

Remortgaging – What you need to know

The remortgage definition is to take out another or a different mortgage on a property. The legal definition of remortgaging is when you have a mortgage with a lender on your property and choose to change the mortgage from one product to another. You may also decide to switch lenders at this point. Remortgaging does not involve moving house.

Why should I remortgage?

There are several reasons that you may want to remortgage your property. And there are many remortgage deals that you will want to consider. A full mortgage term is typically between 20 to 25 years; a mortgage deal will only usually last between two and five years. However, there are mortgage lenders that will offer ten-year mortgage deals.

When your mortgage deal ends, the initial interest rate will change to the lenders standard variable rate (SVR). This is usually higher than the deal rate. If the rate is not higher, it can rise unpredictably based on market conditions.

Here are some reasons that you might consider remortgaging:

- If it is better to have more flexibility in your mortgage. For example, some mortgages can let you miss a payment or pay more. These are useful when your income also fluctuates.
- The value of your homes has increased, and you want to find a more attractive deal.
- Your financial circumstances have improved, and you can now get a better deal.
- The current mortgage deal you have is about to expire, and you will be switching to the lender's SVR.
- You wish to borrow money against your property.

Getting ready to remortgage

Just like any financial commitment, you need to make sure that you are ready. Getting ready for remortgaging doesn't have to be complicated.

Some simple things you can do ahead of time include:

- Understand exactly how much remains on your existing mortgage
- Check your credit score and iron out any glitches
- Avoid where possible taking out additional credit on anything
- Avoid large purchases
- Pay off your overdraft and any credit cards you may have

A mortgage advisor is able to help you make a switch as stress-free as possible.

Start early

You should start the remortgage process early. It would be best if you began your remortgaging preparation with plenty of time before your existing deal ends. This will give you enough time to look at all of the remortgage deals and remortgage rates on the market, and one of the first options is to discuss this with your current lender.

The best option will depend on your circumstances. Here are some helpful tips for choosing how to remortgage.

Understand the lenders

Some mortgage lenders may advertise very good rates, but the product may not fit your individual needs. You may need to choose between using a bank for your remortgage, a direct lender, or a remortgage broker. A broker may have access to a broader range of products.

Is it easy to remortgage?

Getting a mortgage can be a lengthy process; in comparison to your first mortgage it is usually easier.

Unlike a mortgage, there is no chain when remortgaging. This helps keep the remortgaging process simple.

Lenders often require the property to have a valuation. Some lenders have an automated system, and if a property is at a lower loan-to-value ratio, a valuation might not be needed.

What fees will there be if I remortgage?

Arranging a remortgage will have associated costs. It is a good idea to prepare for your remortgage to work out the fees and costs you will need to pay.

Arrangement fees

Arrangement fees are charged by the lender to establish your new mortgage. The cost of arrangement fees will vary based on the lender and the deal that you are applying for. They will be a percentage of the total sum or a fixed amount. It is possible to pay this fee upfront or include it in your mortgage.

Booking fees

Some lenders will charge a booking fee on top of the arrangement fees. These are typically non-refundable and are one-off payments. Not every lender will charge this, so be sure to check.

Legal fees

You will need to appoint a solicitor or a conveyancer to arrange the legal side of the mortgage. There are remortgage deals that come with free legal work; this can make the process quicker.

Valuation fees

If you are moving to a different lender, then you may need to have your property valued. Lenders will usually appoint their own surveyor or valuer, but you will cover the costs. Valuation fees will be between £0-£1,500.

Early repayment

Early repayment fees are applicable if you are exiting your mortgage deal before the end of its term. They may not apply to you, but they can be very costly. Check your mortgage's terms and conditions carefully to see if you are liable for early repayment fees.

Exit fees

These are also known as mortgage completion fees. This administration cost is applied by lenders when you pay your mortgage off in full. Exit fees are also applied to the final mortgage payment.

How can a mortgage broker help with remortgaging?

Mortgage brokers have plenty of experience as well as a network of opinions. Having a larger pool of lenders means that you will get access to a greater variety of remortgaging deals. Impartial advice can also show you all of your options and make sure you are prepared every step of the way.

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YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE