Our guide to remortgaging

mortgage advice hub

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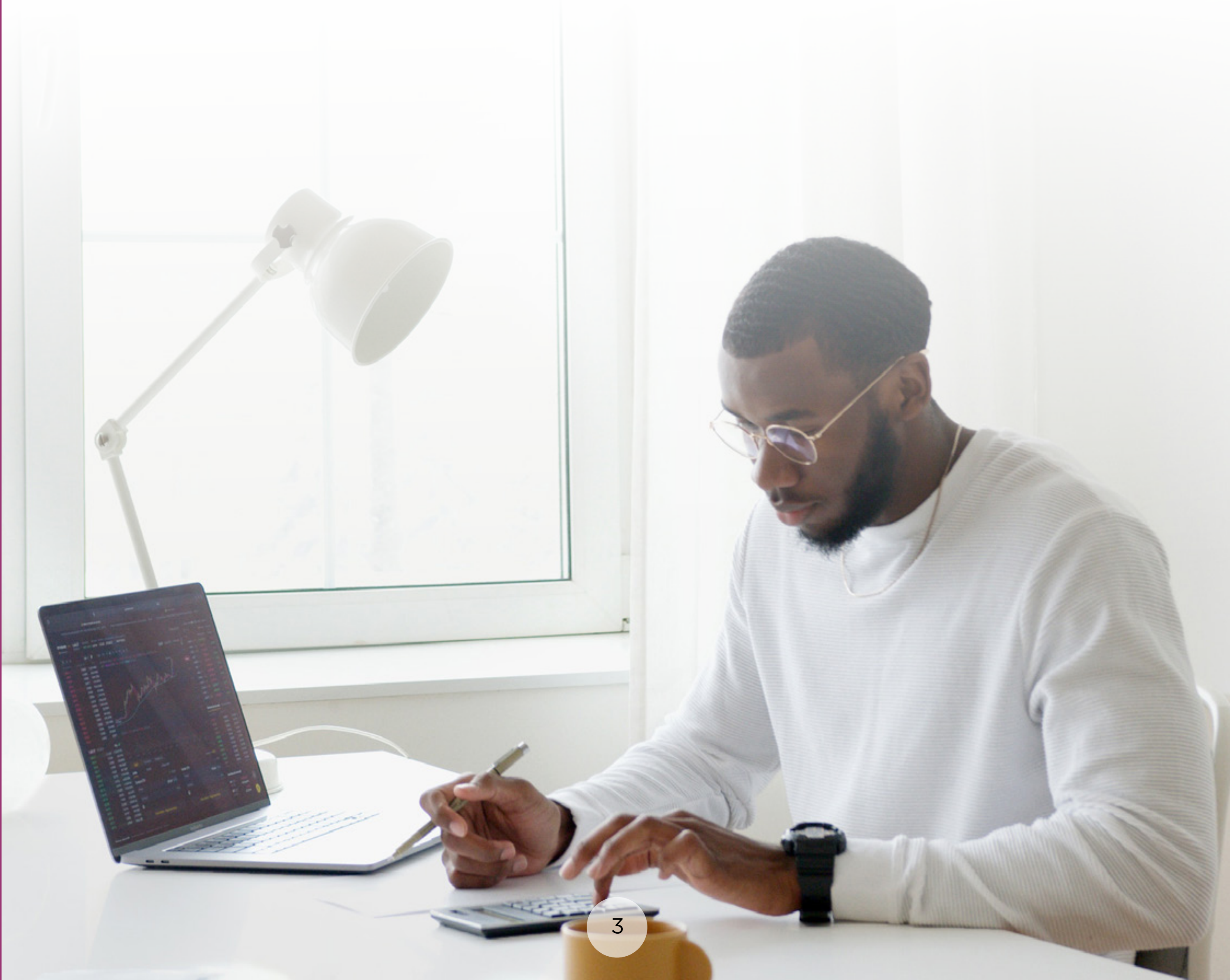
Ever wondered about remortgaging?

You might've heard people talk about remortgaging, but never fully understood what it actually is, or if it's something you should be doing yourself.

In this guide, we'll explain exactly what remortgaging is, and when and why you might need to remortgage, so you'll be clued up ready for when the time is right.



