GUIDE TO REMORTGAGING

An Essential Guide By The Mortgage Advice Service

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Why Remortgage

With record low mortgage interest rates, it's probably a good idea to review your current mortgage deal, especially if you've been with the same mortgage lender for several years.

Many borrowers choose to switch their mortgage every few years in order to take advantage of the better rates on offer. Those that remain on the same deal for the full term of their loan could be losing out on a number of benefits, not least the opportunity to reduce their monthly repayments, but also on the total amount that is due to be paid back, which in some cases could amount to thousands of pounds over the term of their mortgage.

Depending on the size of your mortgage, you could save a hundred pounds or more each month by simply switching lenders.

If you're the kind of person who shops around for the best deal when you are buying a car or a holiday, then you could be missing a trick by not using the same skills to save money on your mortgage repayments.

As a homeowner you may want to consider remortgaging if you wish to:

- Reduce your monthly repayments by securing a cheaper mortgage.
- Release some money for other spending, such as home improvements, weddings or university costs.
- Avoid moving home, as it can be cheaper and more convenient to carry out home improvements or extend your existing property.
- Reduce your monthly repayments by extending the term of your mortgage. (Which will mean it takes longer to pay off the loan and could cost you more in the long term).
- Reduce the mortgage term by finding a better deal with a lower interest rate and by keeping your repayments the same so that you could clear your mortgage sooner.

If you are considering remortgaging to clear debt, you will potentially pay more interest by consolidating if the loan is increased or the term is extended.

Think carefully before securing other debts against your home

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

Remortgaging – what’s involved?

Anyone who has an existing mortgage can apply for a remortgage.

Although remortgaging is usually a much simpler process than if you were buying a new home, there are a number of points you need to be aware of and they are noted below:

- If you choose to change to a different deal with your existing lender, the process is very simple and if you do choose to switch to a new lender, only a few additional steps are involved.
- If you are applying for a remortgage through a new lender, you will have to make an application to them in the same way as when buying a property and to qualify for one of their products, you will need to meet their lending criteria.
- If a new lender is involved, they will require a valuation of your property to ensure that it is suitable for remortgage purposes.
- You will have to appoint a solicitor if your new lender is not offering free or reduced legal costs as part of the new mortgage deal.
- When an offer of a loan is made, your solicitor will need to carry out the necessary conveyancing work and provide a report and title for your new lender.
- Once your funds have been released, your solicitor will settle your loan with your existing lender and if you're borrowing additional funds, these will be released to you on, or shortly after, completion.

Finding the right mortgage requires careful research, but taking the time to find the best deal could result in you saving hundreds and maybe even thousands of pounds each year.

The thought of trying to switch your current mortgage may seem like a hassle you could do without, however **that’s where we step in - We do all the work that is involved in finding you a fresh deal that can lower your monthly payments and maybe even help you pay off your mortgage earlier.**

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What are the costs?

There are a number of fees which could apply to you when it comes to remortgaging, so it's crucial to know the costs so that you can work out if remortgaging is going to be worth it.

Any costs involved should be discussed with your broker at the start of the process.

Potential costs include:

- Early repayment charges may apply to your existing mortgage.
- Booking or arrangement fees may be involved with your new mortgage
- Solicitor (conveyancing) fees
- Broker fees

Although fees may apply, using a mortgage broker can save you both time and money. They will search for the most appropriate mortgage deal to suite your circumstances and will guide you through the process – **it's money well spent.**

If your current mortgage deal is about to come to an end, it's important to start shopping around for a new offer before you get transferred onto your lender's standard variable rate (SVR) which could be higher than your current rate.

For most people, their mortgage is their biggest financial commitment and it follows that by reducing your largest debt, you could produce the largest saving – in some cases these savings could amount to £1,000s each year.

Although many of the costs of remortgaging are similar to those incurred when purchasing a property, the savings you will make from remortgaging could far outweigh the costs involved.

How we can help

Having access to exclusive deals and lenders that are not available on the high street, we are confident of being able to find a great deal for you.

So how can we help?

- We will provide you with a dedicated mortgage advisor who will be available seven days a week.
- We will search the market for you to find the best deal available to suit your particular circumstances
- We take your whole circumstances into account before we recommend a suitable product, and it's that thorough, professional look at your finances that makes sense in using us to help.
- We will also complete all of the remortgage paperwork with you and help manage the process by liaising with lenders, solicitors and surveyors to make sure everything runs smoothly.
- We won't just advise you on your mortgage, we will also look at any related insurance policies that have to ensure that you and your property are fully protected and that you are getting value for your money

So if you are looking to find a better remortgage deal, our mortgage advisors will help you find the best deal available to suit your particular circumstances.

Our office hours are Monday to Friday from 9am – 8pm and we provide evening and weekend appointments to accommodate your schedule.

Our advisors provide mortgage advice to people living throughout Scotland and whilst we prefer to conduct business face to face, either at our offices or in your home, we are also happy to provide you with mortgage advice over the phone.

