



Your Free Guide to Remortgaging

Here's your copy of the MoneySavingExpert.com Guide to Remortgaging, sponsored by us, L&C.

Are you looking to find a better deal on your current mortgage, borrow some extra funds or move home? Either way, this guide can help. In fact, this handy A to Z of remortgaging covers everything – from assessing whether it's the right thing for you, to boosting your chances of securing the best deal.

We're on hand to help

Of course, when you come to remortgage, you'll still need to choose the best option from thousands of products. Which is exactly where L&C can help.

When you choose L&C to help you with your remortgage search, we do all the hard work for you. Whether you use our online mortgage finder to check which deals you're eligible for, or speak to one of our expert advisers over the phone, we'll search across the mortgage market to find a deal that's right for you.

When you're ready to apply for your new mortgage, you'll have a dedicated L&C case manager to do all the legwork for you. In short, we'll save you time, hassle and potentially money with a great mortgage deal.

Fee free

And the best bit? Our service is absolutely fee free for you. We make money when the lender pays us a fee for finding them a customer – none of this cost is passed on to you at any stage. So you genuinely don't pay a penny for our award-winning service.

For a free, no-obligation review, simply call us free on **0800 953 0598** or visit www.landc.co.uk/pmf/mseremo to start online.

L&C Mortgages

MoneySavingExpert

Guide to
Remortgaging
2024



Written by Martin Lewis & Kit Sproson

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Independence and integrity



*“This guide is written
with absolute editorial
independence”*

This guide is sponsored by L&C mortgages, that’s the reason we can print and distribute it for free.

So let me make something very plain.

This guide is written with absolute editorial independence. What’s in it is purely dependent on my view of the best ways to save money and the sponsor’s view on that is irrelevant.

However, the reason I agreed to allow L&C to be the sponsor, which enables this printed guide to exist, is because after detailed research into those brokers that offer coverage nationwide, L&C has come out as one of the top for a number of years.

It’s very important that this is understood and no one thinks it is the other way round, in other words, it is recommended because it sponsors the guide. Like everything with MoneySavingExpert.com, the editorial (what’s written) is purely about what’s the best deal.

If L&C no longer offers the deal it currently does, and either starts charging fees or stops being independent and offering products from across the market, we’d ditch it as a pick immediately. You can check if that’s happened via an up-to-date article on mortgage brokers on the site. Just go to www.moneysavingexpert.com/mortgages/best-mortgages-cashback/

A handwritten signature in black ink, appearing to be 'Mark', written in a cursive style. The signature is positioned below the main text and above the footer.

Who is this guide for?

It's for anyone who wants or needs to switch mortgage. The UK mortgage market is one of the most competitive in the world, yet the number of deals out there makes it hard to know what's best for you. There may be a deal out there for you, but it's tough to get accepted. So the aim is to help you find the best option and to help determine whether you're eligible for it. It's specifically for...

People remortgaging their home

If you already have a mortgage and are looking to move lender, or you own the property outright but now want to borrow money against it. But it's also for...

People moving home

If you're looking to move, this guide will give you some guidance too. We've also got a specific guide for home movers, which includes tips and ways to start saving immediately. See our [Moving home checklist guide](#).

Who isn't this guide for?

First-time buyers

It's not for those who are looking to buy a property for the first time. Whether you've a small or large deposit, or whether you've got a good or bad credit history, then there's a special guide just for you. To get it, see our [First-time buyers' guide](#).



Martin's Mortgage **Introduction**

If your mortgage is your single biggest expenditure, then cutting its cost is likely to be your biggest single MoneySaver.

It's a no-brainer.

So, rather than me going off on one here, explaining how amazingly different to other mortgage guides this is for a whole host of reasons, why don't we both just get on with it and save you some cash?

Please note that this is only meant to be a general guide, so you should always double-check what the latest deals and updates are before acting, as the mortgage market changes all the time. The best way of doing this is by speaking to a mortgage broker. More on brokers later, but see our [Cheap mortgage finding guide](#) if you want to jump straight to speaking with one.



Why should I remortgage?

Remortgaging means shifting your mortgage from one lender to another to get yourself a better deal (it's also possible to get a better deal without switching lender). And you don't even have to move house to do it.

There are many reasons why remortgaging could make sense for you, but the main one is simple. Saving money. Big money.

For most people, their mortgage is their biggest financial commitment. And it follows that streamlining the largest debt can produce the largest saving. If you're the kind of person who shops around to get the cheapest television or broadband deal, then you're missing a trick by not using the same skills to save money on your mortgage. Some reasons why you should consider remortgaging:

Your current mortgage deal is coming to an end

This is the main reason for remortgaging.

Once your introductory offer has ended, you'll be moved on to your lender's standard variable rate (SVR). This rate is normally much more expensive than the rate on your introductory offer and it'll likely be far higher than the cheapest deals on the wider market.

What's more, SVRs are variable, meaning that the rate can go up (and down). So if you do end up on your lender's SVR for a while, you might find that at some point your lender increases the rate (SVRs tend to be linked to the Bank of England's base rate), meaning your monthly payments could get even more pricey.

What we're trying to say is that SVRs are expensive, and have the potential to become more so, meaning for most there's little reason to stay on your lender's SVR.

Your mortgage doesn't fit any more

You've had a pay rise or maybe you've inherited some money. You want to make extra payments to your mortgage, but your current deal won't let you, or it will only let you make limited overpayments.

Or perhaps you need to be able to miss a payment. Changing jobs or going back into education – whatever the reason, there are some mortgages which will let you take payment holidays. Maybe you've been tempted by whizzy mortgages which combine your savings with your mortgage (known as 'offset' mortgages).

CHAPTER 1 - REASONS TO REMORTGAGE

Whatever flexibility you want in a mortgage, it's worth exploring. But remember lenders don't offer these twiddly bits for free. Expect to pay for flexible features with a slightly higher interest rate. So don't be tempted to go for bells and whistles unless you'll actually use them.

You want to borrow more

Perhaps your current lender has said no to lending you extra money (called a 'further advance') or the terms it's offering aren't very good. Remortgaging to a new lender might allow you to raise money on a better rate of interest. Although watch out for fees — it isn't always the no-brainer it seems.

You've got an interest-only mortgage which is coming to an end

If you've got an interest-only mortgage which is expiring but you're unable to repay the capital, getting a new mortgage on your property with a different lender might be one of your options. But if age is a barrier to you remortgaging, you might have to consider an option like a retirement interest-only mortgage or equity release instead. See our [Should you equity release? guide](#) for more on how these work.

Anybody who's got an expiring interest-only mortgage but isn't able to repay the capital should in the first instance talk to a financial adviser.



Martin's Mortgage Moment



Dumping other borrowings on your mortgage

I always shiver slightly when people talk about adding non-housing debts to their mortgage, whether it's for a new kitchen, a holiday or to consolidate existing borrowing. There are times when this could be a necessary evil, perhaps to get you out of a hole.

My problem isn't that it is wrong per se, in fact often it's a good move, but the issue is many people see it as a no-brainer solution.

Let me make something plain:

Borrowing at 10% over five years is cheaper than 5% over 20 years.

The amount of interest you pay is a combination of the rate and the length of the borrowing.

Example: Personal loan: £10,000 at 10% over five years = £2,750 interest. Adding to mortgage: £10,000 at 5% over 20 years = £5,840 interest.

That's almost twice as much.

Even though inflation devalues money over time, put that way it suddenly doesn't seem like such a no-brainer. The one exception is if you're using this strategy in conjunction with a mortgage which allows substantial overpayments, so you're actually paying off the new debts as well as the original one in much less time.

Why shouldn't I remortgage?

Despite the potential savings available, there are some people who probably shouldn't remortgage. It's all a question of money, timing and your personal circumstances. Essentially you have to decide whether the savings available at the point you're considering switching deals will outweigh the cost. Think carefully if you fall into one of the following categories.

You're on a great deal already

You may already be on such a good deal that you'd be mad to move and there's nothing close at the time. For example, if interest rates have shot up you since you last got a mortgage. But don't get too comfortable — chances are it won't always be top of the tree, so eventually you'll need to consider hopping on board the remortgaging merry-go-round.

It's worth doing some checks so you know you've still got the best deal possible, and that it's future-proofed.

If you'd have to pay an early repayment charge

Alternatively, you might be on a poor deal, but the lender has locked you in with such an expensive early repayment charge that it wouldn't make financial sense to move before the end of the incentive period.

