firstxtra financial services

Re-mortgage guide

WHAT IS RE-MORTGAGING?

Re-mortgaging simply means changing your mortgage from one lender to another to get yourself a new mortgage rate.

WHY RE-MORTGAGE?

People re-mortgage for all sorts of reasons. Maybe you're looking to move onto a better deal to save yourself some money, or maybe you need to free up some extra funds to carry out home improvements, re-model your finances or book a nice holiday.

You may have even come into some money and want to overpay on your mortgage, but your existing lender won't allow you to.

Alternatively, you may wish to raise some money to buy a second home or purchase a buy-to-let property.

It might be that your circumstances have changed and your current mortgage is no longer suitable.

If you've come to the end of the introductory rate of your mortgage, it's likely that you'll be moved automatically to your provider's standard variable rate and in most cases this is considerably higher than any introductory rate you have being paying. This is very often not the best deal, so re-mortgaging could be a way to reduce your monthly repayments.

In the same way people shop around to get the best deal on their car insurance, bank account or broadband package, you should do it for your mortgage too.

It doesn't always pay to switch to a new lender though. Sometimes it's best sticking with your current provider and switch to a new product with them.

There may also be penalties and exit fees, so it's important to look closely at the paperwork.
Here at Firstxtra we will always review your situation in full and give you the best advice possible.

WHEN SHOULD I START THINKING ABOUT IT?

At Firstxtra, we recommend that you contact us six months before your current deal is due to end to give us plenty of time to look at all the other options.

IS IT RIGHT FOR YOU?

Before you think about re-mortgaging, there are a few things you need to consider first.

It's often a balancing act – the cost of re-mortgaging versus how much you'll save over the period of the mortgage.

You might already be on a great rate with your current lender, in which case it might not make sense for you to move.

Alternatively, the penalties for leaving your current mortgage might be so high they outweigh the savings that re-mortgaging could achieve.

However, if we manage to find an amazing deal, it could potentially save you a money and that can't be a bad thing.

When advising you on whether or not this will be a good option for you we will need to know some basic information. See below.

Find out what your property is worth

We will need to have an idea of the current value of your property as this will decide your loan to value and the products that will be on offer to you.

Check to see how much is left to pay on your current mortgage

It might sound obvious, but you need to know how much you have left to pay on your current mortgage before moving it to another provider.

Look for any exit or repayment fees

There's a chance you may have to pay certain fees if you move to another provider. Check with your current provider or if you have the original paperwork then let us have a look for you.

TIPS TO HELP YOU GET THE MOST SUITABLE MORTGAGE

Getting your application approved isn't always easy, but there are some steps you can take to improve your chances.

Before we apply, you should:

Check your credit score

There's a good chance that your finances may have changed since you last took out a mortgage.

You may be in a different job now, on a lower of higher salary, or you might have moved into self-employment or set up a business.

It's important to check your credit score to make sure it's still good and see what impact, if any, those changes have made.

If your credit score is poor it will make it much more difficult to find a lender who'll accept you.

Close any unused credit cards

Unused credit cards can still affect your credit rating. Close them to give yourself the best chance.

Pay off any debts if you can

Anything you can do to reduce your monthly repayments will help when it comes to re-mortgaging as it will show the lender your outgoings are manageable and affordability is good.

Have your documents ready

Making sure you have all the necessary documents ready will save a lot of stress and prevent any frustrating and unnecessary delays further down the line.

Lenders will usually ask for current and countersigned proof of your identity and address to prevent fraud.

For proof of ID, a driving licence and/or passport will be sufficient.

