The Ultimate Guide to Remortgages

Remortgaging is a popular way to save money today, and as long as the market remains volatile, it will continue to be so. This guide will give you all the information you need about what a remortgage is and how to choose the best one for your needs.

What is a Remortgage?

In simplest terms, a remortgage is the process of moving your mortgage loan from one company and product to another. The primary purpose of a remortgage is to save money on your monthly payments and on your original home purchase. Because your home is probably the biggest investment you will ever make, it logically follows that finding a way to save money on this investment will make a significant difference in your monthly budget. This is particularly true in an economic climate like the current one, where rates have dropped to about the lowest possible levels.

However, before you contact your lender to find out what your remortgaging options might be, it is important to educate yourself about the remortgaging process and the products available. Remortgaging is not right for everyone, and not every remortgage loan will meet your specific financial needs. By getting savvy to the possibilities in remortgaging, you can find the right product for your budget and save a significant amount of money in the process.

Reasons for Remortgaging

Aside from the basic money savings that a remortgage can offer, there are other reasons to consider moving your mortgage loan. The reasons for remortgaging might include:

- **Get a Better Rate –** In an economic climate where rates are at an all-time low, this is definitely one of the top reasons for remortgaging today. A lower interest rate does more than reduce your monthly payment; it also allows you to put more money toward your principal balance and pay less to the bank. This increases equity in your home more quickly, which opens the door to a host of additional financial opportunities.

- **Reduce Debt –** A remortgage can also help you reduce other debt you have accumulated in two different ways. First, a lower monthly payment frees up more cash that you can apply to other obligations. You can pay off your car or credit cards much more quickly by simply increasing the amount you pay on those obligations each month. The other way to use a remortgage to reduce debt is to take additional cash from the equity in your home and apply it to your new mortgage balance. You can use the residual cash to pay off credit cards and other personal loans, and the increased mortgage balance is paid at a much lower rate than other loans typically offer.

- **Release Equity –** If you have lived in your home for some time, the equity you have built up can become a valuable asset. By remortgaging, you can release some of that equity to take a holiday, continue your education or make improvements to your existing home. The additional amount is added to your current mortgage and paid off in affordable monthly instalments at a rate much lower than you would pay on a standard personal loan or credit card.

- **Switch Products –** Another reason to consider a remortgage is to find a mortgage product that is a better fit for your current financial situation. Perhaps your income level is higher than it was when you first opened your mortgage. You are not able to make additional payments on your current loan without an overpayment penalty, so you want to remortgage to get a product that allows you to pay off your property faster. If your current mortgage is no longer meeting your financial needs, it may be time to shop around for a product that will work better for your budget.

- **Current Product Expiration –** Many mortgage loans offer a specific rate or terms that are only valid for a set period of time. At the end of that period, your mortgage may automatically convert to a product that is less attractive. This may be a time to shop around for other mortgage options to see if you can get a better deal.

The Pros and Cons of Remortgaging

While a remortgage might be a good financial move for many homeowners, it isn't right for everyone. People who are already in a stellar mortgage deal or who own less than 25% of their home probably won't find a deal in the remortgage market. Borrowers with bad credit or very small mortgages may also find the process of applying and paying for a remortgage is not worth the effort or the money.

Even if you do not fall into one of these categories, it is important to carefully weigh the pros and cons before moving forward with the remortgage process.

Some of the pros of remortgaging include:

- The ability to borrow at a lower interest rate
- The option of utilizing your home's equity for additional cash
- The opportunity to switch to a product more suitable to your financial situation
- The flexibility to consolidate your debts into a single, affordable monthly payment

There are some drawbacks to a remortgage as well, which include:

- Stretching your debts to a longer time frame increases the overall cost
- When your home is used as collateral, it can be repossessed if you cannot keep up with the payments
- There are fees attached to remortgages, which may counter any of the benefits you might receive from negotiating a lower rate on your loan

- The remortgage process can take a number of weeks to complete, so you will need to be committed to the process to see it through to the end

Before you delve into a remortgage application, consider whether this step will be really beneficial to your current financial situation. If not, maybe this is not the right time to switch your mortgage product. If the benefits outweigh the drawbacks, read on for more information about how to find the best remortgage product for your needs.

5 Questions to Ask Before You Remortgage

There are many types of remortgage products available today, and finding the right one for your financial situation is important to the success of the process. Before you can select a mortgage product, you must identify what your specific needs might be. We have five questions that will help you determine the type of mortgage product that will be the best fit for you.