If you're on a really rubbish deal that would cost too much to free yourself from, then it's all the more important to move as soon as you can. Do your homework, and be ready — and try not to think about how much money it's costing you every month in the meantime.

It's always worth asking your current lender if it will let you switch to another of its deals by paying a reduced early repayment charge. Chances are slim, but it's worth a go.

Those who own less than 10% of their property

If you own less than 10% of your property outright — or to put it another way, you need to borrow more than 90% of the current value of your property — then you'll find it difficult to get the best new mortgage deals.

While 95% mortgages are now common, they're mostly angled towards purchasing rather than remortgaging. And rates for 95% mortgages aren't the cheapest. So unless you're on a very high rate deal now (for example, your lender's SVR), you'll really need to get below the 90% threshold to save.

Those whose equity has shrunk

You may have had a 10% deposit when you bought your home and got a decent mortgage, borrowing the remaining 90% of your home's value. But now, your home's value has dropped and the amount you owe is a bigger proportion. Unfortunately, you're a victim of evaporating equity, even if you have been making repayments, and that can hurt you. In some cases, you may be in negative equity, where your debt is higher than the value of the property.

For example, if you bought a property for £300,000 with a mortgage for £260,000 and the property is now worth £240,000, you'll be in negative equity. Yet if the property has dipped in value but is still worth more than your mortgage debt, you won't be in negative equity.

Check to see if your current lender can offer you another rate. If not, the only thing you can do is sit tight, make overpayments whenever you can afford it (as long as you won't be charged fees as well), and wait for prices in your area to go up again.

Where your circumstances have significantly changed

It's possible that your financial position has altered since you took out your current mortgage — for instance, one of you has stopped working or you have become self-employed. New lenders may not be prepared to offer you a loan because you no longer fit their criteria. Again, you may be better to stay where you are.

If bad credit is an issue

If you have a bad credit history caused by missing a few credit card, loan, mortgage or utility bill payments, you'll find it more difficult to remortgage. Lenders are picky about who they lend to.

Most will want customers with spotless repayment histories, or at least a good, clean record of handling debts well.

Those with a very small mortgage

Once your loan falls below a certain amount — say around £50,000 — it may not be worth switching lender simply because you are less likely to make a saving if the fees are high.

In fact, some lenders won't even take on mortgages below £25,000. The smaller your mortgage, the bigger the effect any fees you pay to remortgage will have. And with many new deals offered on the basis of you paying a four-figure upfront fee, make sure you do the maths to work out if you're better off switching or not. In some cases, it may be worth remaining on a higher interest rate.

Borrowers who are very close to the end of their mortgage term may also find it prohibitively expensive to switch lender.



Initial remortgage checks

Before you start looking at remortgage deals, check your current mortgage so you know what you're looking for with a new mortgage (and when you need it to start)...

1. What type of deal do you currently have and what's the rate?

You need to remind yourself of this information so you know what you're going to be comparing new deals to.

So, are you on a fixed-rate mortgage or a variable-rate deal? Is it a two-year or five-year deal, for example? Also note down what interest rate you're paying.

2. When does your current deal end?

You need to know exactly when your current deal ends – that is when the introductory period (if you have one) is over. If you're not sure, contact your lender and ask. If you remortgage too early, you could face early repayment penalties on your existing mortgage.

Also double-check how many years are left on your overall mortgage term, for example, when must your entire mortgage be repaid. Are there 10, 15, 20 years left?

3. Will you be penalised for leaving the deal?

Most mortgages have an early repayment charge during the introductory period (a few have extended penalties after the deal ends too). If you remortgage during that period, you'll trigger the early repayment charge... and it can be £1,000s. So before you go any further, you need to know:

- Is there an early repayment charge?
- How much is it?
- What date does it apply until?

Armed with this information, you'll then be able to work out if it's worth ditching your deal early and paying the charge. Or you'll be sure to dodge the charge by getting your new mortgage to start the working day after the early repayment charge ends.

CHAPTER 2 - REMORTGAGING: THE INITIAL CHECKS

Some mortgages also have a small administration fee, known as an exit fee. It typically ranges between £50 and £200. The lender should only charge you this kind of fee if you were told about it when you first took out the mortgage. It would need to be on the offer document and the key facts illustration your lender sent you. If it isn't, point this out and ask for the fee to be removed.

4. How much do you owe your current lender?

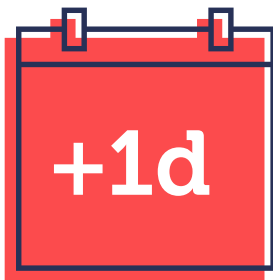
Without this information, you won't know how much you'll need to remortgage for. Don't just estimate a figure. Phone and ask: "How much would I need to pay to clear the mortgage on, for example, 1 January 2024?"

Giving the date means it'll take into account any normal repayments you're due to make between now and then. Relying on a rough estimate could mean you end up with a shortfall or taking a pricier remortgage than you needed to.

5. What's your loan-to-value ratio?

Once you've established how much of your mortgage you've still got to repay, you'll be able to work out what your current loan-to-value is. Loan-to-value (LTV) is the proportion of your property's current value that you're borrowing – for example, a £280,000 mortgage on a home worth £350,000 is 80% LTV.

As we discuss below, rates get cheaper the lower your LTV.



“Dodge early repayment charges by getting your new mortgage to start the working day after your current deal ends.”

Your 'equity' is a significant factor in the rate you get

Along with your perceived 'affordability' (more on this later), one of the biggest factors affecting how much you'll be able to borrow on your remortgage – and what kind of rate you'll get – is the amount of equity you currently have in your home. In simple terms, equity is the difference between what you owe on your mortgage and the current value of your property.

So if you owe £200,000 and the house is now valued at £300,000, you have £100,000 of equity. If you're applying for a remortgage to replace the £200,000 loan, the £100,000 equity is equivalent to a 33% deposit for someone buying a property.



Your level of equity determines how much of your property's value you need to borrow from a mortgage lender. Borrowing less indicates you are more solvent and means the mortgage loan is less of a risk for the mortgage company. This is because a mortgage is a secured loan (in other words, if you can't repay, the lender gets your home), so by lending money it's taking a gamble on house prices.

If you're only borrowing 75% of your home's value, prices would need to drop by 25% before it wouldn't be able to recoup the full amount of the loan if you couldn't pay it back. So this offers more protection than if you're borrowing 95% of the value, where prices would only need to drop by 5%.

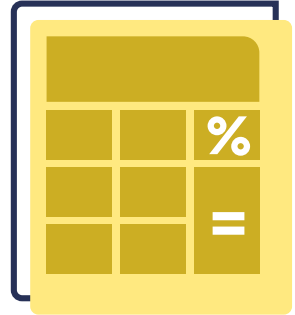
Equity and its impact on your loan-to-value

LTV stands for the loan-to-value ratio (LTV), which is the percentage of the property value you're loaned as a mortgage. In other words, it's the proportion that you're borrowing.

To calculate this, simply subtract your equity as a percentage of the property value from 100%. So if you've £80,000 equity in a £320,000 home, that's effectively a 25% deposit, meaning you owe 75% – so the LTV is 75%. Just in case you're struggling, here's an easy table...

LTV calculator

LTV	Equals deposit of
95%	5%
90%	10%
85%	15%
80%	20%
75%	25%
70%	30%
65%	35%
60%	40%



The reason it's expressed this way is so the same terms can be used for those getting a first mortgage and those who want to remortgage.

It's worth thinking about LTVs for a moment. They're not just affected by the amount you put into a house, but also by house prices. This is crucial – by owning a house, you've invested in an asset where the price moves.

A practical example: let's say when you first bought, you had a £20,000 deposit on a £200,000 house – that meant you owed £180,000 at the start. That's an LTV of 90%.

After a few years you've paid a little off and now owe £150,000. You're ready to remortgage and the house's value is the same, so your LTV has become 75%.

Yet if the house is now also worth more, say £215,000, then your LTV is around 70% (as it's £150,000 divided by £215,000 multiplied by 100). This means you'll be likely to get a much better remortgage deal. Equally, if the house's value had dropped to £145,000, you'd now owe more than it's worth (which is called negative equity) and you'd really struggle to remortgage.

How much equity do I need to get a good deal?

To remortgage at all, you need equity of at least 5%. To get a good rate, you'll typically need around 20% of the home's value and 40% for the kick-butt market-leading deals.

The golden rule is simple. The bigger your equity (and savings), the better the rate; the lower your monthly repayments, the cheaper the remortgage. The difference between a 10% and 20% mortgage is normally very big, then the next significant jump is at 25%, then 40%.

