



armed forces
FINANCIAL SERVICES

ESTABLISHED BY EX FORCES FOR THE FORCES

FAQs

ARMED FORCES FINANCIAL SERVICES



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Buying a home is a massive decision and it's likely to be the biggest purchase you'll ever make. Before falling in love with a property that's a million miles out of reach it's important to know how much can borrow and what the mortgage process involves.

What is a mortgage?

A mortgage is a loan taken out to buy a property and generally runs for about 25 years, although recently there has been an increase in even longer-term mortgages.

How does a mortgage work?

The money you borrow is called the 'capital' and the mortgage lender then charges you interest on it till it is repaid.

What are the types of mortgages?

There are different types of mortgages available and will depend on whether you want to repay interest only or interest and capital.

Repayment mortgage

By far the most common type of mortgage. You pay both the interest and part of the capital off every month. At the end of the term, typically 25 years, you should manage to have paid it all off and will own your home outright!

Interest-only mortgage

With interest-only mortgages, you pay only the interest on the loan and nothing off the capital (the amount you borrowed). These mortgages are risky and as such harder to come by as lenders and regulators are worried about homeowners being left with a huge debt and no way of repaying it.

Once you've decided on mortgage type (probably repayment & interest) you then need to look at what type of interest rate you want. Generally, you have the choice of fixed or variable interest rates. With a fixed-rate mortgage your repayments will be the same amount for a certain period of time – typically two to ten years.

The benefit of this is you'll know exactly what you're paying for a set period of time.

It's worth remembering that if you take a fixed rate mortgage, at the end of the term you will automatically switch to your lenders standard variable rate mortgage. This will be at an interest far higher than you have been paying so it is essential that you arrange to switch your mortgage to a new fixed rate at this point! With a variable rate mortgage, the rate you pay moves up or down, in line with the Bank of England base rate and you can end up paying far more than you would with a Fixed Rate Mortgage.

How much can I borrow?

The most important thing to consider when looking at a mortgage is if you will be able to keep up repayments. The lender is well within their rights to repossess (take away) your home if you don't!

Traditionally lenders used to loan you 3-4 your income regardless of affordability. Nowadays lenders look much more carefully at individual circumstances, what your outgoings are and any pre-existing debts.

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Why does a big deposit matter?

The bigger the deposit you have, the lower your interest rate is likely to be and the less you'll have to pay back each month. There are significant rate differences between 10, 20 and 40% deposits so it's really important to put down as much as you possibly can.

The larger the deposit the smaller the Loan to Value (LTV) which is amount of your home you own, compared to the amount secured against the mortgage (or owned by the mortgage lender).

Where can I get a mortgage?



There are many ways to apply for a mortgage, the main ones being directly to a bank or building society where you choose from their product range only or via a mortgage broker or independent financial adviser who can compare various different mortgages.

The important thing here is to consider what type of mortgage broker you use as some only give advice on a range of lenders (that they are tied too) whereas others (like us) are what is known as 'whole of market' and can provide advice on ALL lenders and ALL their products, including those that are not available to the public directly.

The lender or mortgage broker will complete a 'fact find' and carry out an affordability assessment (as mentioned above) to work out what you amount can borrow at which point you'll usually be offered a Decision in Principle.

What should I do now?



Comparison sites are of course available and do provide a good starting point but they should not be relied upon when making a final decision. Have a look at them and play around with their calculators as that'll help give you a rough idea of what you may be able to borrow

Once you've got that information, get in touch with the experts and let them take over the process!

Using an IFA provides you with access to a great range of products than you would necessarily get on your own. We remove the stress and paperwork of carrying out the process by yourself and perhaps, most importantly you are protected. We have a duty of care to you and must recommend a suitable mortgage. We need to be able to justify why the mortgage they have chosen is right for you. If the advice is not up to scratch, you can complain and be compensated.

Additionally, any broker worth their salt will also be able to source life cover, payment protection and various other essential insurances, saving you even more time and let's be honest, money.

Check out our guide to buying a house for more info.

Originally launched back in 2014 the scheme has been designed to help armed forces personnel get on the property ladder. It's aimed at supporting first-time buyers and those who have to move home because they are assigned elsewhere.

How Does it Work?

The scheme allows service personnel to borrow up to 50% of their annual salary (pre-tax) up to a maximum of £25,000.

The loan can be used towards the deposit of property or anything else involved within the purchase process e.g legal, surveyors or land registration fees.

The loan is interest free and can be paid back over 10 years!

Am I eligible?

As we said early, the scheme is primarily designed for first-time buyers or those needing to move to another property due to assignment or as a result of extenuating family or medical circumstance.

The property must in general be used as yours (or your family's) immediate occupation, although an exception to this rule would those in overseas postings.

To apply you must:

- Be in regular service
- Have served for at least 1 year
- Have at least 6 months left to serve at the time of application
- In the last 12 months have not owned a property within 50 miles of the proposed purchase (exceptions will apply)

How do I apply?

The application process is simple. You just need to apply on the Joint Personnel Administration. Armed Forces Financial Services can take care of the rest of the mortgage process for you.

How much do I have to pay back?

You'll have to pay back whatever you borrow, but it's a 0% interest!! The loan amount is divided over ten years and you pay back that amount monthly (you can choose to make overpayments).

It's up to you when you start making the repayments. It can be straight away, six months after receiving it, or in your final ten years of service.

Can I still leave the Armed Forces even though I've taken a FHTB loan?

Short answer is yes. But there are a few things to be aware of.

Ideally, any outstanding balance should be paid before leaving but if this isn't possible you will need to continue making payments once you've left the forces.

Also, if you're due to receive a resettlement grant, any FHTB loan balance will be automatically deducted from it.

Any other costs to be aware off?

Although there is no interest on the loan there is a small amount of insurance to pay each month (circa £7 pm depending on size of loan)

Does the property have to be a new build?

No. Unless you are also using any government loans too.

When does the scheme stop?

The Government have made it permanent – so it won't!



Critical Illness Cover is a type of insurance that pays out a tax-free lump sum if you're diagnosed with a critical illness (all providers have their own definitions as to what is a 'critical illness' so make sure you check!) It's designed to help support you and your family financially while you deal with your illness.

What's the difference between Critical Illness Cover & Life Insurance?

Critical Illness (CI) Cover is designed to help you and your family financially if you have been diagnosed with a specific condition.

You'll receive a lump sum to help cover treatments costs or to help pay the bills if you can't work.

It's important to note that CI Cover doesn't usually pay out if you pass away.

This is where Life Insurance comes in.

Life Insurance pays out if you pass away during the term of the policy and is designed to help your family financially after you've gone.

Do I need Critical Illness Cover?

You might want to think about CI Cover if;

- You & your family depend upon your salary, especially if you are the sole or main income in your household.
- You don't have enough savings to live if you were unable to work due to illness or disability
- Your job won't cover you for extended periods off work due to sickness

How much cover do I need?

There is no such thing as a right or wrong amount. Consider how much you and your family will need to get by – include mortgage payments, monthly bills & ongoing debt when working this figure out.

What about Serious Illness Cover?

Serious Illness Cover is similar to CI Cover but importantly covers many more conditions, pays out during the early stages of illness and will even pay out more than once!

Serious Illness Cover provides pay outs that match the lifestyle impact of an illness and as a result include a range of conditions that are not typically covered by CI policies!

Having suitable cover is important in all walks of life but in the military it's essential. We can provide tailor made cover to keep you and your family safe, whatever life throws at you.

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