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REMORTGAGING

· Guide ·



WHY *remortgage?*

Remortgaging is essentially taking out a new mortgage to pay off your existing one and is something that anyone with an active mortgage should consider throughout the lifetime of their loan.

Read on to find out why.

There are two main reasons why you might want to consider remortgaging.

Let's begin with the most obvious: saving money. Because a mortgage is for many such a large debt over a long term, even the smallest changes can amount to huge savings overall.

By regularly shopping around for the best mortgage deal, it's possible to secure a better suited rate or reduce your loan term, both potentially saving you thousands.

Secondly, remortgaging can be used to release equity from your property.

Whether you need the cash for home improvements, a new car, debt consolidation or something else, doing it this way could cost you less per month than a shorter-term unsecured loan.

DON'T *forget...*

When your current mortgage deal comes to an end, it's likely you'll revert to your lender's standard variable rate (SVR), which could work out to be much more expensive. In this situation you need to act fast, or you could end up paying for it!

HOW

does it work?

The process of remortgaging is much the same as taking out a new mortgage, but because there is no property changing hands, things tend to be a lot simpler.

In most cases, it is even possible to do it all online from the comfort of your sofa, however, there are still certain things you'll need to do. You will need to get your property valued and appoint a solicitor to handle the legalities. Many specific remortgage products on the market will include these within the offer, contributing towards much of the standard costs involved. You will also need to provide various supporting documents.

These documents could include photo ID, proof of address, three months' bank statements, your last three wage slips, proof of any bonuses or commission if these are being used to support your affordability, your latest P60 and, if you're self-employed, your business accounts and/or tax return summaries.

Once all parties are happy, your lender will pay off your current mortgage and your new one will begin. If everything goes smoothly, it could all be wrapped up in as little as four weeks, however, it can easily take up to eight weeks or more should there be complications along the way, so be prepared and where possible plan ahead.

DON'T

forget...

Before making any financial decisions, no matter how big or small, we strongly recommend that you get some expert advice. For more information, get in touch with our friendly team.

IS IT *a good idea?*

When it comes to remortgaging, remember that just because you can, it doesn't mean you should. Here are a few of the biggest reasons to wait:

YOU'RE ALREADY IN *a good place*

If you're already on a great deal, the costs involved with remortgaging might mean you won't end up much better off.

YOU'RE TIED DOWN *with exit fees*

Many mortgages are subject to early repayment penalties which could amount to more than you stand to save.

YOU'RE ASKING FOR *too much*

The bigger the loan to value (LTV), potentially the fewer deals available and also possibly higher rates. Reducing the amount you apply for could make a difference.

YOU'RE ASKING FOR *too little*

If your mortgage is relatively small, the costs of remortgaging could outweigh the savings you would make.

DON'T *forget...*

When your current mortgage deal comes to an end, it's always worth checking what your present lender has available and compare. When you consider the savings you'll make on fees associated with changing lenders, this could be the better option.

LET'S *talk numbers*

The good news is that the mortgage market is a competitive one, so there is generally a pleasing amount of choice. Plus in order to secure your business, lenders do their best to make the process as easy as possible.

LOAN TO VALUE (LTV)

Generally speaking, the lower your loan to value i.e. how much you borrow compared to the value of your property, the lower the interest rate you will be able to secure. Some lenders will also only accept remortgage applications below a certain loan to value. That being said, in a usual market it is possible to borrow up to 95% LTV and being unlimited brokers, if there's an option available to you, our team will endeavour to find it.

COSTS

Having a deposit is not compulsory when remortgaging because, where adequate, you can use the equity you have in your home, but there are other costs to consider. These include your mortgage valuation, legal costs, mortgage lender's arrangement fee and mortgage broker fees. Not all of these fees may be relevant to you, for example there are generally specific remortgage schemes that contribute towards the valuation and standard legal fees.

However, often one of the biggest costs to consider is early repayment fees. If your current scheme has not yet expired it is not uncommon for your lender to charge you several thousand pounds to leave early.

These fees can all vary enormously between lenders and individual products, so do your sums and make sure the overall savings outweigh the costs.

DON'T *forget...*

Factor in everything when looking at cost. 'Fee Free' mortgages which offer to contribute towards your valuation and legal fees may, on the face of it, seem attractive, but delve a little deeper and compare the overall value to other possible options. Give our expert team a call as we do all of this as part of our standard research.