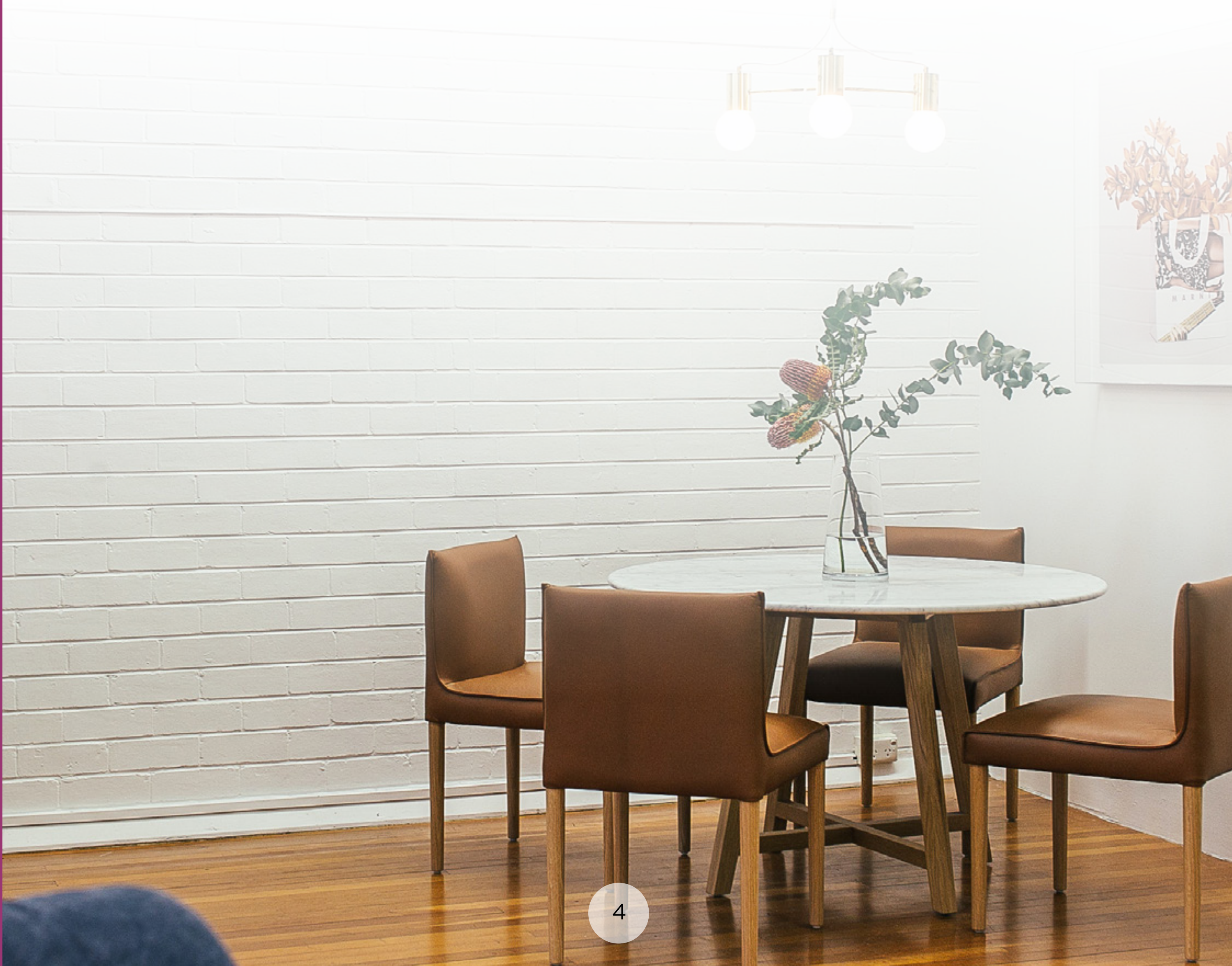
So what is remortgaging?

Remortgaging is where you switch the mortgage on your current home to another lender. It basically means replacing your current mortgage with a new one. So, if you're happy in your current home but want to move to a new mortgage deal, then remortgaging is something you should consider.