- **How much is my home worth?** The current value of your home will make a big difference in the type of deal you might expect from remortgaging. You can get a rough estimate of the value of your home through online calculators that are available. You can also compare your home with others in the neighbourhood that have sold recently to determine a ballpark figure on home value.

- **How much do I owe?** Before you apply for a new mortgage, it is a good idea to get a redemption quote from your lender. When you compare your loan balance with your home value, you get an idea of how much equity you currently own in your home. If the amount is 25% or less, a remortgage is probably not worth the time and effort. Most mortgage lenders want at least a 75% LTV (loan to value ratio) to issue new mortgage loans. Keep in mind that the more value you have, the better your remortgage deal will probably be.

- **What does my credit look like?** There are plenty of sources for free credit reports, and it is worthwhile to check yours before applying for a remortgage. Lending has tightened considerably in the midst of the current economic slowdown, and applicants with less than stellar credit may be hard-pressed to land a decent mortgage deal. If you do have credit issues, it might be worth waiting on the remortgage process to get your credit back in good standing once again.

- **How much will a remortgage save?** This can be a tricky formula, since you have to take a number of factors into consideration. First, determine what type of interest rate you can expect from a remortgage, according to the current market trends. You will also want to weigh whether you will be taking additional equity from your home to give you cash for debt consolidation or another purpose. Finally, take a close look at the fees involved with remortgaging to see if you really will come out ahead at the end of the process.

- **How long will I stay in my home?** Homeowners that are saving for a bigger property may be better off making the move rather than going through the remortgage process. Because of the fees involved with remortgaging, it takes a significant amount of time before you begin to cash in on the financial benefits of your move. If you will be moving too soon, it may end up costing you more than it saves.

Types of Remortgage Products Available

When the time comes to shop around for a remortgage product, it can be overwhelming to choose among the many types of mortgages available. It is beneficial to take the time to educate yourself on the different products so you are prepared to voice your preferences when you sit across the table from a bank or mortgage broker. Learn about a number of the basic mortgage types right here to get you started.

Fixed Rate Mortgage

As the name suggests, fixed rate mortgages offer a set rate of interest and a consistent monthly payment throughout the life of the loan. Most fixed rate mortgages come in two, three, five, ten or twenty-five year terms. At the end of the fixed rate term, the mortgage will automatically revert to a standard variable rate product, unless the borrower remortgages to a different type of loan at that time.

Pros of a Fixed Rate Mortgage

- The rate and payment amount are fixed for the term, making it easy to budget.
- If interest rates rise, your lower rate on your mortgage is secure.

Cons of a Fixed Rate Mortgage

- If interest rates fall, your higher rate on your mortgage doesn't change.
- Most banks tend to charge you a fee to book your rate and early repayment charges for paying off the loan early.

Standard Variable Rate Mortgage (SVR)

The standard variable rate mortgage is the most common type of mortgage product in the UK. While most banks charge about two points higher than the Bank of England base rate, the actual rates can vary widely between banks. The final rate fluctuations are at the discretion of the bank, but account holders do benefit when rates fall, even if the mortgage rates don't bottom out quite as low as market rates might.

Pros of an SVR Mortgage

- If interest rates fall, your mortgage rate will go down as well.
- This is a common mortgage product with relatively simple terms.

Cons of an SVR Mortgage

- If interest rates rise, your mortgage payment will also go up.
- Banks don't always give you the benefit of full rate drops when rates decrease.
- Your mortgage payment may go up periodically, making it challenging to budget.

Tracker Rate Mortgage

These mortgage products work in a similar fashion to the SVR mortgage, but the rates are tied directly to the Bank of England base rate. When the base rate goes up or down, your mortgage adjusts accordingly. This is becoming a popular mortgage product with lenders and borrowers alike.

Pros of a Tracker Rate Mortgage

- The rate is directly tied to the Bank of England base rate, so you can easily track what your interest rate will do next.
- The loan is becoming more popular, so more banks are offering their own tracker packages.

Cons of a Tracker Rate Mortgage

- If the Bank of England base rate goes up, so does your interest rate and monthly payment amount.
- The differing payments amount can be more challenging for predictable budgets.

Capped and Collared Rate Mortgage

This is also similar to an SVR mortgage in that the rates fluctuate according to market trends. However, the loan also has a floor and ceiling rate, ensuring that your loan does not rise or fall beyond a particular threshold. Some borrowers also opt for a capped mortgage, which only restricts increases on interest rates. Most of these mortgages are available for a fixed term, like fixed rate mortgages offer.

