homeline

Your Mortgage & Protection Specialists

Re-Mortgage Guide

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Why Remortgage?

Remortgaging simply means switching your existing mortgage to a new one, this could be with a different mortgage lender. The main reason to do it is that you could end up saving lots of money by arranging a new deal, with a better interest rate or for a bigger amount. If you choose to remortgage, you could cut your rate, release equity built up in your property, or move from a variable-rate deal to a fixed rate if you want to manage your budget easily.

Remortgaging can reduce monthly repayments. If this is what you're after, you should look at the rate you currently pay and then see if there are any better rates on the market. Banks, building societies, specialist lenders and mortgage brokers offer different deals to accommodate your needs. Most lenders charge fees, but some offer fee-free deals.

Current Mortgage

First, find out what type of deal you have in your current mortgage. Find out the details of the deal you have at the moment. You may be currently paying your lender's standard variable rate (SVR), which is rarely the best deal on offer.

Selecting a new Mortgage

There is a wide range of remortgage products available from different lenders. At Homeline Mortgages we explain the benefits and disadvantages of any deal or deals you might be interested in. We will also state clearly the interest rate you will be paying and if it's a fixed or capped rate, the time you'll be paying that rate for. We will be able to figure out the monthly amount you'll save by switching, based on a comparison between the new rate they offer you and the old rate you were paying. Remember, if you're getting a bigger loan, your payments are probably not going to get smaller.

Even though you're able to remortgage as many times as you like, remember that you may be liable to pay redemption penalties and you may have to pay arrangement fees each time you change. Homeline will recommend the most suitable lender for you after researching the whole of the market.

Calculations and Timeframe

You can calculate how much your remortgage costs will be by adding up the following:

- Redemption penalties (if any), which may be charged if you pay off or switch your mortgage within a certain time period
- Arrangement fees (if any)
- Valuation fees
- Legal fees: between £300-£500, unless your new deal pays for it. Legal costs should be much lowerthan when you bought the property, as there are no contracts to prepare and there's no stamp duty to pay.

Compare the savings produced by the switch to these costs. Some lenders are willing to take care of the valuation and legal bills for you to switch to them, which should save you some more money straight away. This can be useful for a small mortgage; but on a larger loan it may be better to look for the lowest rate rather than the best incentives. If not, it may take a few months to even up the savings and costs.

It's important to work out the redemption costs carefully, because even if you move to a new lower rate, it may be many years before you receive any real benefit.

Time-Scales

The process can take a few days to over a week, but you should talk to your adviser about the timeframe of the transaction. Your new deal might be delayed if there be any complications in the process.

If you're coming to the end of a fixed-rate or discount period you can start shopping around some months in advance. You can switch from one fixed rate to another to save some money. Since most mortgage offers last for around three months, you can have a new deal sorted out to start the day the special-offer rate ends.

Check Penalties

Early repayment charges can be levied if you repay your loan whilst in an offer period i.e fixed rate deal. If you have an existing fixed, capped or discounted rate mortgage, or if you received a substantial cashback amount when you took your current mortgage, there's a real chance that an early repayment charge will be applied to your loan. They're designed to help the lender recoup the costs of setting up the deal. Usually, the charge is a percentage of the loan you are repaying, or a number of months' interest. Most charges are payable only during the special offer period, but in some cases they're levied beyond that - these are called overhanging redemption charges. In some cases it may be worth paying this fee - for example, if you have several years left on a very high fixed rate after the initial deal has ended.

Remember, it may make sense to wait until the redemption charge period has passed before you switch your home loan. Often, though, it's worth sitting tight until you can walk away from the deal without paying hundreds of pounds for the privilege. Ask your lender for a redemption statement outlining the outstanding mortgage balance and how much you need to pay in charges. On top of redemption fees, most lenders charge a sealing fee and/or a fee for releasing the deeds, which can add up.

If you had cash-back at the start of your current mortgage, then you will be expected to pay some, if not all, of the money you received if you move your mortgage elsewhere.

New Penalties

When selecting a new mortgage with a low interest rate, keep in mind that the price you may have to pay in the future for the lender's initial generosity could be high early repayment charges applied to the new loan.

Some lenders don't charge any redemption penalties at all, even on fixed and discounted rate home loans, so make sure you get enough quotes to compare. You can always choose to stay with your new lender indefinitely and never pay redemption charges. However, ask yourself whether you will really stick with the new lender for the remainder of the life of your mortgage.

Home Improvements

One of the reasons to remortgage is to release equity for home improvements. This means that you can use the extra money you're saving in order to rebuild, alter or redecorate any part of your house you want, thus increasing its value for the property market.

This will come in handy should you decide to sell your property afterwards.

Survey, Complete

Your new lender will request a valuation from you. As stated in previous steps, they may forgo this charge for you to switch to them. In any case, the survey is not as comprehensive as the one done when buying a house, but you're still expected to go through with this.

After the valuation, the value of the property will be assessed and a new mortgage deal will be arranged for you. Your solicitor should take care of all the details concerning the new mortgage and the paperwork involved.