YOUR HOME FINANCE

Finance Made Easy

Guide to Remortgaging

If your mortgage deal is coming to an end, or you believe your current mortgage no longer suits you and your needs, you might be considering remortgaging. It doesn't have to be as complicated as it might sound.

This guide aims to help you understand the remortgaging process and what you should consider beforehand.

What is a remortgage?

A remortgage is when you switch mortgages to get a better deal, usually to save money. This might be because your existing deal has ended, your financial circumstances have changed or you are moving home. You may also want to remortgage if you're borrowing more money against the value of your home. Remortgaging doesn't necessarily mean that you are changing lender.

What are the reasons for remortgaging?

— Existing mortgage is ending

When the initial deal period ends on a fixed, tracker or discounted mortgage, you will usually move over to the lender's default standard variable rate (SVR). Although the SVR roughly follows the Bank of England Bank Rate, the lender can change their SVR when they like. The SVR can also significantly vary depending on the lender, so your monthly repayments are likely to become more expensive than other deals on the market. Therefore, when your initial deal period is coming to an end, it is wise to consider your remortgaging options.

— Switching to a different deal

If your circumstances and income have changed, you may wish to get a new mortgage to reflect your current situation. You might be looking for a mortgage that allows you to make overpayments so you can pay off your loan sooner. Or you might need to borrow more and your current terms don't allow it. Perhaps you want a different type of mortgage altogether, such as an offset or flexible mortgage.

Is it right for you?

If you are thinking about remortgaging, there are a few things to consider to help you ascertain if it is right for you.

What are your current deal terms?

If you are considering switching mortgages, it is important to check the terms of your existing deal. There may be an early repayment charge if you remortgage your property during the agreed initial period. Sometimes, the cost of this can outweigh the benefits of moving to a better deal. We can help you to review your options.

How much have you paid off?

If you have paid off less than 10% of the property's price so far, you may find it difficult to secure a good remortgage deal. On the other hand, if you have only a small amount left to repay, it might not be worth switching mortgages, considering the additional fees that will be incurred.

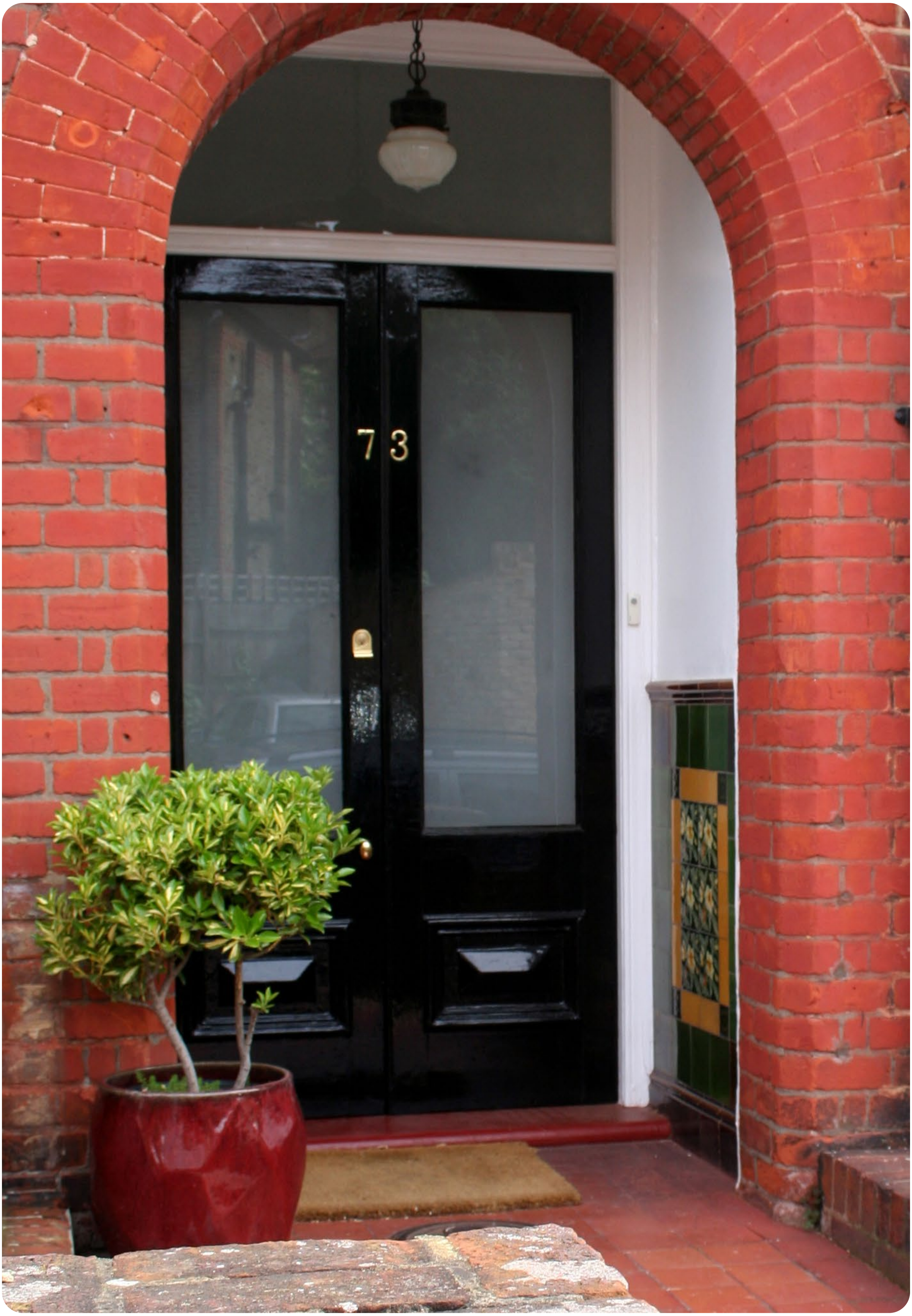
Is your financial situation better or worse?

