Guide to Remortgages & Product Transfers

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What is a remortgage?

Remortgaging is when you look to move from one mortgage deal to another, either staying with your existing lender or moving to a new one. Your personal circumstances may change over time, and this could provide a reason to remortgage to find a deal more suited to your individual circumstances at that moment in time.



Why do people choose to remortgage?

It's always important to review your finances from time to time, consider your options and know that you've got a mortgage that fits your individual circumstances and needs.

Much like renewing your car insurance or shopping around for a better broadband deal, there will often be other mortgage rates out there that may be more suitable for you, and the process of changing this is called a remortgage.

Some additional reasons that many choose to remortgage:

• The current fixed rate mortgage deal is up for renewal

• Seeking a mortgage with a lower interest rate

• Looking to move from an interest-only mortgage to a repayment mortgage

• Looking to be able to make overpayments

• Seeking to borrow money for projects such as house renovations

You may be charged an early repayment charge if you remortgage before your initial period ends.

Many mortgages will have an initial period of fixed rates, which expires generally after either 2, 3 or 5 years, after which you would revert to a Standard Variable Rate (SVR) and end up paying a higher rate

than you previously enjoyed. This is one of the most commonreason homeowners choose to seek a remortgage.

Of course, a mortgage is likely to be the biggest financial commitment you'll ever make, so there's a few things you should consider before taking the plunge and seeking to remortgage.

If you've spotted a new deal out there, there's a few things to check:

• Check the costs of changing your mortgage, for example any application fees, product fees or costs associated with remortgaging, for example charges for conveyancing or searches undertaken on your behalf that may counteract any savings you may be seeking to make by remortgaging.

• Look at what early repayment charge you may have on your current mortgage that needs to be paid off before switching to a new deal.

• Check the small print to see if there are fees for your new mortgage – arrangement fees, valuation fees and booking fees, for example, and factor these costs into your calculations.

• Make sure you're ready for a mortgage – similar to when you first applied for your current mortgage, it's important to have a good credit score and financially be in good condition, as there may well be similar checks undertaken as for a first-time mortgage.



Product transfers

A product transfer is where your existing lender can offer you a range of alternative mortgage products to choose from in place of your existing deal. The benefits of this route are that it's often simpler and faster to change products with the same lender, however the downside is that it's not always clear that you are getting the most suitable deal, so it would be valuable to take professional mortgage advice to assess your individual needs and circumstances.

Choosing a remortgage product

There are a few choices you can make when selecting new mortgage products. We list some key details below, please do speak to us for more information and a full explanation of what each option means and how it can work for you.

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

1) Repayment Methods – Capital and Interest, or Interest-only?

There are two main methods of repaying a mortgage:

• Capital and Interest Repayment Mortgage – this allows you to pay a portion of the mortgage and portion interest each month.

• Interest-Only Mortgage – this allows you to pay only the interest for that period and not the original sum of capital borrowed. This still needs to be repaid after the mortgage term is completed. As you are only paying the interest, this will not reduce the outstanding mortgage amount, and so you will be required to have a repayment vehicle in place to pay the outstanding balance.

Lenders often need solid reassurance that you have a plan in place to repay an interest-only mortgage, so they tend to be harder to obtain than a repayment mortgage. Relying on savings, future work bonuses and inheritance can be options to pay back the outstanding balance, but eligibility will vary based on the lender's criteria, some will differ in what they accept as suitable repayment vehicles.

Interest-only mortgages are more commonly used in buy-to-let or property development investments, with a clear business plan put in place.



2) Fixed or Variable-Rate?

Fixed Rate

Mortgages with a fixed rate are to a specific interest rate, set out at the time the mortgage was established, and is fixed in place for a pre-determined period, whether that's 2 years, 3 years, 5 years or potentially longer. The benefit having a fixed rate of interest on a mortgage is the fact that it does not change for that period, so it aids planning, stability and may provide peace of mind around fixing your costs for a certain time ahead.

The drawback of a mortgage with a fixed rate is that should interest rates decrease over time, then you may be unable to take advantage of this and may pay more than you would otherwise if you had a mortgage with a variable rate.

