Mortgage Types

Repayment mortgages - Each monthly payment pays off a little of the underlying debt, as well as interest on the loan. At the end of the term the mortgage is cleared.

This is widely considered to be the most easy to understand and least risky mortgage type. But remember if you do not keep up with repayments the lender can repossess the property.

Interest only mortgages - With this type of mortgage, you pay-off the interest on the loan but not the capital. At the end of the mortgage term you are expected to repay the capital, how you fund this is your business.

Endowment Mortgages - You use an endowment policy to provide life insurance and save funds to repay the loan at the end of the term (usually 20-25 years).

Variable rates - This means you pay the going rate on your loan. The mortgage rate changes every time interest rates change or, as in most cases, the overall effect of any interest rate changes is calculated once a year and payments are altered accordingly. Whatever kind of mortgage you start with, it is likely to change to variable rates at some point.

Fixed rates - The interest rate is fixed for the period agreed - often two to five years. These are ideal for budgeting or if you think rates might increase. You do not benefit if rates fall, and will face penalties if you try to quit.

Capped rates - These are fixed, but if rates fall you pay the lower rate. Such deals can be a good for budgeting.

Cash back deals - This is when lenders offer money back if you take out a particular product. However, nothing comes free in life and cash back mortgages may be weighed down with hefty penalty charges if you later want to switch lender.

Discounted rates - Under this type of mortgage the borrower is offered a discount off the lender's variable rate. The rate paid will fluctuate in line with changes in the variable rate. The discount applies over a set term.

Remortgage
Whether you want to:

pay off expensive loans & credit cards
build that new conservatory or extension
switch to a better rate

A remortgage is exactly what it says; it is basically repeating the mortgage process and obtaining a new mortgage. It is not an additional mortgage on the property that is added to the original mortgage. A remortgage involves obtaining a loan to pay off the debt on the first mortgage leaving a new "remortgage" as the loan on the property.