The impact of a lower LTV can save you a huge amount of cash, as this table shows:

The effect of owning more of your home outright (equity)

Equity	10%	20%	25%	40%
Interest rate	5.58%	5.46%	5.25%	5.09%
Loan amount	£180,000	£160,000	£150,000	£120,000
Monthly cost	£1,114	£979	£899	£708
Total cost over two years	£28,180	£24,818	£22,092	£18,118

Based on the best, fee-free two-year fixed rates at the time of printing for a remortgage with a house value of £200,000 on a capital repayment basis over a 25-year term.

Therefore, if you're close to a threshold, you should see if you can move below it, as it can have a huge impact on your repayments.

There are two ways to drop an LTV band

In brief, these are:

- **Borrow less.** Work out how much additional money you would need to put in to drop to a lower interest rate band and see how much interest you'd be saving.
- **Get your property valued higher.** When you apply for a mortgage, you need to give an estimate of the property's current value. You want to get the top value possible, but it needs to be realistic as the lender will get an independent valuer to check it later in the process.

Valuers don't just pluck a figure out of the air, and neither should you. Use our free [House price valuations guide](#) to look at properties similar to yours that have sold recently, or maybe even ask a friendly estate agent for their opinion.



Quick questions

Q) What if the property is valued at less than my estimate?

If the value comes back lower than expected, it's only a problem if it pushes your LTV above the maximum allowed for your product. If this happens, the lender is likely to offer you an alternative product (if it has one), but you should recheck your sums and see if there is a better deal for your new LTV. Just because the lender you've applied to is good for one LTV band doesn't mean it'll be good at another.



Q) What if the property is valued at more than my estimate?

Not unheard of, but certainly rarer. If the value is high enough, it could push you into a lower-priced product because you've dropped an LTV band. You might even want to approach another lender, as the lender you've applied to might not be the most competitively priced for that band.

If you find yourself in this position, don't cancel the first application until the other one is in the bag. Just because lender A's valuer thinks it's worth more, it doesn't guarantee lender B's valuer will agree.



Boost your chances of getting **accepted for a mortgage**

Lenders are often wary about who they give mortgages to – not surprising as mortgages are the biggest loans they make to consumers. The regulator also has rules in place which mean lenders have to check to ensure you can afford a mortgage before they lend to you.

You need to be sure your mortgage application looks as good as possible, to give you the best chance of being accepted. As each lender has its own bespoke criteria, this is more art than science. Not everyone will view you the same way, but there are many things you can do to shape up and stand out that are likely to make a big difference.

We've broken down the following section – ways of boosting your mortgage chances – into three areas: improving credit history, proving affordability and other tips.

Martin's Mortgage Moment



It's not about the best deal, it's about the best you can get

The days when lenders would salivate with glee at the thought of doling out mortgages to all and sundry with a nod and a wink are long gone. In fact, nowadays it can be difficult to get accepted for a mortgage.

As mentioned, lenders like to cherry-pick their customers, so many people can't simply look at a best-buy table, pick the top mortgage and say "I want that one". Mortgage rejections are still pretty common.

That's why we're focusing here on making sure you can get a mortgage as much as what the best deals are.

Improving your credit history

This isn't a quick fix. Some of the techniques below need to be done months before applying, so make sure you do the necessary groundwork in good time or you risk being rejected.

The lender's aim is to ensure you're a profitable customer and can make your repayments. It does this by credit-scoring you to try to predict your future behaviour based on your past. These criteria aren't published, so it's impossible to pinpoint which lender wants what, though many mortgage brokers have a reasonable idea which lenders are pickier and what they look for in a borrower.

Lenders are selective – if your credit history / score is poor, most will reject you. Here are some quick tips to help, but for full credit report help, see our [Improve your credit file guide](#):

- **Check your credit file for free.** Get copies of your credit file from all three credit reference agencies – Equifax, Experian and TransUnion. You can do this for free (or even get paid to do it) if you know how. See our [How to check your credit report guide](#).

Don't bother paying for 'credit scores' that the agencies try to charge you for, they're only loosely indicative. Lenders also rely on your application form and past dealings with you, which the credit files don't contain.

Once you get your file, check everything for errors. If you think your file is wrong, ask the lender to correct it. You can add a notice of correction to your file explaining why it's unfair or how the circumstances arose if the lender won't move it. If the lender won't help you, you can escalate your complaint to the Financial Ombudsman.

- **Get on the electoral roll.** If you're not, it makes life so much more difficult. Go to the [Gov.uk website](#) to register on the electoral roll, or to check whether you're already registered. For anyone ineligible (mainly foreign nationals), you can add a note to your credit file saying you can provide other proofs of address/residency (assuming that you can).
- **Check addresses on your credit file.** It's one thing people often miss. Check your address is up to date on all active accounts (even if you no longer use them). We heard of a woman being refused credit because her unused, but still active, old mobile contract was listed at a past address. Anything unusual causes lenders a worry.

CHAPTER 4 - HOW TO BOOST YOUR MORTGAGE CHANCES

- **Break with past relationships.** Contact credit agencies asking to be delinked from any ex or flatmate you had joint finances with. This stops their credit history impacting your applications.
- **Build / rebuild your credit score.** If you have a poor credit score, it takes time to rebuild it. Perversely, one way to do that is to get a credit card and spend on it each month. This proves to lenders you can borrow responsibly.

Yet only do this if you ALWAYS repay IN FULL to avoid interest. For a year, put about £50 a month on it before clearing it, and it should help. If your credit rating isn't good enough to get a normal card, see our [Credit rebuilding guide](#) for how to get a card.

- **Time it right.** Issues such as county court judgments for unpaid bills are wiped from your record after six years, so wait for that until you apply. Applications only stay on your file for a year, so if you've a raft of those (such as lots of credit cards), wait.
- **Don't miss payments / pay late.** Set up a direct debit to make at least the minimum repayment on credit cards so you're never late and never miss a month. It's always better to repay more, so make manual repayments on top when you can.
- **Keep other applications to a minimum in the months before getting a mortgage.** Applications, whether successful or not, go on your file, so space out applying for anything that adds a footprint to your file (including car insurance and mobile phones). The worst thing is a lot in a short space of time, as it makes you look desperate for credit.

Prioritise your mortgage if that's the most important thing, and hold others off until you've got it.

- **Never withdraw cash on a credit card.** This is specifically noted on your file and is frowned upon as it's incredibly expensive and not a good sign. It looks like you're desperate for cash and can't live within your budget.
- **Don't immediately apply again if you're rejected.** Always check for errors on your credit files before applying for another mortgage. If not, even if you fix an error later on, all the footprints from rejected applications may kibosh your ability to gain credit anyway. Again, please remember, these are just the tip of the iceberg.

Martin's Mortgage Moment



Boosting your mortgage chances is like entering the dating world

Borrowers can be so scared of their credit score that they don't even dare to find out what's on their credit file. Never be afraid to take a look, you may be pleasantly surprised. And if there are any mistakes on the credit reference agencies' records, you'll need to tackle them head on.

Credit scoring has created a mythical, magical air around it. That's because it's hard to pin down what a lender is looking for, which adds to the mystery.

The answer is that there is no single answer. Just like you can't tell why one person fancies you while someone else doesn't, so you can't tell whether a lender will find you attractive enough to give you credit. They're all different.

There are so many myths around credit scores. Myth one is that everyone has a credit rating. You don't. There's no single, general score – it depends on the lender. Each lender has its own bespoke, unpublished scoring system to assess if you're a profitable customer (it's not just about risk).

Proving affordability

Long gone are the days when the lender would check your credit score and, if all was well, simply multiply your income by four to work out your maximum loan size. Now there's a lot more detail to be checked and if you want to boost your chances of acceptance, you should look at your circumstances through a lender's eyes and see if any polishing is required.

Here are some ways you can prove your 'affordability' – for instance, whether you can truly afford a mortgage – to lenders:

- **Mortgage brokers can help boost acceptance.** You can, and often should, use a broker to help find the right deal. They've normally access to info that's unavailable to consumers, for example, lenders' credit and affordability criteria. A good broker can ease acceptance by matching you to the right deal to begin with and the application process is quicker. We've got tips on how to find a good broker later in this guide.

CHAPTER 4 - HOW TO BOOST YOUR MORTGAGE CHANCES

- **You'll need proof of your income.** Lenders will want to see evidence of your income. They're also likely to want bank statements to see that the money going into your account and the outgoings you've described match up. So look up your last three months' worth of payslips and bank statements now. Again, more on what paperwork you'll need later in this guide.
- **Scrutinise your bank statements.** Are there any red flags on there that will concern the lender? Charges for being overdrawn or use of an overdraft facility could be dealbreakers. You're going to have to list your outgoings to the lender. It'll check your list against your statement, so they need to tie up.



CHAPTER 4 - HOW TO BOOST YOUR MORTGAGE CHANCES

- **Be prepared to explain yourself.** If there's something unusual a lender will notice, have an explanation ready for the application rather than waiting to be asked or just getting refused out of hand. If you've a monthly standing order to your mum for £200, the lender will want to know what that's for.
- **Work out your disposable income.** Work out how much you have left over at the end of each month. The bigger this figure is, the more comfortable the lender will be with your loan application.
- **Give yourself a money makeover.** Boost your disposable income by minimising expenditure. Do this at least three months in advance of an application, so it'll show clearly on bank statements. Go through your statements with a fine-tooth comb and see if there are any costs to be cut or unnecessary direct debits or standing orders you can shed. Our full [Money makeover guide](#) has lots of tips.
- **It's not 'can you afford it now?' but 'can you afford if interest rates rose?'** Lenders must 'stress-test' whether your mortgage is affordable if rates were to shoot up. Use our [Mortgage Calculator](#) to work out what the higher payment would be and check if your disposable income will comfortably cover it.

More tips to boost mortgage chances

Here are some other ways you can increase the likelihood of being accepted by a lender:

- **An extra £100 can secure a mortgage.** Reducing the amount you need to borrow with just £100ish can boost your acceptability, or at least cut the amount of documentation the lender wants to see. For example, if you are applying for a 75% LTV loan on a £300,000 property, and your equity is £75,000, see if you can put down an extra £100 or so. That extra bit on your 'deposit' could see you speed up and ease the application process.
- **Stay out of your overdraft.** If you're constantly using your overdraft, this could be seen as living close to the edge of your finances, so avoid it if possible. In fact, some lenders may not tolerate you being in your overdraft at all in the previous three months. If you're using your overdraft, see if you can shift it to a [0% money transfer credit card](#) instead.
- **Avoid payday loans.** Not just because their rates of interest are hideous, but because some lenders will simply reject anyone who's got, or recently had, such a loan as it indicates poor money management. If you've had a history with payday loans or problems with them, see if you can [reclaim the money](#).

- **Close unused credit cards.** If you've lots of unused credit available, this can be seen as a negative, as you could borrow large amounts on a whim without passing a further credit check. Even if you've paid an old card off and stopped using it, it'll still show up as active (as available credit) unless you contact the card company and shut it down. But just to confuse matters, there can be circumstances (such as shutting a long-standing account with an unblemished history) where closing cards could be seen as negative. We've got a guide which helps you [weigh up what's best](#).
- **Got savings?** They could help you get a better mortgage. At every 5% LTV threshold – from 95% down to 60% – deals tend to get better, so a little extra can have a big impact on your mortgage rate. Imagine you've a £300,000 home and want a £182,000 remortgage. That's 61% LTV, and the top five-year fix might be 4%. Yet if you use £2,000 of savings to reduce the amount needed, you'd then be at 60% LTV, where the top five-year fix could be 3.5%, saving you a decent whack of money over five years.

What paperwork will I need?

Before you start the application process, gather everything you could possibly need. Double-check with a lender or broker as early as possible, so you don't waste any time in the application process because you're waiting to sort key paperwork.

Paperwork you need – be that digital or paper copies (this'll depend on the lender) – typically includes:

- Proof of income (often your last three months' payslips, or two to three years' accounts if you're self-employed).
- Last three months' bank statements.
- Proof of bonuses/commission.
- Your latest P60 tax form (showing your income and tax paid from each tax year).
- SA302 tax return forms (mainly for the self-employed). These are copies of your self-assessment tax return, which lenders may want to see. These can take a while to get from HM Revenue & Customs, so ask for them well in advance.

What if I'm self-employed?

If you're self-employed or would struggle to prove your long-term income — perhaps you've worked abroad or you're on a temporary contract — then remortgaging is tougher.

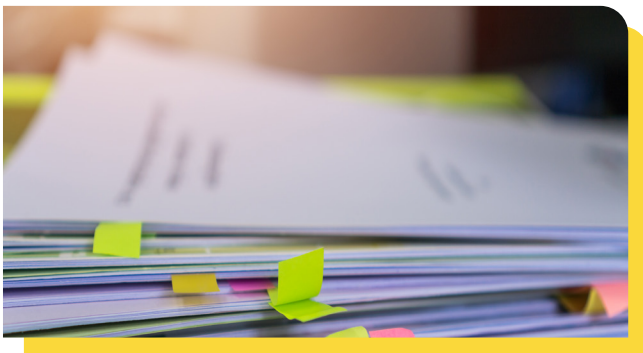
You'll need cast-iron proof of your income, usually at least two years of accounts. This can be difficult if you work for yourself or are only on a contract for a limited time, rather than a permanent contract.

The paperwork you'll need normally comes in one of two formats:

- **Business accounts.** You want to be able to show preferably three years of accounts — though two is normally enough. Usually, they need to be signed off by a chartered or certified accountant.
- **Tax returns.** If you can't show business accounts, then you might be asked to show two or three years of tax returns.

You'll be assessed on profits, not turnover, and if you've (legally) minimised declared profits to pay less tax, you could find it hard to get the remortgage deal you want. If this is likely to be a complex process, then using a mortgage broker will often help the process as they'll know which mortgage lenders require what.

All this is fine for established businesses, but being brutally realistic, it could mean those who have recently started working for themselves will simply not be able to remortgage. Or if you're looking with a partner who is self-employed, their income may not help you remortgage if it can't be proved.



What type of **mortgage deal** do you want?

Choosing what type of mortgage you want is not always straightforward. There is a series of choices you'll need to consider, which – while it can feel overwhelming – shouldn't be rushed.

Think back to why you want to remortgage in the first place, and that should help you work out what you need your new loan to do. Again, it's worth engaging a specialist mortgage broker who can talk you through the pros and cons of each type (we help you find a broker in chapter 10).

Choice one: repayment or interest-only?

Unless you have a very compelling reason, repayment should always be the way forward. It's the only mortgage option which guarantees you are actually paying off some of your debt every month.

Interest-only mortgages, where you just pay the interest on the debt and none of the original loan, are much more difficult to come by. You need to have a sure-fire way of paying off the actual cost of the house when your mortgage term comes to an end. Relying on future bonuses at work, an inheritance, or even ISA savings probably won't be enough to reassure lenders.

In reality, this isn't much of a choice, as most people won't have access to interest-only mortgages and, as mentioned, there aren't many of them about.

Repayment mortgages

Your repayments are calculated so you'll have repaid all the debt and the interest over the term you agree (for example, 25 years).

This has a strange effect. In the early years, your outstanding debt is larger, so most of your monthly repayments go towards paying the interest. Gradually, as you reduce what you owe, most of your repayments go towards paying off the debt.

For example, on a £150,000 mortgage at 5%, after 10 years you'll have repaid £105,000, but only reduced what you owe by £40,000. Yet after a further 10 years, paying another £105,000, you'll have reduced the debt by a further £65,000 because less interest is accruing each year.

Many people worry that if they ever remortgage to another deal, they'll lose all the work they've put

CHAPTER 6 – WHAT TYPE OF MORTGAGE TO CHOOSE

in to decreasing what they owe. This isn't true. When you remortgage, provided you keep the same level of debt and number of years on your overall mortgage term (for example, you have 14 years left to repay and you still intend to repay it in 14 years), then you won't lose out.

If you can afford to pay the debt more quickly than what you're currently doing, though it would mean a higher monthly payment in the short term, you could save serious cash over the life of the loan. You can see the impact of opting for higher monthly payments by using our [Mortgage Calculator](#). This is something to discuss with a mortgage broker.

Interest-only mortgages

For those few getting an interest-only mortgage, the cost is pretty simple — if you've borrowed £150,000 at an interest rate of 5%, the cost is £7,500 a year, although remember that means you still owe the original £150,000 debt (unlike the debt on a repayment mortgage, which would have been reduced by your monthly payments).

Quick question

Q) *What is an interest rate?*

Since you've already got a mortgage in place, the chances are you know a thing or two about interest rates already. Saying that, here's a quick recap.

The interest rate is the cost of borrowing money. So if the rate's 1%, that means if you borrow a pound over a year you'll repay £1.01. If it's 44%, you'll need to repay £1.44.

