Dynamo

A Beginner's Guide to Remortgaging

What is remortgaging?

A remortgage is when you stay in the same property and replace your current mortgage with a new one, either with your existing lender or a different provider.

Most people remortgage when they're near the end of their fixed or discount rate term on their current mortgage.

You might also remortgage if you want to 'shop around' for a better deal than what your current lender is offering, or if you want to borrow more money against your property.

If you're on a fixed-rate mortgage and you don't remortgage before the end of your term, you'll be automatically moved onto your lender's standard variable rate and may see your monthly repayments increase.

When do you need to remortgage?

If you're on a fixed-rate mortgage, it's best to start looking for a new mortgage product more than six months before your current mortgage ends.

Your Mortgage Consultant will get in touch with you several months before your product ends to discuss your options and find you the best mortgage deals currently available to suit your circumstances.*

You should also consider the deals offered by your current lender, as you may be able to avoid paying for new valuations and credit searches. A slightly more expensive product could still work out cheaper over the mortgage term due to potential savings.

*Subject to status and lender criteria.

For instance, while changing to a new lender may allow you to save on your monthly repayments, you might face large upfront costs for a new valuation survey and solicitor fees, which over the fixed period work out as being more than the savings on the monthly repayments.

Loan to Value (LTV)

You may be able to move to a lower LTV product when you come to remortgage. For instance, if you took out a mortgage in the 90% LTV range, the payments you've made, and any increases in the value of your home, may put you in a different LTV band – 85%, or even 80% – which could offer better borrowing rates.

How does remortgaging work?

The remortgage process is similar to the process you will have gone through when taking out your initial mortgage, and we can offer help and advice at each stage.

Consider the costs

There may be a number of costs associated with moving your mortgage to a new lender, including:

- **Arrangement fee:** paid to the lender for arranging your remortgage.

- **Booking or reservation fee:** usually charged upfront, it pays to reserve the mortgage product offered while your remortgage application is being processed.

- **Conveyancing cost:** charged by the solicitor who is managing the transfer of your mortgage.

- **Valuation/survey fee:** to cover the valuation/survey carried out on the property.

- **Legal fees:** costs incurred by your conveyancer for the legal work required for a remortgage.

- **Mortgage product fee:** sometimes called an 'arrangement fee', this can be between £0 – £2,000+. You will usually have the option to either pay this on completion, or add it to your mortgage.

- **Broker fee:** The fee payable to your mortgage broker for processing your application, if you are using one.

- **Administration fee:** charged by the lender to cover the administration to set up, maintain and eventually close your mortgage account. It is usually charged at completion.

You may need to pay an Early Repayment Charge to your current lender if you want to remortgage before your current fixed term has ended.

Research the market

Compare rates and deals offered by different mortgage lenders. If you are using a mortgage broker, they will do this for you and present you with the best options for your circumstances* based on the lenders they have available to them.

Get an Agreement in Principle

An Agreement in Principle (AIP), also known as a Decision in Principle (DIP), gives you an idea of how much a lender would allow you to borrow. It is not a formal mortgage offer, although you'll need an AIP in order to make a full mortgage application later on. We can obtain an AIP from the lender for you once you've supplied us with the necessary documentation.

Apply for your new mortgage

Make a full mortgage application with your chosen lender. One of our specialist Mortgage Consultants can submit your application and supporting documentation for you.

Review any documentation

If you have a solicitor or conveyancer, they will handle the legal paperwork and any transfer of funds on your behalf. They'll send you any documents that you need to read and accept.

*Subject to status and lender criteria.

Completion

Your lender will arrange a credit check and valuation of your property. They'll then approve your mortgage application and send you your offer to review and accept. Your lender will inform you of your completion date, which is when your new mortgage comes into effect.

If you're moving to a new lender, you can expect the remortgage application to **take around two to three months** to complete after you apply, however it can take longer so always check with your lender.

Affordability

Remember that you may have to go through a credit search as part of the remortgage process. Anything on your credit file like recent missed payments may have an effect on your affordability.

Be mindful about applying for any new credit in the lead-up to your application, especially in the six months immediately before as hard credit searches will appear on your credit file.

Changes in your circumstances

A remortgage will still be as rigorous in comparison to a normal mortgage application in terms of affordability, so changes in your circumstances will be considered, such as:

a. If you've changed job
b. If there has been a change to your living costs, e.g. childcare
c. If you have any outstanding credit card or storecard balances

Other factors to consider

There are several other things to think about before you remortgage.

Product transfers

A product transfer allows you to change your current mortgage product to a new one with your existing lender, instead of remortgaging with a different lender. This means there may be less paperwork, and fewer or no fees, but you will be limited to your lender's available mortgage products, whereas you may be able to get a better deal with a different lender.

Your outstanding mortgage amount

If you have more equity in your property than you did when you took out your initial mortgage due to repayments, then you may be able to secure a new deal with lower interest rates. If you're buying a second property, the equity you have accumulated in your first property could be leveraged to purchase this.

Existing insurances

When you remortgage you will generally continue with insurances, such as buildings insurance or contents insurance, as these are attached to the property rather than the mortgage. However, you should check the mortgage offer you receive from the lender to make sure they do not require any amendments to your policies.

Any Life Insurance policies you have will need to be revisited as part of the remortgage process, to ensure the existing policies are still fit for purpose.

Contact us: www.dynamo.co.uk 01276 601040

Any fees payable will be explained in your initial no-obligation appointment, before you choose whether to use our Mortgage Services.

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