Just like you'd shop around for cheaper energy rates, the same goes for your mortgage. You can compare mortgage deals and see if there's an opportunity for you to save money. And that's where we can step in and help.

We can search thousands of mortgage deals from many different lenders to find the right one for your circumstances.

Speak to our friendly advisers today and get started with your remortgage.



When and why do people remortgage?

There are many different reasons why you might decide to remortgage. Here is a list of the most common reasons:

You want to take advantage of low interest rates - if interest rates are particularly low, then there could be an opportunity for you to save money by remortgaging. Just be aware that you may have to pay an early repayment charge to the lender if your current deal hasn't finished yet. This can also sometimes be called the 'exit fee', or 'admin fee'. A mortgage adviser can help you check the cost of this, against the costs you'll be saving with your new mortgage deal, to work out if it's worth paying the early repayment charge or not.

You want to move from interest-only to a repayment deal - if you've been on an interest-only mortgage, then you might decide that you'd like to switch to a repayment mortgage. This can give you the reassurance that a proportion of your mortgage payment is going towards repaying your mortgage debt each month. Your current lender might be able to change this over for you without the need to remortgage. However if they can't, then you'd need to apply for a full remortgage.

Your fixed deal is up for renewal - you might've taken out a fixed rate mortgage, where you make the same repayments every month and the interest rate stays the same. However, once the initial period has ended (whether it was a two, three, five-year fixed deal etc.) you'll fall onto a standard variable rate (SVR) where you could end up paying a higher interest rate than you were before. This would be the perfect time to remortgage and start shopping around for a better mortgage deal.

You'd like to borrow more money - rather than moving house, you might want to remortgage and release some cash that you've built up in your home to fund an extension or a renovation project. In many cases, remortgaging can be a cost-effective way to borrow the additional money you need. Don't forget to do your homework first though and weigh up the pros and cons of paying the early repayment charge (if you have to), as you might actually find that taking out a loan is the better option for you, rather than remortgaging. Just be aware that your lender may want to know what you intend to use the money for, and may ask to see builder's quotes etc. as evidence.

Getting ready to remortgage

It's never too early to start thinking about remortgaging. Whether you've seen a great deal that you'd like to switch to in order to save money, or perhaps your fixed deal is coming to an end. Our mortgage advisers can offer expert advice and guidance along the way, until the moment you're ready to remortgage.

How soon can you remortgage?

This is the most common question our advisers get asked, and the answer is: there is no specific time frame. Typically, if you're happy on your current mortgage and only want to remortgage because you're coming to the end of your deal, then you'll probably want to start looking about six months before your end date. But you can technically switch mortgage deals at any time. Just be aware that switching 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, ask your mortgage adviser if there is an early repayment charge on your current mortgage deal. If the answer is yes, ask how much it is, and what date it applies until. Your mortgage adviser can then recommend whether it would be worth switching deals and paying the charge, or waiting until you're out of the initial discount period of your current mortgage.

How much do you owe?

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. Once you know the amount, you'll be able to work out exactly how much you need to remortgage for, and you can also work out what your repayments are likely to be each month.

Get your finances in order

Ultimately, lenders want to see that you're responsible with your money and can afford to pay them back each month. Therefore, you, and whoever else is named on the mortgage, will need to go through the full application process. This means full disclosure of 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 you do the following so you stand the best chance of getting mortgage approved:

- Check your credit score using companies like Checkmyfile
- Don't apply for any new credit e.g. loans, car finance deals etc.
- Avoid spending unusually large amounts of money
- Don't go into your overdraft anymore than you already are (if you are)

Mortgage Valuation

A chartered surveyor will need to value your house for mortgage purposes - this is called a 'mortgage valuation'. These can be free when remortgaging, or can cost £3-400, depending on the value of your house. Your mortgage adviser will be able to help with this.

Find a Solicitor

You'll need a solicitor or licensed conveyancer to act on your behalf to ensure that the legal side of the remortgage process is taken care of correctly. Some lenders include either the full cost or a contribution towards legals in their products, but others don't, so it's best to check with your adviser so you can budget for this. 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. If they don't, your adviser can help find a solicitor for you.