DOES ANY *mortgage qualify?*

Aside from a regular residential mortgage, we have outlined a number of other property types that qualify for remortgaging below.

SHARED OWNERSHIP

Works in a similar way to a conventional mortgage, however, products are only available from selected lenders, so choice may be more limited.

HELP TO BUY:

Equity Loan

It is possible, but can be slightly more complex and not all lenders offer appropriate products. It will also depend on if you are repaying some or all of the equity loan as part of the process.

BUY-TO-LET

Much like purchasing with a Buy-to-Let mortgage, lenders will assess market rent, property value, available equity and personal situation.

INTEREST ONLY

In this situation you will likely need to adhere to some strict criteria regarding income and LTV i.e. available equity and property value.

DON'T
forget...

This is where it can get a little complicated, but don't worry, we're here to support you, so if you have any questions, just call. Our expert team of remortgage specialists can help you find the right deal.



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HM Government

WHAT IF *you have bad credit?*

We won't sugar coat this for you: if you have bad credit, remortgaging can be a lot more difficult. But don't despair! There are lenders out there that still offer mortgages for those that find themselves in this position, and it is our job to help you find them. Here are a few things to consider:

GET SPECIALIST HELP

You're possibly going to need a lender that specialises in bad credit applications and you may not be able to find them in the mainstream market. Calling us gives you access to all the right knowledge and connections to find the most appropriate deal.

TIME IS THE GREATEST HEALER

As time goes by, blemishes on your record become less of an issue until they are removed from your file completely after six years. So, if you can wait a while, it may make your application a whole lot easier.

ENSURE YOUR AFFAIRS ARE IN ORDER

Lenders will analyse the data on your credit file when considering you for a mortgage, so it is a good idea to ensure everything is in order (refer to pages 12 & 13 of this guide for some pointers).

DON'T *forget...*

Remortgaging with bad credit can be a very complicated process, so we would highly recommend speaking to one of our specialist advisers who will be best placed to advise you and work on a plan moving forward.

GETTING THE *right mortgage*

Because every situation is different, it is impossible to provide a set of hard and fast steps to get the right remortgage deal. That being said, here are a few basic tips that will benefit everyone.

DO YOUR RESEARCH

Before you begin shopping around, it's essential that you understand what's a good deal and what's not. Therefore, take some time to thoroughly research the market to give you a decent idea of rates, fees and introductory periods.

When doing so, don't forget to find out what your current lender can offer you. Staying where you are, allows you to avoid the costs associated with changing lenders and could therefore make the most financial sense.

Another thing to bear in mind is that many specialist lenders do not advertise their rates or services online and instead work exclusively through trusted intermediaries. With this in mind, it's never a bad idea to get some expert guidance from a mortgage broker. Give our expert team a call to find out more.

GETTING THE

right mortgage (continued)

CHECK YOUR *credit score*

No one likes rejection, particularly when it involves information held by credit reference agencies, so it's a good idea to take a look at your credit rating before making any applications. By doing this, you can make sure you take every possible measure to remedy any bad credit issues in advance. This not only allows you to ensure your record is in the best possible shape, but also ensures that you avoid any nasty surprises.

RESEARCH YOUR *Loan to Value*

When remortgaging, lenders take into consideration the equity you have in your property, so deposits or additional savings are not compulsory. With this in mind, look at how the market is affecting the value of your property and try to get a good idea of what your property may be worth. Ultimately a lender will form their own opinion once you apply, but being as accurate as you can at the outset will hopefully ensure a smoother process and the right product is selected for you.

It's also worth mentioning that, although cash deposits are not required, they could help. Keep an open mind to reducing the loan amount if possible. Adding some extra money may strengthen your chances of getting the best scheme.

DON'T *forget...*

Don't go crazy on comparison sites!
No matter how easy the site makes it to apply, multiple applications can be detrimental to your remortgaging success.

GETTING THE *right interest rate*

Rates can vary enormously from one remortgage product to another and this can depend on a multitude of factors, so you need to take everything into consideration.

Our friendly experts can help you avoid all the pitfalls, but below we have outlined the two most common types to give you a better understanding of what's on offer.

FIXED *rates*

Fixed-rate mortgages are locked into a specific rate of interest for a designated period of time, and during this period they will remain the same, regardless of what happens in the market.

Although fixed rates are often more expensive than a variable discount or tracker at the time of applying, they provide the peace of mind that you are protected against interest rate increases. Plus, knowing your payments will not change allows you to better plan for the future.

Of course, interest can fall as well as go up so fixed rates do still come with their risks.

TRACKER *or discounted rates*

Tracker mortgage rates are pegged against a prevailing rate in the market, such as the Bank of England base rate or the LIBOR rate. This means that if the prevailing rate changes, so do your mortgage payments. A discounted scheme works much in the same way but is linked to the lender's own standard mortgage rate.

Tracker and discounted rates can be beneficial because they let you take advantage of interest rate drops, however, there is always the risk that rates will rise, potentially leaving your hands tied having to remain on a less attractive rate.

GETTING THE *right interest rate* (continued)

PRODUCT *transfers*

You don't always need to change lender to get the most suited mortgage for your needs. A product transfer or rate switch is the process of changing the rate with your current provider, usually when your current scheme is coming to an end.

If it's a like-for-like change and no extra funds are required, you should avoid any additional underwriting or affordability checks. This can make the whole process much simpler.

That being said, you should always find out what's available on the wider market before going ahead.

DON'T *forget...*

Finding the right remortgage deal is an extremely intricate process, and some of the best offers may not be available in the mainstream market. For this reason, one of the ways to be completely sure you're getting the best possible mortgage is to follow the guidance of a reputable mortgage broker. Get in touch with our team today to find out more.

DO YOURSELF *a favour...*

There are many ways that you can make it easier for yourself to remortgage. This section outlines a few of the most effective.

REGISTER *to vote*

You'd be surprised just how much of a difference this simple task makes to your chances of remortgaging, so do it now if you can! This is one of the simplest ways a lender can make a check that you reside where you advise you live.

PAY YOUR BILLS *on time*

Any bills that are missed or paid late could result in a bad credit rating which could cause issues with your remortgage choices.

FINANCIAL *housekeeping*

Make sure addresses and other details are up-to-date on all accounts – from credit cards to phone bills.

MAKE NO OTHER *applications*

Numerous credit checks can have a detrimental effect, so keep all credit applications to a minimum in the lead up to your remortgage where possible.

DO YOURSELF

a favour... (continued)

BOOST YOUR *credit score*

Strangely enough, sometimes the best way to improve your credit rating is to borrow money. One way to do that is to spend a small amount on a credit card each month, but make sure you pay it off on time each time!

NO CASH *on credit*

Withdrawing money on a credit card can be a warning to a prospective lender, plus it's typically not cheap, so best to avoid it altogether if at all possible.

REVIEW UNUSED *credit*

Look at any unused credit facilities on your file such as old credit cards that you no longer use. A large amount of available credit can be detrimental so close these completely.

STEER CLEAR OF *payday loans*

Payday loans might seem like a lifeline, but for most mortgage providers they are an indication of cash flow problems. We recommend you consider alternative solutions wherever possible.

IT'S *personal*

Just because a deal is great for your next-door neighbour, it's not necessarily great for you.

Remortgaging is an incredibly personal process that depends entirely on your circumstances. There are a vast number of different factors to consider with every single application, and deciding which is the best option is purely down to how well the product matches your current situation. When it comes to remortgage products, the 'best' always means the 'most appropriate'.

With this in mind, don't be seduced by cheap headline rates. For example, if your mortgage payments leave you with very little leeway in your bank balance each month, the security of a fixed rate, although possibly more expensive, maybe a worthwhile option and could therefore still be considered good value.

The bottom line here is that you should never rush into anything. Consider your current situation, your future prospects and take your time to leave no stone unturned.

DON'T *forget...*

Remortgage deals appear and disappear in the blink of an eye, so if you miss one today, it's highly likely there will be another one just as good available tomorrow. You just need to know where to look, and that's where we can help.

LET US DO *all the hard work*

With so many things to consider and big savings at stake, remortgaging can be an extremely stressful process, so why not give us a call and relax in the knowledge that you are in the hands of the experts?

The remortgage team at The Mortgage Centres and our associates have a huge amount of experience and expertise in the industry and are perfectly equipped to ensure you make the right choice.

We have access to around 12,000 mortgage products, so we can obtain many deals that you won't see on the high street, often on an exclusive basis.

Simply give us a call, answer a few questions about your situation and we will do the rest.





The Mortgage Centres

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