A guide to **remortgaging**

MORTGAGE WINNERS

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So what is remortgaging?

You might have heard people talk about remortgaging, but never fully understood what it is. Is it something you should be doing yourself?

We're here to explain what remortgaging is so you'll be clued up and ready for when the time is right.

If you're happy in your current home but want to switch to a **new mortgage deal**, we'd recommend remortgaging.

This is the process of **replacing the mortgage on your existing property with another** (either with the same lender or a different one).

Just like you'd shop around for cheaper energy rates, the same goes for your mortgage. We can **search thousands of mortgage deals from many different lenders** to find the right one for your circumstances.

Speak to our team of advisers today to get started with your remortgage.

When and why do people remortgage?

There are many different reasons why you might decide to remortgage, including:

- Taking advantage of interest rates - interest rates impact mortgage rates, and a lower interest could help you save money when you remortgage. You may need to pay an early repayment charge to your lender but a mortgage adviser can help check whether it's worth it for you.
- Moving mortgage types - you may want to move from an interest only mortgage to something like a repayment deal. Your current lender may be able to change this for you without a remortgage but if they can't, you will need to go through the process.
- Your fixed-rate is coming to an end - once the initial period of your fixed-rate mortgage comes to an end, you'll move onto a standard variable rate (SVR), which could see you paying higher interest rates.
- Borrowing more money - you may have a home extension in mind and want to release some cash in your property. In many cases, remortgaging can be a way of borrowing additional funds. Speak with an adviser to ensure this is the right move for you.

Check out our **home improvement calculator** on our website to work out how much your renovation might cost you.

Getting ready to remortgage

It's never too early to start thinking about remortgaging.

How soon can you remortgage?

Typically, if you're happy on your current mortgage and only want to remortgage because you're coming to the end of your deal, you'll want to start looking about six months before your end date. However, you can technically switch mortgage deals at any time - just be aware that remortgaging before the end of your fixed period could mean you have to pay an early repayment charge.

Do you have to pay an early repayment charge?

Before you decide to remortgage, speak to your adviser about potential early repayment charges. Find out how much the charges are and what date it applies until. Your mortgage adviser can then recommend whether it would be worth switching deals and paying the charge, or if it's better to wait until you're out of the initial discount period for your current mortgage.

How much do you owe on your current mortgage?

Find out how much is left to pay on your current mortgage. If you aren't sure, contact your lender, and they'll be able to tell you the exact figure.

How can you get remortgage ready? continued...

Getting your finances in order

Lenders want to see that you (and whoever else is named on the mortgage) are responsible with your money and can afford to pay them back each month. This requires you to disclose your income, monthly expenditure, and any outstanding debts - the same way you'd apply for a mortgage if you were moving home.

We highly recommend taking the following actions:

- Check your credit score using companies like Checkmyfile
- Don't apply for any new credit leading up to your application
- Avoid spending unusually large amounts of money
- Don't go into your overdraft anymore than you already are (if this applies)

Mortgage valuation

As part of the mortgage application process, a chartered surveyor will need to value your house (also known as a mortgage valuation). These can be free when remortgaging, but can also cost between £300-400 depending on the value of your house. Your mortgage adviser can help arrange this.

Find a solicitor

You'll need a solicitor or licensed conveyancer to ensure that the legal side of the remortgage process is fully taken care of. Some lenders may even include the full cost or a contribution towards legal fees in their products. It's also worth checking to see if the lender has a list of approved solicitors or licensed conveyancers that you must use in order to take out a mortgage with them.

Will you have to pay a product fee?

Some lenders may charge a product fee for specific mortgage deals, such as a five-year fixed rate. Check this with your mortgage adviser to determine whether this is the case, and if so, what the amount is.

If there is a fee, your lender may let you add this to the total cost of the mortgage, rather than having to find the money upfront. While this can be useful, bear in mind that this is an additional amount that you'll be paying interest on over a number of years.