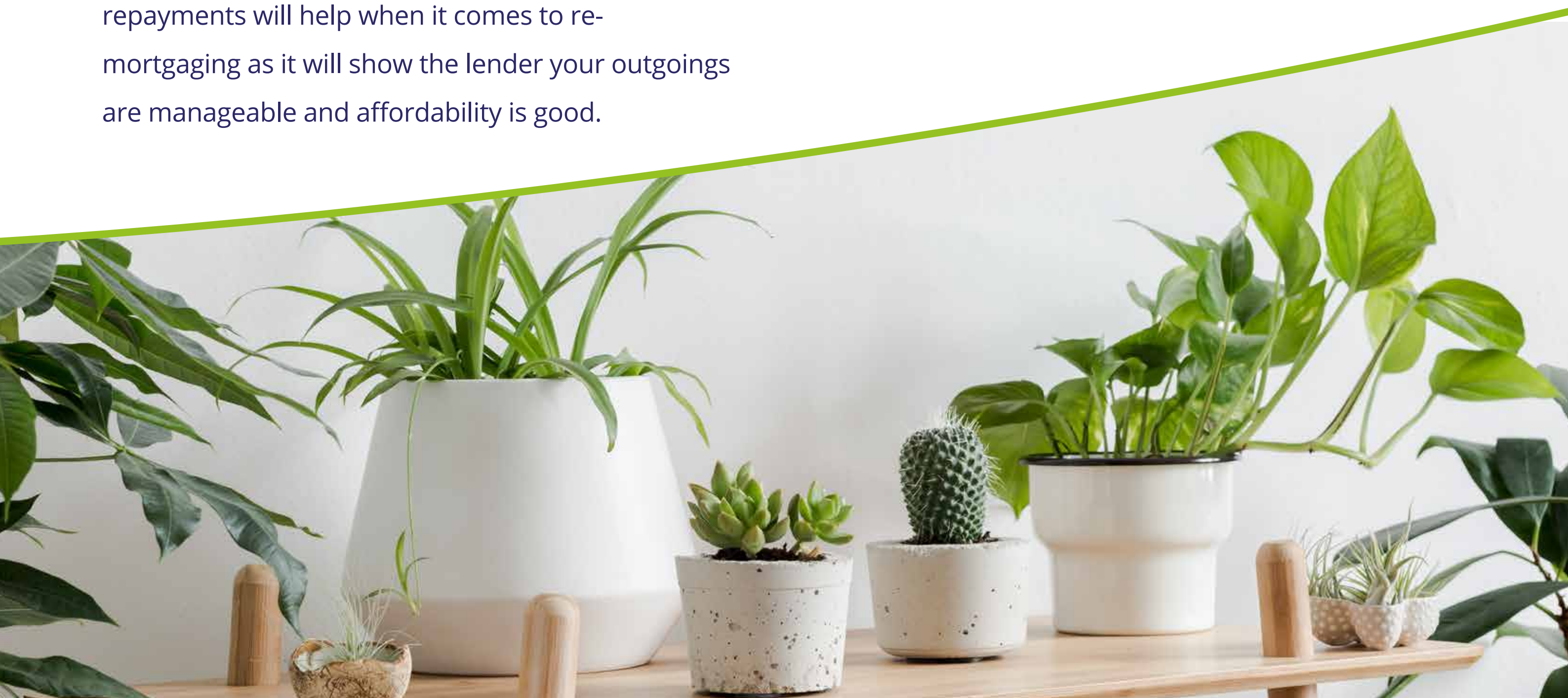
For proof of address, you'll need utility bills, credit card or bank statements.

Ensure your details are up to date

If you've changed any of your personal details since you last took out a mortgage, you'll need to update the documents to make sure you don't run into any problems.

Make sure you're on the electoral register

If your name isn't on there, you'll find it much harder to get credit and may come into difficulty when it comes to getting a mortgage. Make sure you always register on the electoral role when moving home.



WHAT ARE THE DIFFERENT TYPES OF MORTGAGES?

Fixed rate, variable, tracker - there are many different types of mortgages out there - but what exactly do they mean? And how do you know which one is right for you?

The first thing to look at is how are you going to pay back the mortgage and there are really 3 options to choose from.

Repayment mortgage

A repayment mortgage is the most common type of mortgage and is where an individual makes a monthly repayment with some interest paid on top. Once you have paid back all of the mortgage debt and interest, you will own 100% of your property. We would normally advise that this is the best option for most clients.