If your circumstances have changed in a way that might weaken your remortgage application, it may be advisable to stay with your current deal. For example, if you have entered self-employment or co-own the property with someone who has stopped working. Similarly, if your credit score has worsened due to debts or missed repayments, it will likely be more difficult for you to find a better deal. We can review your options.

Reviewing your current mortgage

To understand what mortgage you might need next, you should review the details of your current deal with an adviser. Below are some important questions to consider.

- Are you on a fixed rate or a variable deal? Has that worked for you or would you like to go for something different?
- When does your initial deal period end? If it hasn't ended yet, what is the early repayment charge for leaving?
- What are the overall mortgage terms?
- When does the entire mortgage need to be repaid?
- Is an exit fee mentioned on the initial offer document from your lender?
- How much do you have left to pay on your mortgage? This is the amount that you would remortgage for. A rough guess is not sufficient as you don't want to remortgage for any more or less than you need to.
- What is your current loan to value (LTV) ratio? This determines how much of your property you have paid for (including deposit and monthly repayments to date). For example, if you have £300,000 left to pay on a house worth £600,000, your LTV is 50%. The lower the LTV, the less of a risk you will be in the eyes of a lender as you have a smaller loan to repay.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Portable mortgages for home movers

If you are moving home, you need to check if your mortgage is portable. If it is, you may be able to transfer your existing mortgage to your new home – this is called ‘porting’, meaning you would be able to keep your existing deal with the same rate. This might be a preferable option if you have time left on your initial deal period and you don’t want to pay a large early repayment charge. However, it is at the lender’s discretion if they choose to let you port the mortgage.

Porting a mortgage is not simply transferring your deal over to a new home. You will need to make a new application for that specific property and your lender will still have to perform credit checks to ensure you can afford the cost of your new home. Your loan will be different, you would just be keeping the same lender, rate and terms on the mortgage. If rates have fallen since you took out the mortgage, you may take this opportunity to get a new deal (depending on the early repayment charge).

Porting mortgages can get complicated, therefore it’s essential to seek advice so you don’t get caught out. If your new home is more expensive, it is likely that you will only be able to port the amount owed on your existing mortgage. So, you would need to take the remaining money out on a different top-up loan (potentially with different rates and terms).

If you don’t want to port the mortgage, you would need to pay off the money owed on your existing home using the sale proceeds.

Product transfer

If you want to stay with your existing lender but move to a new deal, your lender might be able to offer a product transfer with competitive rates. This can often be easier and cheaper than moving to a different lender. They don't usually charge exit fees or carry out affordability checks. However, there might be better mortgage deals for you elsewhere.

We can help you weigh up your options – contact us for advice.

Remortgage fees

Depending on which lender you remortgage with, you may need to pay any, or all of, the below fees:

Early repayment charge	If you're leaving your existing deal early, you will need to pay this fee.
Arrangement fee	This is the highest and most common cost incurred when remortgaging. The fee will be a set amount or a percentage of the amount you are borrowing. It could be between £1,000 to £2,000[1] or more – it is advisable to factor this fee into the total cost of the mortgage.
Valuation fees	The cost of surveying your home, so the lender can confirm how much it is worth (this may be different to what you paid). Not all lenders charge this – if they do, it could cost you anything up to £1,500, depending on the property's size and value. You may also want to pay for a full structural survey separately.
Reservation/ booking fee	This is a non-refundable fee that you would have to pay upfront to secure your new deal. These are not common but are usually around £100 - £300[2] if charged.
Admin charges and legal fees	Covers the legal paperwork associated with remortgaging. Some lenders may absorb these costs themselves.

[1] Compare The Market [2] Money Saving Expert

Talk it through

There is a lot to consider when remortgaging, but it doesn't have to be stressful. We will clearly explain all your options, helping you to make an informed decision on what to do next. If you have any questions at all about remortgaging, just get in touch with us today.

Your home may be repossessed if you do not keep up repayments on your mortgage.

You may have to pay and early repayment charge to your existing lender if you remortgage

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