While that's simple, when you borrow a large amount of money over a long period, the interest can really stack up, even if the interest rate is low. For example, if you borrowed £150,000 on a 5% rate for 25 years, you'd repay £113,000 in interest alone.

Choice two: fixed or variable?

This is the really big choice, and it's never easy. There are many different types of deals, but all fall roughly into two camps. They're either fixed or variable.

Fixed-rate mortgages

Here, regardless of what happens to interest rates, with a fixed mortgage your repayments are fixed for the length of the deal. They don't move. They're like a statue, as still as a pyramid. OK, hopefully you've got it.

So, whether you fix for two, three, five years or longer, it's effectively an insurance policy against interest rates going up. Of course, if rates tumble your payments won't fall. It's even possible to fix for 10 years, or longer, but such long-term security can be more expensive.

Like any insurance policy, this protection from rate rises costs. All other things being equal, a three-year fix should have a higher rate than a three-year variable deal. So, it depends what price you put on your peace of mind.

Then again, this isn't always the case and there can be quirks — this is all part of the evaluation process. Either way, it's worth evaluating how much the certainty is worth to you.

If you're worried you may need to move home during the term of the fix, check if the mortgage is 'portable'. Even if it is portable, the lender may not allow it (it will recheck your credit score and affordability). If it does allow it and you're borrowing more, the lender may charge you a higher rate of interest on the extra borrowing.

When a fix ends, most move on to their lender's standard variable rate (more on these later).

Pros & cons of **fixed-rate mortgages**

- Pros**
- Certainty. You know exactly what your mortgage will cost.
 - Your payments will not go up over the life of the fix, no matter how high rates go.
- Cons**
- Rates are usually higher than on variable products.
 - If interest rates fall, you won't see your payments drop.
 - If you want to get out early, you'll often have to pay a high penalty.

Martin's Mortgage Moment



Don't let 'fixed rates rising' stories confuse you

Sometimes you will see stories in the media about fixed rates rising (or falling). This can be confusing. What they're actually saying is the rates available to new borrowers are rising. It's a way of saying if you are going to lock into a rate, do it soon – the speedy will save money. It's important to understand that the rate at which you can fix with a new mortgage does move. So even when UK interest rates are stable, fixed rates change. They tend to follow the City's prediction of long-term interest rates.

But if you have a fixed-rate mortgage, you won't pay any more during the term.

Variable-rate mortgages

Here, your mortgage rate, as the name suggests, can and usually will move up and down. The major, but not sole, cause of this is changes to the UK economy.

In times of growth and inflation, interest rates tend to be increased to discourage spending. This is because higher rates make savings more attractive and borrowing costlier – meaning people are less likely to borrow to spend.

In times of recession, interest rates are decreased to encourage spending. However, to complicate things, variable rate deals tend to fall into three categories:

1. Trackers

Here the rate tracks a fixed economic indicator. Usually it's the Bank of England base rate. This means it's completely locked in parallel with that rate.

So if the Bank of England rate increases one percentage point, so does your mortgage. If it falls by one percentage point, so does your mortgage. Most trackers only run for a couple of years and then go to the standard variable rate, though some can last longer.

Beware any small print that allows your lender to up rates even when the base rate hasn't moved. It's rare, but has happened in the past.



Pros & cons of trackers

- Pros**
- They are very transparent. You know that only economic change can move your mortgage rate, rather than the commercial considerations of the lender.
- Cons**
- Uncertainty – if rates rise, so will yours.
 - You're also locked into a fixed relationship, so if you are paying an amount above the Bank of England base rate and interest rates jump, it could mean large future costs.

2. Discount mortgages

These deals usually offer a discount off a standard variable rate (SVR). The discount tends to last for a relatively short period – typically two or three years.

They are usually described as the rate you'll pay, followed by the discount off the SVR in brackets – for example, 4.29% (0.5%). What's important is the rate you'll pay from the start.

Pros & cons of discount mortgages

- Pros**
- It can be cheaper than other rates.
 - If interest rates are cut, your rate may drop too.
- Cons**
- Uncertainty.
 - If it's a discount off the SVR, there's no guarantee you'll get the full benefit of all rate changes as you're still at the mercy of lenders hiking SVRs at their will.

3. Standard variable rates

Each lender has a standard variable rate (SVR – or rate with a similar name) which tends to roughly, but not exactly, follow the Bank of England base rate. Rarely available to new customers, it's the rate you go to when your introductory fixed or tracker / discount special offer deal has ended.

SVRs can be anything from two to five or more percentage points above the base rate, and they can vary massively between lenders. As the base rate shifts up and down, lenders have traditionally moved their SVRs, although not always by the same amount.

For example, they may only drop rates by 0.2% when the base rate drops by 0.25%. But when it goes up, they often increase it by at least the full amount, meaning they increase profits both ways.

The most important thing to understand with SVRs is that they're virtually always far more expensive than the most competitive mortgage deals out there, so there's rarely a convincing reason to stick on your lender's SVR for long (unless your mortgage is so small that it's not worth moving on to a different deal).

Pros & cons of SVRs

Pros

- If interest rates are cut, your rate will likely drop too.
- They usually don't have early repayment charges.

Cons

- Uncertainty.
- There's no guarantee you'll get the full benefit of all rate changes, as you're at the mercy of lenders hiking rates at their will.
- They are normally expensive.

Martin's Mortgage Moment



Choosing between fixed and variable

A fixed rate is an insurance policy against hikes and therefore gives peace of mind. That has to be factored into the equation. Though how much that peace of mind costs you is important too.

Yet, shock horror thought from the Money Saving Expert. Here, choosing a rate isn't purely about which is the cheapest.

Deciding whether to fix is a question of weighing up how important the certainty that your repayments will stay the same is for you. I tend to think of this as a "how close to the edge are you?" question.

Someone who can only just afford their mortgage repayments should not be gambling with interest rates, so will benefit much more from a fixed rate as it means they'll never be pushed over the brink by a rate increase during the term of the fix.

Those with lots of spare cash over and above the mortgage may choose to head for a discount or tracker, and take the gamble that it'll work out cheaper in the long run.

Don't look back in anger

I'm sure Oasis were writing about mortgages when they penned that famous line. The truth is, the only way to truly know which mortgage deal is best is with an accurate crystal ball, and they cost way more than a house.

So if you do decide to go for a fixed rate on the basis of surety and afterwards look back with hindsight and realise a discount rate would've been cheaper, this doesn't mean it was the wrong decision. If you needed surety, remember, you got it.

I think it's time for an analogy.

If I asked you to call heads or tails on a coin toss and said I'll give you £100 if you win, but you only need pay me £1 if you lose, provided you could afford to lose £1, you'd be a fool not to do it.

While the bet itself doesn't increase your chances of winning, the reward for winning is much better than the cost of losing. So if when we actually tossed the coin you lost, that doesn't mean the bet was a bad one.

Even though the outcome wasn't what you wanted, you made the best decision based on the knowledge you had at the time. The same is true with fixing your mortgage.

Choice three: do you want your mortgage to be flexible?

Once you've decided on a fixed or variable mortgage, the next question is: do you want a mortgage that is more flexible? This means getting functions that allow you to increase or decrease what you repay – and overpaying is far more important than the rest.

Making overpayments

The most popular flexible feature is the ability to overpay, which just means paying more than you need to – whether that's each month or just shoving a lump sum at your mortgage from time to time. This can result in clearing the debt substantially quicker, so you pay less interest overall.

The impact of this can be huge.

Loan:	<i>£150,000 over 25 years at 5%</i>
Monthly payment:	<i>£880</i>
Total amount repaid:	<i>£263,000</i>

This means you'd pay £113,000 in interest. But if you decided to and were allowed to overpay by £100 a month, you'd repay the mortgage four years and seven months quicker, saving £23,350 in interest.

You can use our [Mortgage Overpayment Calculator](#) to see the specific impact for you.

Luckily, many standard mortgages allow you to make some form of overpayment. So you don't always need something special (as special usually costs more).

However, they restrict the amount of money you can overpay – typically 10% of the outstanding mortgage per year or a fixed maximum amount each month (do more and there are harsh penalties).

Top tip – timing your overpayments

Mortgage companies calculate how much interest you owe on the debt at different times – the vast majority do it daily, a few monthly or yearly. You need to know how yours works so you can time your extra payments.

With daily interest the timing doesn't matter, you benefit the next day, but it makes a huge difference if interest is charged annually – and middling if it's monthly.