Will you have to pay a product fee?

Some lenders charge a fee for specific mortgage deals. For example if you're taking out a five-year fixed rate, you may find that there's a product fee for this. Again, you need to check upfront with your mortgage adviser to see if this is the case, and if so, what the amount is.

If there is a fee, you may find that your lender will allow you to add the cost of this to the total cost of the mortgage, rather than having to find the money upfront. That's okay, but just remember, that's an additional amount that you'll be paying interest on over a number of years, so you need to factor that into your calculations. Make sure that you've got a full understanding of the total costs of the mortgage and associated costs; not just what your monthly payment will be.

Things to consider when remortgaging

First things first, there are a few things to consider before making a final decision to remortgage.

Are you mortgage ready?

Just because you've already 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 were buying your first home.

Make sure you have your last three months' pay slips, bank statements, ID etc. and make sure your credit score is still healthy, as this will certainly be checked again to determine how responsible you are with your money.

Have you spoken to a mortgage adviser yet?

It's never too early to speak with a mortgage adviser. They understand the market better than anybody else, and they especially know what criteria lenders are looking for. Having this knowledge, and being able to compare thousands of mortgage deals will save you the hassle, and time, when trying to find one yourself.

Will you have to pay an early repayment charge?

Some mortgages come with an early repayment charge (ERC), so check to see if your current mortgage has one written in its terms and conditions. If it does, you'll have to pay this before you can switch to a new deal.

What is your LTV?

Do you know your loan-to-value (LTV)? It's worth finding out, as the lower your LTV, the more mortgage deals that are available to you. You can work this out yourself by dividing your outstanding mortgage balance by your home's current value. For example,

Your outstanding mortgage is £100,000 and your house is valued at £250,000.

100,000 divided by 250,000 is 0.4.

0.4 x 100 = 40

Your LTV is 40%

Is there a product fee?

Is your lender offering you a fee-free mortgage or is there a product fee involved? Depending on how much the product fee is, this could outweigh the benefits of switching - especially if you're switching primarily to save money.

What's a product transfer?

A product transfer is a great option if you're happy with your lender and you don't want to borrow anymore money. You're simply just looking for a new deal.

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.

Advantages of a product transfer

- 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. Most product transfers can be done within 10 working days, or even less.
- You don't have to provide the same amount of paperwork to support your application, so this can speed up the process.

Things to consider

- You won't be able to raise any additional capital. Taking a product transfer means that you'll only be able to swap your current outstanding mortgage balance onto a new product, not borrow any more money. However, you could take out a further advance if you'd like to borrow more money. Speak to your mortgage adviser if this is something you'd like to do.
- You'll have to stay with the same lender, which 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.
- If you want to add a partner to your mortgage, for example if they've moved in with you, or if you want to take someone off the mortgage (perhaps you've split up with a partner), then you won't be able to do this on a product transfer. You'll have to remortgage and go through the appropriate legal process.

Preparing your finances

In the majority of cases, you'll need to provide the same information 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, so it really is worth preparing everything you might need in advance, to make sure there aren't any hold ups.

If you're remortgaging and you're employed, then you'll need to give your adviser:

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

If you're remortgaging and you're self-employed, the paperwork you'll need to provide is slightly different:

- Your last three months' personal bank statements
- If you own a limited company, then you'll need to supply proof of income. Your mortgage adviser will be able to tell you which specific documents you need, based on your individual circumstances
- Your last three months' business bank statements from all of your business bank accounts (not all lenders ask for this, but best to have them as it's possible that your mortgage adviser may still need to see these as evidence of your income)
- Your Tax Year Overview for the past three years and your last three SA302's
- Proof of any benefits you receive, for example Child Tax Credits or any child support or spousal support from an ex-partner
- Two utility bills with your current address (not your mobile phone bill)
- Passport or your driving licence

As you can see, there's quite a bit to pull together, but knowing in advance what you need should reduce any stress and help the process run more smoothly.

Have you thought about protection?

If you already have mortgage protection in place, then now would be a great time to review the policies to make sure they're still the right ones for you and your family.

Reviewing your protection plan is a good idea, especially if there's been a change in your circumstances, such as your family has grown or there's been a change in your health.