Our mortgage advisers offer **expert** guidance across every stage of the process, from exploring your options to submitting your remortgage application.

What should you consider when remortgaging?

Before you make that all-important decision to remortgage, there are a couple of things you'll want to consider.

Are you mortgage ready?

Just because you've been approved for a mortgage once doesn't mean that you'll automatically be approved again. A mortgage lender will carry out the same affordability checks as they did when you first bought your home, so having your last three months' payslips, bank statements, proof of ID, and a healthy credit report.

Have you spoken to a mortgage adviser?

A mortgage adviser understands the market better than anybody else, especially when it comes to the criteria that lenders are looking for.

Will you have to pay an early repayment charge?

Some mortgages come with an early repayment charge as part of their terms and conditions, so you'll need to see if this applies to your current product. If it does, you'll have to pay this before you can switch to a new deal.

Do you know your loan-to-value (LTV)?

The lower your LTV, the more mortgage deals that are available to you, so it's well worth working this out. To calculate your LTV, simply divide your outstanding mortgage balance by your home's current value:

100K ÷ 250K = 0.4

0.4 x 100 = 40

LTV is 40%

Say your outstanding mortgage is £100,000 and your house is valued at £250,000. 100,000 divided by 250,000 is 0.4, and 0.4 x 100 = 40. Therefore, your LTV is 40%.

What's a product transfer?

A product transfer is a much quicker process than a remortgage, as you're staying with the same lender and moving your current mortgage balance over to a new deal with them. It's a great option if you're happy with your lender and don't want to borrow anymore money - in other words, you're simply looking for a new deal.

One of the major advantages of a product transfer is the fact you don't have to go through the same application process as you would with a remortgage. It's usually quicker and can often be done over the phone, with most product transfers completed in 10 working days or less.

What do you need to consider?

As well as having to remortgage and go through all the necessary legal procedures, there are a few other factors to take into account when opting for a product transfer:

You won't be able to raise any additional capital -

you'll only be able to swap your current outstanding mortgage balance onto a new product, rather than borrow any more money.

You'll have to stay with the same lender -

this means that you may not have access to the most competitive products available for your circumstances. You'll only be able to select from the rates that your current lender can offer you.

You won't be able to add/remove a partner on your mortgage -

this can be challenging if you've recently moved in with someone, or if you want to take someone off the mortgage if you've split up.

How do you prepare your finances when remortgaging?

In most cases, you'll need to provide the same information when remortgaging that you did when you applied for your first mortgage. This catches a lot of people out, as they don't expect to have to go through the same process again.

Your adviser won't be able to proceed with your application until they have all the necessary paperwork to evidence your income.

What documentation do you need to provide if you're employed?

- Your last three months' personal bank statements
- Your last three months' payslips
- Your most recent P60
- Proof of any benefits you receive (such as Child Tax Credits or any child or spousal support from an ex-partner)
- One utility bill with your current address (not your mobile phone bill)
- Your passport or driving licence

What documentation do you need to provide if you're self-employed?

You'll need all of the above documents (excluding payslips and a P60) as well as:

- Your last three months' personal bank statements
- If you own a limited company, you'll need to supply proof of income. Your mortgage adviser will be able to tell you which documents you'll need based on your individual circumstances
- Your last three months' business bank statements from all of your business bank accounts
- Your Tax Year Overview for the past three years, as well as your last three SA302's

Have you thought about protection?

Even if you have mortgage protection in place, it's important to regularly review it, especially if there has been a change in your circumstances, be it health, family, or work related. Example of protection we offer includes:

Income protection

Income protection can provide you with a regular income should you become ill or injured and unable to work. Income protection policies will generally pay you a predetermined amount, either until you recover and go back to work, or until you retire.

Life insurance

If you have children, a partner, or relatives who depend on your income to cover the mortgage payments, household bills or any other living expenses, life insurance could help provide for your family in the unfortunate event of your death.