This is because mortgage overpayments will only count to reduce the interest you pay AFTER the calculation is made. Put it in at the wrong time and you'll miss out.

Say the amount you'll be paying in interest is worked out on 31 December, then you need to make sure you pay the extra in before Christmas. Leave it until January and you lose the benefit of overpaying. You'll still be charged interest as if you hadn't made the overpayment until the next 31 December.



Martin's Mortgage Moment



Why overpaying pays so well

Money in savings often earns far less than the interest on your mortgage costs you. So it's worth doing some simple maths.

Imagine you owed £10,000 on your mortgage charging 5% and had the same in savings earning 3%. The mortgage debt costs you £500 in interest a year, while you only gain £300 on your savings – and that's before tax – making you at least £200 a year better off using your savings to overpay the mortgage.

So it seems it's a no-brainer to use your spare cash to pay down your mortgage quicker, at least when mortgages cost more than what savings bring in. But there are a few spanners in the works.

- **Are you allowed to overpay?** Few mortgages allow unlimited overpayments, but most at least allow 10% of the outstanding debt, so check. To get unlimited overpayments, your interest rate will usually be higher.
- **Where there's an overpayment cap, if you overpay too much, you'll face an early repayment charge.** These can be hefty, often in the region of 1% to 5% – so overpaying by £1,000 over the cap could cost you £10 to £50.
- **Do you have other debts?** A crucial rule of debt repayments is: clear the most expensive debts first, and by that I mean the highest interest rates. If you've credit cards and other personal loans, they are likely to have an even higher interest rate than your mortgage (unless you're using 0% credit cards).
- **Do you have a cash emergency fund?** Unless you've a very flexible mortgage, once you use money to overpay, you can't get it back. That's a real problem if you have an emergency and need it later. So be slightly cautious with your overpayments, don't do it to the brink. If you then lost your job and couldn't make the normal repayments, the fact you've overpaid in the past won't stop you being in arrears. This is why I suggest you should always keep an emergency fund of three to six months' worth of expenditure if possible.

- **Does it have a ‘borrow back’ facility?** If you are overpaying, a few mortgage lenders may allow you to get the overpayments back if needed – though they don’t always shout about it, making it a hidden bonus.

If it does, then you can effectively use your mortgage as a high interest savings account. By leaving money in it temporarily, the net effect is the same as earning interest tax-free at the mortgage rate. However, if the mortgage is uncompetitive, the increased cost on your debt may outweigh the savings gain.

- **Can you take payment holidays?** Here the lender will allow you to simply stop paying it when you want, at least for a month or two. But be careful. Lenders don’t let you play hooky out of the goodness of their hearts.

You will pay for it as the interest continues to be added to your loan and you won’t be clearing anything. Typically, borrowers taking a ‘holiday’ arrange to miss one or two payments and their monthly payments are recalculated to spread the cost of the missed payments over the rest of the life of your loan — therefore it’ll go up.

Some lenders insist you have overpaid before you can take a holiday. Plus there could also be an extra penalty or administration charge on top. You can’t just decide to take a payment holiday because your lender allows it. You have to arrange it with it first – if you don’t, it will impact your credit file and look like you’ve missed payments willy-nilly. Some lenders may still put it on your credit file, so be careful.

“Some lenders insist you have overpaid before you can take a holiday”



Offsetting

So far, the focus has been on mortgages that are variations on a simple theme. You borrow a set amount of money, you pay back a certain amount every month, and your debt is the amount you borrowed minus the repayments you've made (after interest has been paid). So far, so straightforward.

However, for ultimate flexibility, there's a type of mortgage specifically designed to allow you to use them as a place to put your savings. They still come in variable or fixed deals as described above, but with a twist...

An offset keeps your mortgage and savings in separate pots with the same bank or building society. But the big difference is your cash is used to reduce – or 'offset' – your mortgage instead of earning interest on your savings.

So if you've a mortgage of £150,000 and savings of £15,000, then you only pay interest on the difference of £135,000.

You still make the standard payment every month, but your savings act as an overpayment, wiping out more of the interest every month, helping to clear the mortgage early. And as we showed earlier, the quicker you pay it off, the less it costs you overall. The best point is your savings can still be withdrawn whenever you want with no problem (but obviously, then it no longer offsets your mortgage debt).

The effective savings rate can be huge...

Where the mortgage rate is likely to be higher than what you'd earn in a savings account, you're best off paying less interest on the mortgage. Using an offset to reduce a mortgage with interest at 5% means you'd need a normal savings account paying at least 5% to beat it.

If you're one of the few that still pays tax on your savings (for instance, you earn interest over your personal savings allowance of £1,000 a year for basic-rate taxpayers, or £500 a year for higher-rate taxpayers, or are a top-rate taxpayer), then you'd need a savings account paying an even higher interest rate to beat your offset.

CHAPTER 6 – WHAT TYPE OF MORTGAGE TO CHOOSE

Is an offset mortgage worth it?

Many people get very excited by the idea of an offset, but hold your horses. The problem is offsets are usually at a higher rate than standard mortgages.

Think about it. If you've a £200,000 mortgage, while getting a better rate on £20,000 of savings is nice, you don't want to pay a worse rate on the remaining £180,000 debt. So, in the main, unless the offset is really cheap, only those who'll be offsetting a substantial sum in savings should bother.

Even then, you could just get a smaller normal mortgage and borrow less at the outset or overpay.



Picking the mortgage term is important

OK, so you probably started with a 25-year mortgage (or perhaps 30- or 35-year one) when you first bought a house.

If you're working towards being mortgage-free, then you generally don't want to extend the length of it (known as the term) when you remortgage.

Although, if you need cheaper monthly payments, there might be a case for extending the mortgage term so you pay less now. However, there are a few factors to take into account, including how old you'll be when the term ends. Many lenders won't allow you to take it into your retirement period. This is probably good for you too – as you have to question whether you could keep up with the repayments. Again, take a broker's advice before doing this so you know what the consequences could be for you and your finances.

The longer your mortgage lasts, the more you pay. Lengthening the term, say from 23 to 30 years, means you pay less each month, but you pay more interest in total. Shortening the term is a bit like overpaying, it's far cheaper if you've the cash. However, if the mortgage allows you to overpay, it's better to keep the mortgage long to give yourself flexibility, then make the overpayments.

The graphs below show that when you lengthen the term, you pay less per month but much more overall.



Moving home

Where you're buying your next property (rather than switching deal and staying in your current home), then you don't actually need a remortgage. You either need to:

1. Take your current mortgage product to the new property, or...
2. Get a new 'home mover' mortgage.

Taking your current mortgage deal to a new property – known as 'porting'

If you're moving property, the first thing you need to do is to find out if your current mortgage is 'portable', by checking your mortgage paperwork or contacting your lender.

If it is, it means you might be able to take your existing deal and rate to a new property. For example, you're two years into a five-year fixed rate when you sell your current home and get to take the fixed rate to your new property for the remaining three years.

However, even if your mortgage deal is technically portable, it'll still be down to the lender to decide whether they'll actually let you do it – something that'll partly depend on the property you want to move to. There's no guarantee they'll say yes.

The lender will want to check you are still creditworthy. That seems odd because you already owe it the money, so why would it say no? But it's a great opportunity to get rid of borrowers it no longer wants. Even if it's happy with you, it'll also want to check out the property that you're looking to move to, in order to check that it's worth what you're paying for it and that it'll be good security for the mortgage.

You might be thinking: "Why don't I just get an entirely new mortgage?" This can be a good option for some, but the big advantage of porting your mortgage is that you get to keep the rate (and get to avoid early repayment charges, if there are any).

Of course, if rates have dropped since you first took the mortgage out, you may want a new one anyway.

CHAPTER 7 – ARE YOU MOVING PROPERTY?

How much will the lender let me 'port'?

The lender is likely to only let you port the amount you currently owe on the same deal. If the new property you're buying is more expensive and you need to borrow more money, you'll usually have to take the extra out on a different mortgage product (which'll probably be on a different interest rate).

Let's say you owe £100,000 on your current property and want to move, but need £150,000 to do so. At that point, you can port the £100,000 on the existing deal, and the lender may then be able to offer the additional £50,000 on a different rate that is currently available (subject to affordability).

I can't or don't want to port, so I need a new homemover mortgage

In this case, you need to pay off the mortgage on your current home, usually with the sale proceeds (or with funds from a new buy-to-let mortgage if you're going to rent the current place out). Then you need to get a new mortgage for your new home.