To find out if we could help reduce your mortgage repayments:

Ring us on 0800 011 2827 (free from landlines) or on 0141 942 9700 to discuss your situation with one of our fully trained advisors.

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Helping yourself get a great deal

There are a number of things that you can do to help improve your chances of getting a good mortgage deal which should include:

Checking your credit rating

As lenders need to be sure that they are lending responsibly when providing you with a mortgage, they will carry out a credit scoring assessment to help them decide whether to lend to you or not.

Individual lenders use their own criteria when making their decision.
In making their decision, they will use the information you provide in your application together with the information supplied by the credit reference agencies.

For a small fee, you can get a copy of your credit report from each of the credit reference agencies (Experian, Equifax and Callcredit)
Once you receive your copy, you should check it very carefully to ensure that it is accurate. You should contact the agency to correct any errors prior to applying for a mortgage.

Checking the Electoral roll:

You need to check the voters roll to make sure that you are registered, if you are not registered you may find it difficult to get a loan.

Cancel unused credit cards:

If you have any live but unused credit cards, you should cancel them. Having them will increase the amount of overall credit you have available which may reduce your credit score and reduce the amount you are able to borrow.

Maintaining your payments:

Make sure that you maintain your current credit agreements and never be late with your repayments.
Missing or making late payments will reduce your credit score and may restrict some of the better deals that are available.

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Types of mortgages available

Although there are a number of different mortgages available for you to choose from, the most common ones are listed below:

Standard Variable (SVR) Rate mortgages:

This is the simplest and most straightforward mortgage product you can get. The interest on this type of mortgage moves up and down in line with the movement of the Bank of England interest rate and the interest being charged by your mortgage lender.
Advantages: when the base rate is low, your mortgage repayments will be low
Disadvantages: If the base rate increases, you mortgage payments will increase

Fixed rate mortgages:

With a fixed rate mortgage, you agree to a set rate of interest that remains fixed for a predetermined period (2,3,5 years or longer) after which it then usually reverts to the lender's SVR.
Advantages: This type of loan provides you with the security of knowing how much your monthly payment will be during the fixed rate period, which can make budgeting much easier.
Disadvantages: You could lose out by not being able to benefit if the base rate falls below your agreed fixed amount and you may have to pay an arrangement fee and early settlement penalties would apply

Capped rate mortgages

A capped rate mortgage offers similar security as a fixed rate mortgage, in that it guarantees a maximum amount that you would need to repay each month. Your payments may go up or down under the agreed capped rate amount but you will never have to pay any more than the capped rate during the fixed period even if interest rates rise higher.
Advantages: The rate you pay during the capped period won't exceed the capped rate and you will have the chance to benefit from any fall in mortgage rates within the fixed period.
Disadvantages: Capped rate mortgages interest rates are often higher than lenders other comparable fixed mortgage deals.

Discount rate mortgages

A discount mortgage offers a set reduction in the lender’s SVR rate for an agreed set of time.
With this type of mortgage, if SVR rate changes, the rate you pay will fluctuate in line with it. After the discount finishes, the loan reverts in most cases to the lender's SVR.
Advantages: If the base rate changes, being on a discounted rate, you will be paying less than the SVR and if the base rate falls, your payment will also fall.
Disadvantages: Your payment will always increase if the base rate increases and it’s likely that you will have to pay an arrangement fee for this type of deal

Tracker mortgages

With Tracker mortgages, borrowers have the certainty of knowing that the rate they pay will move in line with Bank Base Rates, in that the payments can and will go up and down in line with the base rate of interest.
Advantages: This type of mortgage allows the borrower to benefit from any cuts in interest rates.
Disadvantages: The borrower’s repayments will increase if the SVR increases

Cashback mortgages

A cashback mortgage pays the borrower an upfront cash lump sum at the beginning of their mortgage to spend on anything they like. Cashback deals can be linked to many types of mortgages (fixed, variable etc.)

Flexible mortgages

With a flexible mortgage you are able to vary your monthly repayments, depending on the flexibility of the product, you may, without charge be able to:

- Increase or decrease your monthly repayments
- Make lump sum payments
- Take a payment holiday if required

The number of payment holidays and underpayments that would be allowed would be stipulated within the mortgage agreement and would be conditional on the borrower adhering to the conditions of the original mortgage deal.

Current account mortgages

Current account mortgages are similar to offset mortgages, but with these, your current account and mortgage accounts are effectively merged. Your salary can be paid into your merged account and because interest is calculated

on a daily basis, when you pay money into your account the size of your overall loan is lowered, thereby reducing the amount of interest you need to pay.

Offset mortgages

Similar to current account mortgages, offset mortgages allow you to offset the balance of your mortgage against any funds that you have in an account held with the same lender.

With an offset mortgage, the balance of your savings or current account is subtracted from your mortgage debt which reduces the amount of interest that you need to pay.

Advantages: You have the potential of being able to repay your mortgage quicker and it is a tax efficient way to repay a mortgage for higher tax payers

Disadvantages: the interest rate can be high and you would probably require a substantial amount of savings for it to be worthwhile.

