It could save you thousands in the long run.

Remember that the mortgage industry is highly competitive – so lenders are fighting each other off with sticks to get your business. It's a good position to be in, so you can probably find a very good deal that's perfect for you when you shop around a little.

You'll also find that **quite a few lenders actually target first time buyers** – this means they will offer you a special deal, possibly for the first year or two of your term if you take your first mortgage out with them. It's certainly worth trying to shortlist mortgage deals that have special offers for first time buyers so you can compare them to the rest.

Here are a few things that first time buyers may wish to consider before taking out their first mortgage:

- Take heed of circumstances. Will a fixed or variable rate be best for you? Will you suffer if the rate moves up to the point where you may not be able to cope with repayments?

- How much do you need to borrow? What level of deposit can you come up with? 100% mortgages are available but many times require a mortgage indemnity guarantee (an insurance policy that lenders will try and force first time buyers into signing if they have zero or a low deposit).

- Collect as much information about special first time buyer mortgages to see if you can get a special rate that may be unavailable to non-first time buyers.

- Remember that if you choose to leave the mortgage before it's term runs out you may be subject to redemption penalties – this can be about 5% of the loan value when you leave early so read the fine print carefully.

Ultimately, your first home purchase is a huge step – and getting the best mortgage available is very important part of the process.

RECOMMENDED PRODUCTS:

[How To Live Rent-Free!](#)

See why corp sponsors pay 100% of your rent or mortgage. Get free real estate! Many other secrets!!

[Mortgage Loan Tips.](#)

Why some people almost always get the lowest interest rate on their mortgage - for the least points - and no junk fees!

5. Repaying Your Mortgage – Should You Rush Or Take Your Time?

For years, banks and financial advisors have been recommending that you pay extra cash into your mortgage, to cut down the huge interest amount and reduce the period over which you pay back the loan.

For example, if you borrow \$200,000 over 30 years at a rate of 5%, your monthly repayments would be around \$1,074. Over 30 years, you would actually pay 1074×360 (months), which is \$386,640. That's \$186,640 in interest!

If you could find an extra \$246 a month, and pay \$1,320 a month into the mortgage, you'd cut 10 years off the repayment period the loan would be fully paid in only 20 years. Moreover, your total payments would be \$316,664, saving \$69,756!

The flaw in this technique is that it ignores the time value of money.

Everyone knows that money is worth less now than it was when they were younger. If you take that \$1,074 mortgage repayment, for instance, in 30 years time, when the last payment is due, it would only be worth \$437 in today's money.

A dollar now is always better than a dollar in a year's time, or in 10 year's time.

How does the time value of money affect our example?

You cannot simply subtract the mortgage interest amount for a 20 year mortgage from the interest on a 30 year mortgage. What you need to do is calculate the Present Value of each mortgage.

The Present Value of a 30 year mortgage with repayments of \$1,074 at a 5% interest rate is \$200,066.

The Present Value of a 20 year mortgage with repayments of \$1,320 at a 5 interest rate is \$200,066.

The two repayment schemes are exactly equal.

The \$69,756 'saving' in the interest rate is really just the effect of adding the extra \$246 a month into the repayments - in fact, that \$246 a month adds up to \$59,040 over 20 years.

What if you took that \$246 a month and invested it in, for example, mutual funds?

If you could get a return of 10 p.a., after 20 years you would have \$186,804. With inflation at 3, that would be worth \$102,597 in today's money.

Why would the banks recommend that you pay off your mortgage quickly? Surely the longer the income stream lasts, the better?

The banks love being able to prove that their recommendations will 'save you money'. But in reality, the banks do understand the time value of money. They know the true value of that extra \$246 a month that

you're giving them now, not in the future. And the shorter the time you take to repay the mortgage, the lower their risk, and the sooner their money comes back to them to be loaned out again.

There are some arguments for paying your mortgage back quickly for one thing, the quicker you pay, the quicker your equity grows. But you should understand that every dollar you give the bank now is a dollar that you can't invest.

Giving your money to the bank to avoid paying 5% interest means that you can't use that money to earn 10 or 12 or 15 somewhere else.

6. Pre-approved Mortgage: Helping You Buy the Home of Your Dreams

There are many individuals who believe that they should not apply for a mortgage until after they find a home that they are interested in buying. This is untrue and it may even end up being a costly mistake. A mistake that could prevent you from purchasing the home that you really desire. Instead of waiting until you find a home, you are encouraged to apply for a mortgage as soon as you decide that you want to purchase a new home.

Applying for a mortgage before you have found a home to buy is often referred to as a pre-approved mortgage. Pre-approved mortgages are offered by online lenders, local banks, and mortgage lenders all around the world. By taking your credit score and financial situation into consideration, a lender will approve you for set amount of money. In a way, this will make shopping for a new home easier. If you are only approved for one hundred thousand dollars, you will know not to bother examining homes that are more than you can afford.

There once was a time where pre-approved mortgages only offered benefits to those looking to buy a home. Now, they are also offering benefits to real estate agents. These benefits include saving time and money. As more and more lenders offer pre-approved mortgages, you may find that many real estate agents require them before offering you assistance. This is something that many new home buyers are largely unaware of.

If you are interested in buying a new home, it is likely that you will seek the assistance of a real estate agent. Real estate agents spend a large amount of time showing their clients homes that are for sale. This time often results in loss of money for real estate agents, especially if a home is not purchased. There are a large number of real estate agents who are trying to save money by eliminating clients that are not serious about buying a home. To many real estate agents, being pre-approved for a mortgage means that you are serious about buying a new home.

As previously mentioned, pre-approved mortgages are offered by a wide range of financial lenders. If you are interested in obtaining a pre-approved mortgage, you are encouraged to get started right away. As with all other loans, you will find that it may take some time for you to be approved for a mortgage, even a pre-approved one. Your credit history and current financial situation will all need to be closely examined. The sooner you get started on your mortgage application, the sooner you can begin shopping for the home of your dreams.