Because that mortgage is for a new home, the process is exactly the same as getting a first-time buyer's mortgage, so read our free [First-time buyers' guide](#).



Don't forget **remortgage fees**

Before rushing ahead with your new remortgage application, stop and familiarise yourself with which fees you'll face. These form a significant part of your remortgage deal, and could run you as high as £2,000+.

So you need to do your sums to take into account the full costs of remortgaging. You can try to minimise these – and some lenders will give you help towards them – but you can't magic them away. To make matters worse, there are a host of fees given different names by different lenders, making them harder to compare.

Realistically you might have to add them to your mortgage. But remember that's expensive as you'll be paying interest on the money for the length of the loan.

Here are some of the fees you could face:

- **Arrangement fee.** This is the highest charge by far and the most common when it comes to remortgaging. Typically the arrangement fee will be around £1,000, but in some cases it can be nearer to £2,000.

It might be even more expensive if the arrangement fee is a percentage, especially if you're taking out a large mortgage. These can be as much as 1.5% to 2% of the loan. On a £200,000 mortgage, that would be £3,000 to £4,000.

Essentially, you need to look at the arrangement fee as part of the price of a mortgage. For mortgages under £150,000, the fee is a disproportionately large cost. It is often cheaper to go for a deal with a higher interest rate and lower fee.

Therefore, you always need to do a calculation incorporating both. Generally, the best way is to factor in the fee over the life of the fix or tracker / discount (for example, two or five years). It's easy to do this with our [Mortgage Calculator](#).

- **Booking / reservation fee.** This fee isn't common these days, but a few lenders do charge a separate reservation fee to secure a fixed-rate, tracker or discount deal. If yours does, it's likely to be between £100 and £200. This is always payable upfront and non-refundable.

- **Valuation fee.** This covers the cost of a survey of your home. The good news is it's usually free with a remortgage product.

It's to a) check the property exists and b) estimate its value (which may be different to what you paid for it) to assure the lender it has security for the loan, for example, that if it repossesses because you miss payments it will get enough money back to cover the debt. The cost of the valuation depends on the property's value and your lender, but estimate about £300 to £500 if it's not included.

- **Legal fees.** Again, often free with your remortgage product, if only straightforward legal work is required. Paid to a solicitor (usually selected by the lender), this covers the cost of all the legal work associated with remortgaging a home.

Don't forget if you use a mortgage broker you may have to pay their fees. More on that in chapter 10.

How to compare remortgage deals, including fees

To establish whether it's worth remortgaging, you need to work out whether the new deal is in total cheaper than the old one. A quick way of doing this is by using our [Compare Two Mortgages Calculator](#), but in brief, this is what you need to do:

- **Add up the cost of staying put.** Work out how much you'll pay to stay where you are. This could be on your current fixed or tracker rate, or it may be the standard variable rate if your current mortgage deal is ending. Just find out what the monthly repayments will be, and multiply those monthly costs by the number of months your potential new deal will last to calculate the costs of staying put.
- **Add up the total new deal cost.** Now see what the monthly repayment will be with the new lender for borrowing the full amount and calculate the cost over the special offer period. If it's a two-year deal, multiply it by 24 to get the total two-year cost. But make sure you also add in any fees to leave your old lender and to join your new lender. Then compare the final figure to the cost of staying put to work out which is cheaper.

How to get the **best remortgage deal**

OK, so now you're getting down to the nitty-gritty of actually picking a remortgage. Ideally you'll start your search around three to six months before you want to remortgage, but don't panic if you're later than this. The actual remortgage process can be really quick, but assume somewhere between six to nine weeks.

We suggest starting earlier, because many lenders allow you to apply and hold the rate for three to six months before you have to complete the remortgage. The cutting-edge technique is to find the top mortgage that can be held for a few months in advance and apply for that, then search the market again one month before to see if there are better rates.

If there are, then by all means see if you can cancel the held rate (in most cases, you should be able to do this for free) and apply for the better rate.

Here's our starter-for-three:

Step 1. Ask your current lender for its best deal

When you switch mortgage deal, you have two options: either get a new deal from a different lender – known as remortgaging – or get a new deal from your current lender – known as a product transfer.

Before you start researching mortgage deals on the wider market, ask your lender for its best deals, including its product transfer or product switch options (these are special deals only available to a bank or building society's existing mortgage customers).

Rates on product transfers can be really competitive. Even if your product transfer options aren't great, use the available rate as a benchmark to beat.

One additional boon of product transfers is that, if you're not borrowing more money, they're easy to apply for, and often involve less paperwork and fees. This, combined with a potentially competitive rate, means it's a no-brainer to check what your current lender is offering.

Step 2. Do a check of the best deals on the wider market

One way of getting a good overview of the kind of deals available on the wider mortgage market is by using our free [Mortgage Best Buys tool](#).

Simply punch in your details, such as property value and size of the mortgage, to see what kind of rates you could get. You can narrow down the deals you're shown by selecting whether you want a fix or variable deal, as well as specifying a deal length, for example, eg two years.

See how the rates on these deals compare with what your lender's offering on a product transfer.

Step 3. Use mortgage calculators to compare deals

Once you've got the details of a few mortgage deals that could be contenders, you can start to compare them by using some of our mortgage calculators:

- [Basic mortgage calculator](#) - How much will a particular deal cost?
- [Compare any two mortgages](#) - How much will each set you back?
- [Compare fixed-rate mortgages](#) - Which fixed deal works out cheaper?



A mortgage broker can be worth their weight in gold

If you've read this far, you'll have seen we've referenced using a mortgage broker to help you in almost every chapter so far.

And while the previous chapter gives a flavour of how to start your search for the cheapest mortgage deals so you have a ballpark idea of the kind of rate you'll get and how much it'd cost per month, we'd also encourage you to seek the help of a mortgage broker.

There are many reasons to consider using a broker. For starters, they're experts at scouring the mortgage market to find the best deals for borrowers.

What's more, they have details of most lenders' acceptance criteria, which aren't usually available to the public. This means they can place your application with a lender more likely to accept you. Plus, there are sometimes top deals, and even some product transfers, that can only be accessed through brokers.

Our view is that, unless you're very financially savvy, it's usually best to [consult a mortgage broker](#).

What's a mortgage broker?

A broker is simply a qualified and regulated mortgage adviser.

As there's a mass of choice and deals can disappear fast, using a broker is a good idea for many people.

Quite simply, they save you trawling through deal after deal to find the cheapest one for you. Of course, you don't have to use one. If you're confident and prepared to do the work and research yourself, you can go it alone – and we've guidance on how to do that later in this guide.



Martin's Mortgage Moment



Mortgage brokers can make it easier and faster

What you really want to do is get the best deal from across the market.

That's where a good mortgage broker can help. I often favour sorting your finances out yourself. But as mortgages are such a big single transaction, getting professional help can be a boon.

A broker should be able to quickly source a relevant product that fits your credit history, offer an extra layer of protection if things go wrong, and carry more clout with lenders to ease acceptance on otherwise unobtainable mortgages.

There are also some lenders which only work with brokers and some broker-exclusive deals from lenders that are simply not available to individual customers. These are rare, but can be market-leading.

The key questions to ask a broker

To ensure you pick a good broker, ask the following questions:

1. "Do you check all lenders?"

Some mortgage brokers are tied to one lender or a small panel and we'd dodge those. The real choice is between one who checks all the lenders that work with brokers (these used to be officially known as 'whole of market') and ones that check all those plus the few extra 'direct-only' deals that brokers can't set up for you.

The first type has the advantage that some of them (mainly working by phone or online rather than face-to-face) are fee-free, including London & Country, this guide's sponsor. For the second type, while you may have to pay, you get a belt and braces service, so every possible deal is looked at. Remember to factor this cost in when deciding whether or not to remortgage.

If you do go for the 'fee-free' option, then if you're confident enough, you can quickly check the direct-only deals yourself if you like.

2. “How will you make your money?”

Brokers can make money in two ways:

- **Receiving a procurement fee from the lender.** This is roughly £350 per £100,000 of mortgage. It doesn't affect what you pay.
- **Charging you a broker fee.** If your broker does charge you a fee, this can be anywhere between £300 and £1,000 (don't pay more – some do it through a percentage of loan value; if that's too high, avoid).

While it's legal for them to do so, we'd avoid any broker that charges upfront or even before you complete your mortgage. In other words, don't pay unless you get the mortgage.

Don't think just because a broker's charging you, it won't be getting a fee from a lender. If the total fee from you and the lender is more than about £800 and it's not complicated by issues such as your credit history not fitting, there may be room to haggle. And as the lender fee is usually a percentage of the loan amount, that really means haggling on bigger mortgages.