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Insurance

Following the completion of your purchase, it's important that you take out insurance to protect both yourself and your home

Home Insurance

There are two types of home insurance, Buildings Insurance and Contents Insurance.

Buildings Insurance

Buildings insurance covers the structure of your home and is designed to cover your home from such events as fire, flood and subsidence.While buildings insurance is not compulsory, if you have a mortgage, it is likely to be one of the conditions imposed by your lender.

Because you become responsible for the property as soon as you buy it, it is essential that you ensure you have buildings insurance in place from the exchange of contracts to protect you should your home be damaged or destroyed through no fault of your own.

Contents Insurance

Contents insurance is designed to cover the cost of replacing the possessions in your home should they be damaged, destroyed or stolen. Taking out home contents insurance is entirely optional, but you should consider whether you could afford to replace your possessions if they had to be renewed. Contents insurance generally covers possessions you'd take with you when moving house, or anything that isn't a fixed feature of your home.

Contents insurance provides cover against a range of events which would usually include theft, fire and water damage

Contents insurance can be taken out on either a new for old basis (for most household items) or on an indemnity cover basis which takes into account the cost of wear and tear when the item is being replaced.

The cost for indemnity cover is lower than new for old cover as you would only receive a portion of the cost of replacing your items when making a claim

Life Insurance

Life insurance isn't something that we generally like to think or talk about, but as we grow older, get married and build families or buy a property, we come to appreciate that having adequate **life insurance** is a fundamental part of having a sound financial plan.
Providing your family with adequate protection need not cost the earth, which means there's no excuse to why you can't **get covered now!**
It may seem like an unnecessary expense, but there are a number of reasons why **having life insurance is important.**
If your family depend on your financial support for their livelihood, **then life insurance is a must**. This is particularly important if you have young children or if your partner would find it difficult to manage financially if they were to lose the source of income provided by you.
There are many different types of plans available to suit your needs and budget, examples of which are listed below.

Life Assurance

Life assurance can be used to help pay off the mortgage and support the family in the event of someone passing away. Life Insurance is designed to provide a tax free lump sum payable on the death of the life assured**.** This cash lump sum is paid tax free and can be used by your dependents however they choose.
On the death of the life assured, a life assurance policy can pay out a lump sum or provide a regular income for a designated number of years. Life assurance can be taken out on either a single or joint life basis

The two main types of life insurance are, whole-of-life assurance and term assurance (level term & decreasing term assurance):

A Whole-of-Life policy is designed to pay out a lump sum to your loved ones when you die. Whole-of-life assurance is more expensive than term insurance because the policy is guaranteed to pay out on the policy holder's death with premiums being paid well into later life.

Level Term Assurance covers you for a fixed period with the amount of cover remaining the same throughout the length of the policy. The policy pays out a lump sum if you die during the term of the contract. The level of life cover is fixed at the start of the plan and won't change. The premiums also remaining fixed throughout the term of the plan.

Decreasing Term Assurance is designed to pay out a cash lump sum in the event of death, however the level of cover decreases through the term of this policy. These policies are usually taken to provide cover for individuals who have a repayment mortgage so that the amount paid out in the event of a claim covers the balance left on the mortgage. Due to the fact that the amount of cover decreases over time, the premiums for decreasing cover are typically cheaper than those for level term cover.

Critical Illness Insurance is designed to pay out a tax free lump sum on diagnosis of a specified critical illness during the term of the policy. This type of policy can be used to protect your mortgage or your family and can be set up on its own or it can be combined with a life policy.
As the costs and benefits provided differ between providers, care needs to be taken to ensure that you get the best level of cover for your budget

Income Protect Insurance is designed to pay out a monthly tax free income to replace a proportion of your salary should you be unable to work as a result of an accident or sickness .The policy will pay out after an agreed deferred period has ended and will continue to pay out until you are either well enough to return to work, you reach retirement age or the end of the policy term.

Family Income Benefit Insurance is designed to pay out a regular, tax-free income in the event of your death until the end of the policy term. The term of the policy is chosen at the start of the plan and the amount of cover you chose can be linked to inflation to ensure that the benefit payable on the event of a claim keeps its real value and spending power.

Mortgage Payment Protection Insurance can help you pay your mortgage and living expenses when you no longer have an income. Sometimes known as Accident, Sickness and Unemployment cover (ASU), this type of plan gives you peace of mind knowing that your mortgage payments will be made and your home will be safe. The plan provides an income for an agreed term if you're unable to work as a result of an accident, sickness or unemployment. This Payment Protection Insurance is optional. There are other providers of Payment Protection Insurance and other products designed to protect you against loss of income. For impartial advice on insurance please visit the website at **http://www.moneyadviceservice.org.uk/**

Accident, sickness and unemployment cover from LV for a 35 year old male, non-smoker office worker would cost £7.59 per month for £100 monthly benefit with a one month deferred period.

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