Critical illness cover

Critical illness cover will provide you with a tax-free lump sum in the event that you're diagnosed with a serious illness covered under your policy. You could use the lump sum to meet your monthly repayments or pay the mortgage off completely, depending on the amount you receive.

Building and contents insurance

You need buildings insurance as a legal requirement to get a mortgage. Buildings insurance will cover the costs of any necessary repairs should your home suffer any damage, such as from fire or flooding.

While contents insurance is optional, this will provide peace of mind should your personal belongings (including furniture, carpets and electronic equipment) get damaged or stolen. It's important to note that cover for different policies can vary.

Payment protection insurance

Payment protection insurance generally covers a regular payment that you'd need to make, such as your mortgage. You can usually make a claim if you lose your job (for example, if you're made redundant), or if you're unable to work due to accident or illness.

Our mortgage and protection advisers can review your protection policies and talk through any concerns you might have. We also offer a range of insurance products and insurers. Get in touch with us today.

Remortgage FAQs

Does my current mortgage need to end before I can move to another deal?

Some lenders will let you apply for your next mortgage up to six months in advance. This means you can avoid falling onto your lender's SVR and potentially save money. However, this varies from lender to lender, so it's best to make your mortgage adviser aware as soon as possible so they can look at the options available to you.

I've changed jobs since I last took out a mortgage. What now?

If you've changed jobs and your earnings have stayed the same or increased, then it shouldn't be an issue. You'll just need to provide your current employer's details on your mortgage application.

However, if you've moved from full-time employment to part-time, or changed jobs and your wages have reduced, this may affect the amount you can borrow. It's best to mention any changes to your circumstances to your adviser as soon as possible.

I've split with my partner. Can I buy them out of the house with a remortgage?

Potentially, yes. However, you'll need to provide evidence that you earn enough to take over the outstanding mortgage balance. This will depend on how much you need to borrow and how much you currently earn.

Where can I find out my credit rating?

You can check your credit rating using a credit referencing agency, such as Checkmyfile.
A valid credit report will then be sent to you.

Remortgage FAQs continued…

Are there any early repayment charges?

If you decide to exit the mortgage early, you may have to pay an early repayment charge.

Can I take my mortgage with me if I move home?

Some lenders will allow you to move your mortgage - a process known as ‘porting’. This means that if you sell your house and buy somewhere else, you may be able to move (or ‘port’) your current mortgage to your next house, and then ‘top up’ with any additional borrowing.

It’s worth asking upfront if the mortgage is portable.

Can I make overpayments?

Making overpayments on your mortgage could save you money in the long-term. Reducing the amount you owe means you’ll pay less interest, as the interest you pay is only calculated on your outstanding mortgage balance. You may also find that by overpaying, you can reduce the overall term of your mortgage, meaning you could be mortgage-free sooner.

Some lenders limit the amount that you can overpay each year, so if you pay off too much (whether in one go or over a 12-month period), you may have to pay an early repayment charge. If overpayments are something you’ve been considering, speak to your mortgage adviser, as they’ll be able to recommend the right solution for your needs.

Remortgage FAQs continued…

Can I take a mortgage payment holiday?

Some lenders allow you to take a mortgage payment holiday under specific circumstances. For example, if you've just had a baby, you may want to take a three-month break from your mortgage payments while one of you takes time off work.

Although a payment holiday can really help with short-term personal cash flow, you still have to pay the money back at some point. Generally, most lenders will add the amount outstanding from your mortgage holiday payment onto the overall term of your mortgage.

Payment holidays can also impact your credit score, so it's not advisable to take one unless you really need to. If it's something you think you may need to do at any point during your next mortgage term, it's best to let your adviser know straight away. You may have to pay an early repayment charge to your existing lender.

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You may have to pay an early repayment charge to your existing lender if you remortgage. Your home may be repossessed if you do not keep up repayments on your mortgage. There may be a fee for mortgage advice. The actual amount you pay will depend upon your circumstances. The fee is up to 1%, but a typical fee is £195.