

Residential Mortgages

As you are buying a property to live in, you are taking out a loan to fund the purchase. This is done using the property as security for the loan. By securing a loan against your property the lender has a legal charge* registered. This is type of loan (with a legal charge on the property you will be living in) is called a **residential mortgage**.

By having a legal charge on the property, it means that, if the monthly repayments are not maintained (or the loan is not repaid at the end of the term), the lender has the right to remove the occupants and sell the house to pay off the debt owed to them. This is done by the lender repossessing the property.

It is important to know that you should always speak to your lender if you are experiencing financial difficulties. There are a range of solutions that may be available to you and repossession is always a last resort.

With the lender securing the loan it means that mortgages are different to other types of borrowing. For example, personal loans, credit cards and overdrafts are all called unsecured loans.

Secured loans offer less risk to the lender, which is why the interest rates are usually lower than other ways of borrowing money.

So, with a mortgage you can borrow more, with lower interest rates. But there are risks to you if you do not keep up repayments on a mortgage or any other loan secured against the property. You could lose your home and therefore taking on a mortgage should be carefully considered.

Being able to afford the loan in the short term and into the future, taking account of the possibility of interest rate increases or loss of income, are important considerations.

Your mortgage adviser asks you a lot of information about your personal situation. They will also ask you to consider possible changes to your circumstances as well as understanding your future aspirations and strategy.

Being open and honest with your adviser and taking care not to exceed what you can comfortably afford to pay are important factors in arranging a mortgage.

**In Scotland the legal charge is known by the term 'standard security'.*