

Is your loan really worth the £1,000 set-up fee?

FINANCE

By Neil Simpson

If you want a decent mortgage this spring, most lenders will make you pay an application fee of at least £1,000. Lloyds TSB, now largely Government-owned, charges £1,395 on some of its loans and has a set-up fee of 2.5 per cent of the amount you borrow on others.

Lenders now in the Santander family, such as Alliance & Leicester, also charge application fees of £1,495 on some deals. Smaller building societies such as Coventry only narrowly scrape under the £1,000 hurdle by charging £999 for their best-buy trackers.

If you get a long-term, low-rate deal then a high set-up fee may be worth paying. Experts say that fees on lifetime trackers should be money well spent as you should never need to remortgage again. But they are less certain about the value of several other high-fee deals in the latest best-buy charts. Here are the three questions to ask before paying £1,000 or more for a new mortgage.

HOW LONG WILL I BENEFIT?

High-fee deals that offer only short-term savings can be bad news. The 2.5 per cent of loan fee on Lloyds TSB's two-year tracker set at 2.49 per cent over base rate is the equivalent of nearly £190 a month on the repayments of a £180,000 mortgage – and in two years' time you'll have to pay another mortgage fee if you want to switch on to a different deal.

Other lenders offer even less than two years' worth of benefit in return for their high set-up fees. Darlington building society's eye-catching 2.8 per cent discount on its standard variable rate lasts only until the end of November 2011, for example.

Even if your house purchase or move goes smoothly, you'll probably get just 18 months' benefit if you sign up for the deal today. That's unlikely to be a great return on the one per cent of your mortgage balance you'll be charged as a set-up fee.

Best advice is to avoid thousand-pound application fees unless the deal you choose lasts at least three years.

IS MY MORTGAGE BIG ENOUGH TO BENEFIT?

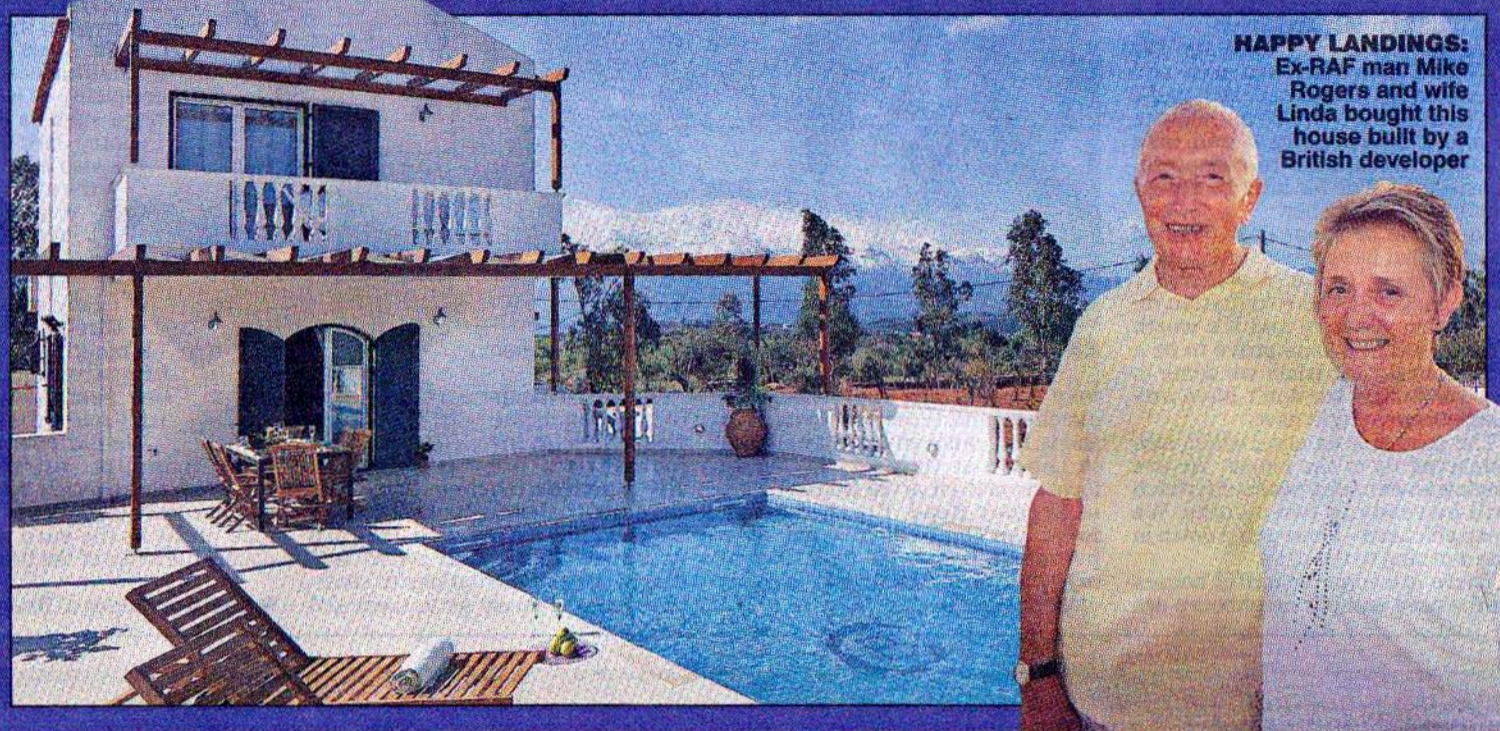
The bigger your loan, the more you save by going for a low-rate deal. Every 0.5 per cent you can save on a £250,000 mortgage cuts your monthly repayments by around £70. Two years of these savings will easily cover the big set-up fees. But if your mortgage is worth less than about £100,000, you're unlikely to save enough on a rate to compensate for the costs. You can do the sums under Tools & Calculators at www.thisismoney.co.uk.

