



Porting a Mortgage – All You Need to Know

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What happens to your mortgage if you are making plans to move? If you don't want to lose your current mortgage deal you may be able to take it with you using a common process known as 'porting'. This guide explains how mortgage porting works in a range of scenarios and explores whether it's the right option for you.

What is mortgage porting? Mortgage porting is the process of transferring an existing mortgage deal across to a new property. By doing so, you'll keep the same terms of the deal, such as the interest rate and period it applies for.

When you port a mortgage, you repay your existing mortgage using the proceeds of the sale of your home, and then resume your mortgage on the same terms in your new home.

Porting can be a useful option for two main reasons: 1) if your current mortgage deal has some time left to run and getting out of it before then would mean paying a hefty early Prepayment Penalty; or 2) if current mortgage interest rates are significantly higher than your existing mortgage deal – for example, you currently have a 30-year fixed rate mortgage at 3.00% with about 25 years to go, however current mortgage interest rates are now around 6.00%.

Can I port my mortgage? That depends. Many mortgages are portable, but others are not, so you'll need to check with your lender.

That said, even if your mortgage is portable, you'll need to reapply to transfer it. This won't be a case of simply filling out a few forms. Your lender will carry out affordability checks and run a credit search which means there's no guarantee you'll be accepted again, even though you were the first time.

If your financial circumstances have changed – for example, if you're in a different job and taken a pay cut – you might not qualify. This could also be the case if your mortgage provider's lending criteria has been amended or if your credit score has deteriorated since you first applied.

Can I increase my loan when porting? If you are porting your mortgage to a more expensive property, you can use any equity (value) built up in your current home, as well as any savings, as a deposit towards your new home and effectively plug the gap. However, if the amount remaining is greater than your current mortgage, you'll need to borrow more.

Whether you can do this will depend on your mortgage provider and how close you are to the maximum amount it will let you borrow. If your mortgage provider agrees to lend you more, it might insist that the additional borrowing is on another mortgage deal.

As the top-up loan must be with the same provider your options will be limited to the deals it offers. You could end up paying a higher rate of interest on your additional borrowing, while your two mortgage loans will also have different end dates, making them trickier to manage.

Can I port my mortgage to a cheaper property? If you're moving to a cheaper home than your current property and you need a smaller mortgage, you should still be able to port your deal. But you'll need to pay back some of what you owe to the mortgage lender.

Most lenders will let you repay up to 10% of the outstanding mortgage balance each year without charging a penalty fee. If you want to repay more than this, a Prepayment Penalty may apply.

Are there any fees for porting my mortgage? There are no 'porting fees' as such. But you will usually need to pay a valuation fee (appraisal) so that your lender can check that the new property is worth what you plan to pay for it.

If you are borrowing an additional amount on top of your original mortgage, you might also have to pay an arrangement fee.

Do I need to give notice? If you're thinking of moving and want to port your mortgage, it's best to speak to your lender as soon as possible. They'll explain the next steps to take and help you complete the process.

What are the downsides of porting a mortgage? One of the biggest potential pitfalls of porting a mortgage is that it can prevent you from shopping around to see how your mortgage rate compares to other deals on the market. If interest rates are lower elsewhere, you could find that switching to a deal with another lender could save you hundreds of dollars in interest and even make the Prepayment Penalty, if applicable, worth paying.

In addition, if you're borrowing more when you port your mortgage, you could end up with two loans and any additional borrowing could be charged at a higher rate of interest.

Finally, remember that you won't necessarily be able to port your mortgage – this will depend on your lender and its affordability requirements.

What if I can't port my mortgage? If your mortgage isn't portable, your only options will be to postpone your move until your current mortgage deal has finished or pay the early Prepayment Penalty, if applicable. Prepayment Penalties are usually a percentage of the overall loan but they tend to reduce or go away as time goes by. For example, on a three-year fixed rate mortgage, you might be charged 3% in the first year, 2% in the second year, and 1% in the final year.

Is porting right for me? When making your decision, you'll need to weigh up when your existing mortgage deal will end and whether any fees will apply. If you only have a few months of your existing deal left, you could be better off applying for a brand-new mortgage as the process of moving can take some time.

You might find it's also not worth porting your mortgage if you won't pay any Prepayment Penalties for leaving your existing deal early, or if your current mortgage rate is not particularly competitive.

If you're unsure whether porting is right for you, it's worth speaking to a fee-free mortgage broker to discuss your options in detail.

What are the chances of porting my mortgage in the U.S.? Transferring an existing loan to a different property is relatively common in Canada and the United Kingdom but rare in the United States. Again, as in any jurisdiction, porting can only happen if the lender allows it and, especially in United States, few lenders will approve porting, but it doesn't hurt to ask your current lender. Ultimately, and if permitted, it can let a homeowner move into a new home without having to go through the process of getting a new mortgage.

If you have any interest or would like to speak with us directly, please do not hesitate to contact us at any time. We thank you for your time and we look forward to hearing from you!

Sincerely,



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