Variable Rate

Mortgages with a variable rate of interest broadly follow bank interest rates, moving up and down over time following global events and economic activity. Depending upon the current state of the economy, the interest rates and your monthly mortgage payments will rise and fall accordingly, which may make it more challenging to plan your monthly costs ahead.

A 'Tracker' mortgage will follow the Bank of England interest rate exactly, whilst a Standard Variable Rate (SVR) is based on a rate provided by a lender and may be a few percentage points above the Bank of England interest rate.

Take advice

Given the range of different mortgage types available, we strongly recommend that you seek advice from a qualified professional mortgage adviser before proceeding. We will listen to your circumstances and make considered recommendations on the type of mortgage that may be most applicable to your circumstances.

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Is there anyone who shouldn't remortgage?

For those seeking to remortgage as a means of saving money or to get a better deal, be aware that for some, it is not always in their best interests, and sometimes your existing mortgage deal may be better than what you can find out there now. It all depends upon money, timing and personal circumstances.

• You already secured a great deal at the time – that nothing out in the market today can complete. With the market always changing, it would be a good idea to speak to us to help you with your options.

• Your existing mortgage locks you in – this is called an 'early repayment charge' and may be charged if you decide to move before your fixed period has ended.

• You own less than 10% of your property – if you need to borrow more than 90% of the current value of your property, you may struggle to find competitive mortgage deals. There are 95% mortgages increasingly available, however these tend to be aimed predominantly at buyers purchasing property rather than remortgaging.

• Your equity has shrunk – in some cases where the value of your property has fallen since purchase then this can cause challenges. For example, you had a 10% deposit when buying your home, borrowing the remaining 90%, if the overall value has fallen, then the amount you owe is a bigger proportion.

• Your circumstances have changed – if your financial position has altered since your current mortgage was

taken out, perhaps one of you have stopped working, you became self-employed, or your income has fallen. New lenders may not be prepared to offer you a loan as you no longer fit their criteria.

• You have a poor credit history – since taking out your first mortgage, if your credit score has worsened, with any missed credit card, mortgage or utility payments, or loan defaults, then it may be more difficult to remortgage.

• You have a very small mortgage – once your loan falls below a certain amount, it may not be economic to switch lender, simply as you are less likely to make a saving if the fees are high. The smaller the mortgage you have, the larger the effect of any fees you pay to remortgage are, especially given that most new mortgage deals have a four-figure arrangement fee attached.

• You are very close to the end of your mortgage term – for borrowers at the very end of a long mortgage term, the costs of switching lender may be expensive and not worthwhile, and it may be worth comparing costs to that of a brand-new mortgage when required.

For those reasons, it pays to do some research into your current mortgage terms, to examine whether you are best off not making any changes unless your circumstances make it essential to do so, and we are here to help guide you on the most suitable options for your individual needs and circumstances.



Getting ready to remortgage

Check how much you currently owe on your existing mortgage, you can either do this yourself using the documentation supplied by your lender, or we would be able to help you with this as part of the advice we give.

• Plan ahead – allow up to six months for a remortgage to take place, this gives adequate time to undertake research and decision making for what you're looking for alongside the process of applying for a remortgage itself.

• Plan your finances – just as for applying for your first mortgage, it pays to make sure your finances are truly in order. Check your credit score, don't apply for any new credit, avoid any large purchases, avoid any payday loans or overdrafts at all costs to boost your chances of quick acceptance for a remortgage.

• Plan for the application – much as for your first mortgage, the remortgage process normally requires presentation of a range of documents to prove income and identity, so it is wise to have your documentation in order and ready for when your mortgage adviser or lender requests, to allow your application to proceed without delay.

• Self-employed applicants are required to provide additional proof of income, with up to three years history. The ability to show future workload and incoming revenue stream will aid your application, alongside a good credit score.



We look forward to helping you fulfil your goals.

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

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

Our initial mortgage consultation is free of charge and with no obligation. There may be a fee for mortgage advice. The precise amount will depend upon your circumstances and will be agreed with you before proceeding, but we estimate it will be £495

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