Here are some of the different types of protection we offer:

Income Protection

Sometimes known as 'permanent health insurance', income protection is a policy that can provide you with a regular income, should you become ill or injured and can't 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

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

Critical Illness Cover (CIC)

This is a slightly different type of cover, designed to pay 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 either pay your monthly mortgage payments, or pay it off completely, depending on the amount you receive.

Building and Contents Insurance

Your mortgage lender will likely request that you have buildings insurance. The building insurance will protect you against any necessary repairs, should your home suffer any damage. The contents insurance will protect your personal belongings e.g. furniture, carpets, TV etc. Different policies provide different levels of cover, but usually you'll be covered against theft, fire and flood.

Payment Protection Insurance

These policies are more specific and generally cover a regular payment that you'd need to make, for example your mortgage. You can usually make a claim if you lose your job. For instance if you're made redundant, or if you're not able 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.

For insurance business we offer products from a choice of insurers.

Remortgage FAQs

We've pulled together some common questions we're regularly asked about remortgaging. Hopefully you'll find them useful, but if you want to discuss anything further, please get in touch, as your circumstances could impact the answer we give.

Q. Do I have to wait until my current mortgage ends and I'm on my lender's SVR before I can move to another deal?

A. 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 could save money.

This does vary from lender to lender though, so tell your mortgage adviser as soon as possible and they can look at what your options are.

Q. What happens if I've changed jobs since I last took out a mortgage?

A. 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 employers' details on your mortgage application.

However, if you've moved from full-time employment to part-time, or moved jobs and your wages have reduced, then this may affect the amount you can borrow, even if you're remortgaging.

If this is the case then it's best to mention any changes to your circumstances to your adviser as soon as possible, so that they can assess your finances and give relevant advice and guidance on what your options are.

Q. I've split up with my partner and need to buy them out of the house – can I do this by remortgaging?

A. Potentially, yes, however, you'll need evidence that you earn enough to apply for the mortgage based on your income alone.

It will depend on how much you need to borrow and how much you earn, to make sure that you can take over the current outstanding mortgage balance.

Q. Where can I find out my credit rating?

A. You can check your credit rating through Checkmyfile. This is a credit referencing agency and will send you a valid credit report.

Q. Are there any early repayment charges?

A. Many mortgage deals include penalties, so if you decide to exit the mortgage early, you may have to pay what's called an early repayment charge.

For example, if you took a five-year fix, and then after three years decided that you want to change lender, you may find that you have to pay an early repayment charge to redeem your existing mortgage, as you're still within your current mortgage term.

Q. Can I take the mortgage with me if I move home?

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

If you want the security of a long-term fixed rate, such as a five-year product, but are concerned that you may need to move before the five years is up, then it's worth asking upfront if the mortgage is portable.

Q. Can I make overpayments?

A. You're probably thinking, "Why would I want to pay my lender any more than I actually need to?!" However, by making overpayments on your mortgage, you could save money in the long-term. By reducing the amount you owe (your outstanding mortgage balance) you pay less interest, because the interest you pay is only calculated on the mortgage balance you have outstanding. You may also find that by overpaying, you can reduce the overall term of your mortgage, meaning that you could be mortgage-free sooner!

To achieve this, you could make a small overpayment every month, so you don't miss the additional amount, making it easier to budget for the rest of your household expenditure. Or, you may want to pay bigger lump sums off of your outstanding balance. For example if you're paid an annual bonus from work in addition to your normal salary, you may decide you want to use some, or all, of your bonus to pay a lump sum off your mortgage.

Some lenders limit the amount that you can overpay each year, meaning that if you pay off too much, either in one go or over a 12-month period, you may be hit with early repayment charges, which isn't so great. So, if you think that you might want to make overpayments, speak to your mortgage adviser so they can recommend the right mortgage for your needs.