Mortgage brokers are regulated by the Financial Conduct Authority, so the fact they earn commission shouldn't influence their recommendation. The advice should be genuinely unbiased. If you're not sure, ask the broker to explain what they based the recommendation on. If you're not convinced, get a second opinion.

For a full rundown of top brokers and where to source one, see our [Cheap mortgage finding guide](#).

3. “Are you qualified?”

Make sure you're getting advice from a qualified adviser (the most recognised qualification is called CeMAP). They will assess your needs and eligibility before recommending the most suitable product for you. This route also offers the most protection for you as a consumer.

If the advice turns out to be wrong, the Financial Ombudsman Service will be able to investigate any wrongdoing. But if you choose a product yourself online, you'll have no comeback if you make the wrong choice.

How to find a mortgage through a broker

Here are the steps to getting a remortgage through a broker:

- **Step 1.** Choose a broker. You should be told explicitly what advice will cost, and how and when you'll pay for it (if at all).
- **Step 2.** Discuss your circumstances with the broker. They'll recommend a deal.
- **Step 3.** Check direct-only deals. See if you can beat your broker with deals they don't search. If you can, discuss it with your broker.
- **Step 4.** Select a mortgage/accept the broker's recommendation. The broker should recommend a remortgage deal that meets your requirements.
- **Step 5.** You (if you go direct) or your broker will make the application to the lender.
- **Step 6.** Valuation and legal work. This usually takes up to two months.
- **Step 7.** Completion. You stop paying the old lender and start paying the new one.

Martin's Mortgage Moment

Always check non-broker deals too

There are deals that brokers can't access, because lenders cut them out by offering them direct to consumers only or by not paying commission. If you're paying a large fee, then you should ask your broker if they will check these deals for you too. If not, you need to check these deals yourself.

The big lenders doing this are First Direct and Yorkshire Building Society. They can offer some very competitive deals and are always worth checking, but they do tend to cherry-pick the best credit scorers and reject many applicants.

Some lenders which do offer deals through brokers sometimes restrict certain specific deals to direct-only customers. Any company may decide to do this from time to time.

So for belt and braces, as well as using a broker, it's also worth using MSE's [Mortgage Best Buys tool](#) that also lists direct-only deals – just in case there's a mortgage there that suits you. There's then nothing wrong with telling your broker you've spotted it and asking for their views.



Sorting a remortgage **without a broker**

If you're confident you know what you want, there's nothing to stop you getting a remortgage on your own, though as we've already explained, most people are better off using a broker.

As a start point, the internet can help you get details of different products and compare rates. Our [Mortgage Best Buys tool](#) lists most of the latest rates, for example. Some media outlets also publish best-buy tables, but beware – these tables often don't include all the fees you'll have to pay, which can make as much difference as the interest you'll pay.

- **Step 1.** Select the remortgage deal or deals you fancy. Get detailed quotes from the lender(s).
- **Step 2.** Add up all the fees to get a figure for the total cost.
- **Step 3.** Work out the cost over a set period – the length of the fixed-rate or variable-rate deal, or the life of the mortgage.
- **Step 4.** For example, check if your income is sufficient and whether the lender will lend on your current property (sometimes lenders don't like high-rises or homes above shops).
- **Step 5.** If you decide to go ahead, apply to the new lender. You can speak to the lender and get advice on their range of products. Or you can apply online without advice, but remember, without getting advice, you're taking full responsibility for your choice being right for you.
- **Step 6.** Valuation and legal work. This should take about two months.
- **Step 7.** Completion.



Watch out for the **hard sell** on...

As the mortgage market has developed, some lenders – and brokers – try to make more money elsewhere in the mortgage process. So be prepared for the hard sell on the following:

1. Life cover from your mortgage seller

Would you ask the man who sold you a computer to be your fashion stylist? No. So don't assume just because someone sold you one financial product, they will automatically get you a good deal on extra bits, such as life cover or other insurance.

Don't rush in and grab the first one offered to you. In some cases, you can save 50% on the life cover sold by your lender or broker.

For a full guide on how to find the cheapest cover, see our [Cheap life insurance guide](#).

2. Mortgage payment protection insurance

Sometimes called accident, sickness and unemployment insurance (ASU), mortgage payment protection insurance (MPPI) covers your mortgage payments if you have an accident, become ill and can't work, or you're made redundant.

There is limited help from the Government but, at best, it will only cover your interest. So it's sensible to consider – before you take out a mortgage – how you would manage to meet your repayments in these events.

MPPI isn't a bad policy, but it can be quite pricey and has been mis-sold in the past to people who couldn't actually claim on it. This happened because the insurer wasn't required to carry out any checks to make sure the insurance was suitable when you first applied, only when you went on to make a claim.



CHAPTER 12 – INSURANCE

Be extra careful if you are self-employed, have any reason to suspect you might be made redundant or have any existing medical conditions. If you do decide to take out an MPPI policy, check carefully:

- That it will pay out if you claim.
- When you are covered (you may have to wait several weeks before the policy kicks in).
- How much it'll pay, for how long and when (it'll usually only cover your mortgage repayments for 12 or 24 months, and you'll probably have a period after claiming before it starts to pay).

Be careful if buying from your mortgage broker. It may not be able to get you the best priced insurance policy, and it's common for a broker to offer mortgages from all lenders, but then be tied to a single insurer or a small panel of them.

3. Bundled buildings / contents insurance

All lenders will insist there is adequate buildings insurance in place.

If you already have buildings insurance, there's no harm in getting a quote from your new mortgage lender or broker to see if it's better than what you have. Be wary of remortgage deals that insist you take out that lender's buildings insurance – it's usually not competitive.

In the past, some lenders have charged around £30 if you declined to take their insurance and arranged your own, so it's worth asking.

If you go elsewhere for your home cover, some seriously cheap deals are possible. By using cashback incentives, some people have even been PAID to take out insurance. See more in our [Cheap home insurance guide](#).

Remortgaging Q&A

Q) Will the lender lend on my property?

Just because you have a mortgage on your current property, it doesn't mean that the next lender will be willing to lend to you. For example, some won't lend on homes near commercial premises, without a working kitchen or bathroom (even if you plan to refurbish), in a high-rise, on council estates, or if it doesn't like the material used to construct the building (such as cladding).

So declare EVERYTHING on day one of your application so you don't waste valuable time, and really interrogate the lender to ensure it has no restrictions which could kibosh your application.

A good broker can be worth their weight in gold here, as they should know which lenders are more likely to grant a remortgage based on your property.

Q) What is the mortgage APRC?

All lenders have to tell you their Annual Percentage Rate Of Charge (APRC) and do so prominently. This is rather annoying, as it's a rate in most cases you'll never have to pay and is meaningless – that's why we haven't really referred to it here.

The APRC shows you the effective averaged annual interest rate if you held your remortgage product for the entire term (normally 25 years).

Therefore, if you had a fixed rate at 4% for two years, and then the SVR afterwards was 5.5%, the APRC would be around 5.4%.

So why do we say it's mostly meaningless?

- You never pay 5.4%, it's an averaged rate over the entire term.
- You're likely to remortgage again long before the term ends.
- The SVR is a variable rate, so is likely to move anyway during the term.

What you really need to focus on is the initial discount/fixed rate, the fees and the rate it goes to afterwards.

Q) Can I leave my property and rent it out to someone else?

Probably, but you have to get permission from your lender before renting it out, called 'consent to let'. In most cases, you'll be able to keep your mortgage. However, the lender may increase the rate, or you'll be told to move on to a buy-to-let mortgage, which is typically more expensive. The lender can refuse your request, so don't assume it will be OK.

Final thought

Just because you've remortgaged once doesn't mean you should rest on your laurels. Today's best deal could have tumbled from the best buy tables in six months' time. If you want to keep saving you need to keep your eye on the ball.

In particular, if you've chosen a rate for a period of time — say two years — then ideally you need to start thinking about checking your rate is still decent at least three to six months before your time is up.

Timing is crucial. Don't let yourself forget and risk squandering the money you saved by remortgaging in the first place. Put a reminder in your diary or in your computer calendar.

Happy hunting!

I hope you save some money.

A stylized, handwritten signature in black ink, appearing to read 'Mark', with a long horizontal flourish underneath.

A message from the sponsor:



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Think carefully before securing other debts against your home. Your home or property may be repossessed if you do not keep up repayments on your mortgage.

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