Interest-only mortgage

With an interest-only mortgage, you only pay the interest on the loan and none of the capital. At the end of the term you'll still owe the original amount you borrowed.

This type of mortgage is common to have when you have a separate repayment vehicle like an ISA, property portfolio or you receive your income in large lump sums. Lenders have separate criteria for this and not everyone can access this type of repayment.

Part repayment and part interest only (Part and part)

As it says on the description, this a mixture of both a repayment mortgage and an interest only mortgage. The lenders criteria for this is normally the same as for interest only borrowing.

Fixed rate

This is often the most popular type of mortgage among first time buyers because the interest rate stays the same (i.e is fixed) for the duration of the loan.

This means you know exactly what you are going to be paying and there are no nasty surprises. Fixed rate mortgages are typically taken out over a period of 2, 3, 5 or 10 years before returning to a variable rate for the remainder of the mortgage. At this stage we would be in contact with you to discuss looking at your options to potentially re-mortgage or switch to a new rate with your current lender.

Variable rate mortgage

Like a fixed term mortgage, you can choose to be tied in for 2,3, 5 or 10 years.

But as the name suggests, the interest rate isn't fixed and can therefore go up and down throughout the duration of the loan depending on the rate of inflation.

Some variable rate mortgages have the added benefit of not have any early repayment charges but in most cases the rates tend to be higher.

Tracker rate mortgage

A tracker rate mortgage is very similar to a variable rate mortgage.

The main difference between the two is that a tracker mortgage follows the Bank of England base rate, rather than the lender's Standard Variable Rate (SVR).

Although lenders normally change their SVR as a result of The Bank of England Base Rate changing, they don't have to change them by the same amount.

With a tracker rate, the mortgage tracks, by a pre arranged amount, an independently set interest rate.

Some tracker rates will have the benefit of not having any early repayment charges and you can also normally have a tracker rate for 2, 3 or 5 years.

WHAT STEPS DO I NEED TO TAKE?

Speak to us

Using a mortgage broker like Firstxtra helps take a lot of stress away as they will take care of the entire process for you leaving you to get on with your life.

Firstly, we will speak to you so they can fully understand your current circumstances and once the initial consultation has taken place we will then be able to search the market for a new product for you and present our recommendations.

Using a broker will also give you access to professional advice and full support from a team of experts.

At Firstxtra, we recommend that you contact us six months before your current mortgage ends to allow plenty of time to find a suitable deal.

Make the application

If you're happy with the deal you've been offered, the mortgage adviser can make an application to the lender on your behalf. Once this happens they will also submit any supporting documentation that the lender will require and keep you up to date through the various stages of the application.

Valuation and legal work

The lender will want to carry out a mortgage valuation as part of the mortgage application process, this may be a physical valuation, drive-by valuation or a desktop valuation. This will only be known once the full application has been submitted and you will be contacted by the valuer if they require to conduct a physical valuation. The lender or the broker may also instruct a Solicitor to conduct the legal work involved in the re-mortgage and we will inform you of who this will be once the full application has been submitted. They would normally contact you directly to complete a basic questionnaire and send any documents they require which we can of course help with.

Completion

Congratulations, this is the day the solicitors move the charge from your current lender to your new lender and you have successfully re-mortgaged your property! If you are expecting any funds then these will be transferred to you within a few days.

Take your first step today.

Get in touch with one of our friendly team for a free discussion and find out how we can help.

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

A fee of £199 is payable on application of the mortgage and £250 on issue of the mortgage offer. There may be a further fee payable on mortgage offer of up to £250. The overall amount of the fee is dependent on the amount of research and administration that is required. We will also be paid commission from the lender.

Debt consolidation is not always the most suitable option, consolidating debts must be carefully considered. It will usually mean more interest over a longer repayment term and there may also be early repayment penalties on your current mortgage, you should think carefully before securing other debts against your home. There are other ways to manage debt such as free debt advice charities, you can find out more by contacting the Money Advice Service https://www.moneyadviceservice.org.uk/en/tools/debt-advice-locator these services may be more suitable for you.

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