Q. Can I take a payment holiday?

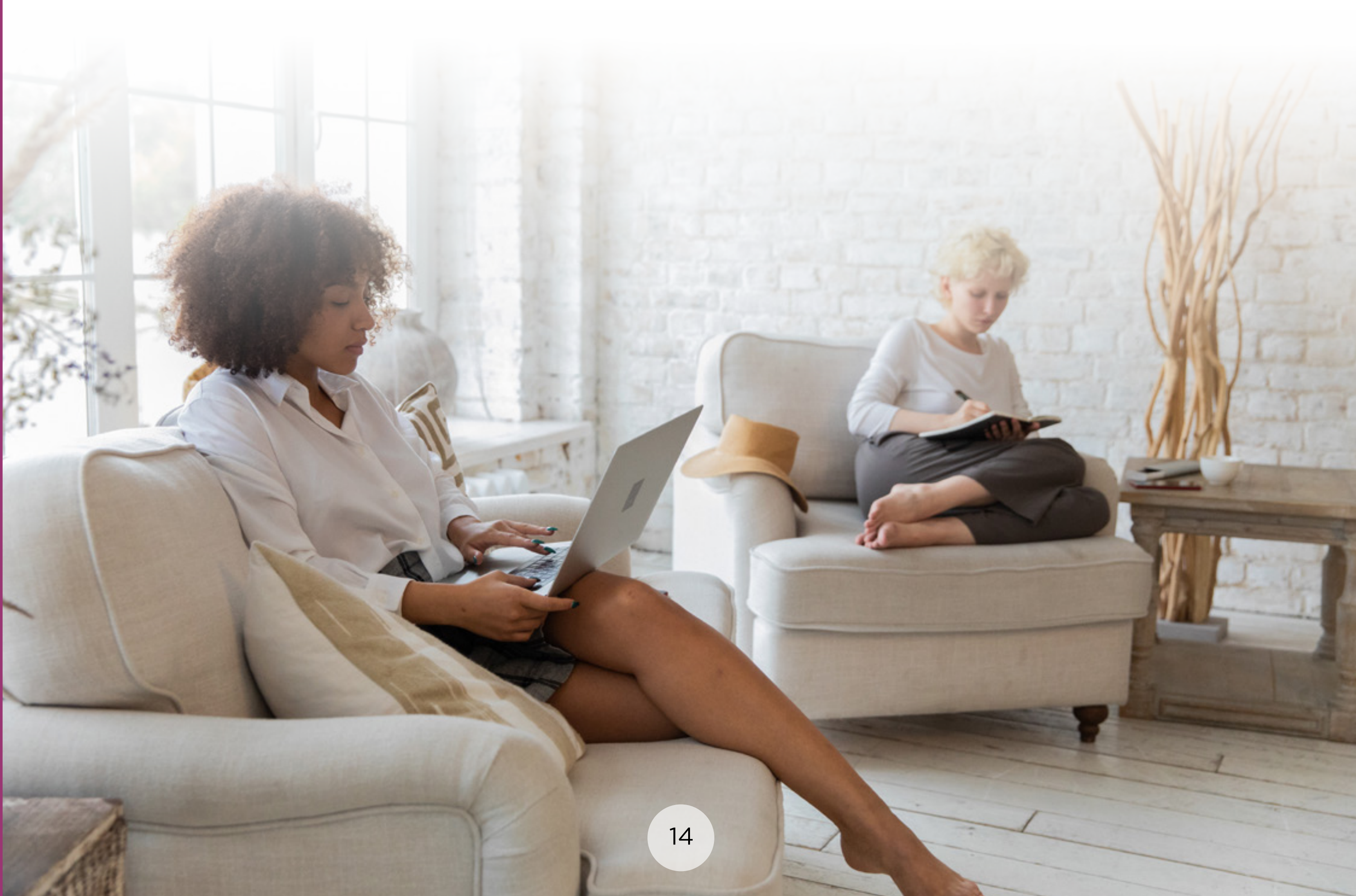
A. Not to be confused with, "Can I just not pay the mortgage next month so I can afford to go on holiday"...

Some lenders allow you to do this under specific circumstances. For example if you've just had a baby and want to take a three-month break from making 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 do 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. The other thing to consider is that payment holidays may impact your credit score, so it's not advisable to take one unless you really, really need to.

If it's something that you think you may need to do at any point during your next mortgage, again, it's best to let your mortgage adviser know straight away. That way, they can look for mortgage products with this kind of flexibility for you.

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



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