IS THERE A CHEAPER OPTION?

Fortunately several lenders do offer deals for less than £1,000. Even Lloyds TSB has a few high-rate but low or no-fee options for people with at least 40 per cent deposits. First Direct, Northern Rock and Woolwich also have deals with no application fees.

One word of warning – some lenders have split their application fees into two parts. The low £199 booking fee for Coventry deals may look attractive, but there is also an £800 arrangement fee before the loan goes through.

Crete still shines in a Greek tragedy



HAPPY LANDINGS: Ex-RAF man Mike Rogers and wife Linda bought this house built by a British developer

By Duncan Farmer

When the euro dropped sharply against the pound last week, the

blame was placed squarely on Greece, where unemployment is almost ten per cent and rising and the economy is mired in debt.

The only good news for the country's new government is that the island of Crete came second in a poll of top tourist destinations among British holidaymakers.

Despite this popularity and the comparatively low property prices, few Britons have bought homes there, preferring Spain, Portugal and Italy – even though prices are almost twice as high.

Their reluctance is partly due to Greece's lack of a central land registry and complicated inheritance laws, which lead to unreliable deeds. Foreigners have been duped into buying property the seller did not own outright, or into buying a building plot that would never get planning permission.

Homes were also advertised to Greeks at one price and at a much higher price to foreign buyers.

Then, when the credit crunch

The country's economic woes are pushing house prices down by as much as 25 per cent – providing bargains for Britons

struck, Greek banks, which had never been keen to lend against property anyway and charged the highest interest rates in Europe, withdrew all mortgages for holiday homes and killed the market stone dead.

However, the situation is changing and, with prices down by as much as 25 per cent from their peak three years ago, experts believe it is time for buyers to take a second look.

'It is very much a buyer's market at the moment – particularly in Crete, which is the most popular island among British investors,' says Robert Key, a chartered surveyor who runs Cluttons estate agency in Athens.

'Last year was quite tough. The number of sales was down by as much as 40 per cent and there are some desperate sellers out there, and therefore bargains.'

The western side of Crete,

served by the airport at Chania, is the most popular with British buyers and includes remote hamlets in the White Mountains and the bustling resorts of Kalamí and Kavros on the coast.

Watered by the Kiliaris river, this is one of the greenest regions of Crete. Warm winters and relatively cool summers make it a favoured location for Britons, and Oonagh Karanjia, of Crete Property Consultants, estimates 60 per cent of buyers are now British. 'Most are about to retire and want to find a better climate and a lower cost of living,' she says.

Shaded by centuries-old plane trees and fringed by olive groves, the mountain villages of Gavalo-hori, Megala Horafi, and Kokkino Chorio where the 1964 classic film *Zorba The Greek* was made, are popular with expats seeking to build, and £68,500 buys a 0.4-acre plot of land with planning permission. A two-bedroom stone cottage needing renovation costs about £48,000 and three-bedroom, two-bathroom properties with a pool and spectacular views over Souda Bay sell from £249,400.

Coastal hotspots include lively Kalives and Georgiopolis, where building land starts at around £110,000. A two-bedroom property with sea views and a shared pool, just 300 yards from the resort's long, sandy beach, costs about £120,314, while luxury homes fetch in the region of £380,000.

Linda Rogers moved to Crete last September with husband Mike, who had served in the RAF

for 25 years. 'We spent years looking for somewhere to retire to and looked all over the world,' says Linda, 62. 'We realised it was really Greece and its lifestyle we have always loved most, so we looked at buying there.'

After selling their three-bedroom bungalow in the Lincolnshire town of Kirton-in-Lindsey, they paid €260,000 (£229,000) for a two-bedroom villa in a new development on the edge of the village of Litsarda. The house has a large basement that could be converted to living space, and a third-of-an-acre garden planted with olive trees. It is just over a mile from the shops, bank and post office in the small town of Vamos and 40 minutes' drive from the airport at Chania.

The house was built by Caversham-Barnes, a British developer based in Berkshire which is currently selling two-bedroom villas starting at €249,000 (£220,000).

Mike, 74, says: 'The first time we came to look at the development it was morning, but when we came back it was almost finished and we sat in the garden and watched the beautiful sunset over Souda Bay.'

The couple, who have four children and six grandchildren, have been visiting Greece for 25 years and have already met other expats in the area. Linda says: 'We will go home to see the family but I think they'll want to come and see us.'

Although they paid cash, mortgages are now available and Piraeus Bank, which has offices in London, will lend up to 50 per cent of a property's value as long as applicants can verify their income and their chosen home is not a ruin in a remote location.

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