Pros of Capped and Collared Mortgages

- You enjoy a mortgage that follows market trends without the worry that the interest rate will get too high.
- If interest rates fall, you enjoy a lower interest rate and money in your pocket from savings on your monthly payments.

Cons of Capped and Collared Mortgages

- If the interest rate falls below your collar, you don't get to reap the advantages of the bargain basement rate.
- When interest rates rise, your monthly payment amount does as well.

Discount Mortgage

This type of mortgage will usually offer you a reduced rate for the first year or two and then revert to a rate more in line with current market trends. A discount mortgage is commonly linked to an SVR or a tracker rate mortgage, so your rate fluctuates based on the Bank of England base rate. While the initial rate may be very attractive, prepare yourself for sticker shock when the special deal expires.

Pros of Discount Mortgages

- The initial interest rate is very low, so you save money at the beginning of the loan.
- The mortgage is linked to the popular SVR or tracker rate mortgage in most cases.

Cons of Discount Mortgages

- After the initial discount period, your interest rate and monthly payment amount may rise drastically.
- Since the mortgage is similar to a variable rate mortgage, rising rates will also result in a larger monthly payment.

Flexible Mortgage

A flexible mortgage gives the borrower the ability to overpay or underpay as he wishes. There are guidelines in place for these loans that dictate how and when you can adjust your payment schedule to meet your needs.

Pros of a Flexible Mortgage

- This product allows the borrower to overpay or underpay in accordance with her budgetary needs.
- Some allow you to take a holiday from payments for educational expenses or other situations.

Cons of a Flexible Mortgage

- The rates on these products are generally not as competitive as other mortgage products.

Cash Back Mortgage

This type of product provides you with additional cash on top of your loan balance. The cash can be used to consolidate other debts under a single loan product with a lower interest rate. The additional funds can also be used to finance a holiday, education or home improvements. The amount of cash you can get will depend on the type of loan you choose and the amount of equity you currently own in your home.

Pros of a Cash Back Mortgage

- The cash sum can come in handy for a variety of situations.
- The money is financed over a long term with a relatively low interest rate.

Cons of a Cash Back Mortgage

- This type of mortgage typically comes with a higher interest rate and repayment fee than other products.
- The money is financed for a longer period of time, which means you may pay more overall.

Current Account Mortgage

This type of mortgage combines your current account and your mortgage into a single package. You still make a standard monthly payment to your mortgage each month, but the balance in your current account acts as an offset to your mortgage balance so you can pay the mortgage off more quickly. You can also easily add other debt like credit cards to your loan balance, so you can pay them off at the lower interest rate.

Pros of a Current Account Mortgage

- Your bank products are located at the same institution, making it easier for record keeping.
- If you deposit more than you withdraw out of your current account each month, you should be able to pay off your mortgage loan much quicker

Cons of a Current Account Mortgage

- Some people don't like the idea of being overdrawn in their current account all the time because of their mortgage loan.
- The interest rates on these loans are usually higher than other types of mortgage products.

Offset Mortgage

This is similar in theory to a current account mortgage, only an offset mortgage keeps the funds in separate mortgage, savings and current accounts. The balance in your savings and current account is used to offset the outstanding balance on your mortgage loan. These funds serve as an overpayment that helps you pay down your mortgage balance more quickly.

Pros of an Offset Mortgage

- Since the money is kept in separate accounts, record keeping is much easier.
- The additional overpayments add up at the end of the year, allowing you to pay off your mortgage quicker.

Cons of an Offset Mortgage

- If you have to withdraw funds from your savings account, the benefits of the offset mortgage are negated.
- Like the current account mortgage, the interest rates on these products are usually higher.

A Word on Interest-Only Mortgages

All the other mortgages listed in this section are known as repayment mortgages, meaning you are responsible for a monthly payment that includes a part of your principal and an interest charge. There is another type of mortgage known as an interest-only loan. This product requires that you only make small interest payments during the course of the loan, with the capital coming due at the end of the loan term.

The general idea behind an interest-only loan is that you invest the capital during the loan term, so that you make more than enough to pay off the home when the big bill comes due. However, there are many drawbacks to an interest-only mortgage – enough that most people probably won't reap many benefits, and instead they may find themselves in serious financial trouble when the loan term ends.

An interest-only mortgage does not allow you to build any equity into your property. Because your payments are only allocated towards the interest on your loan, you are not paying down any of your principal payment. This means that if you decide to sell your home at some point in the future, your profit will be based solely on the current value of the property, minus the original amount you paid for it. In an economic climate where increasing home values is not necessarily a given, this does not usually make for a very sound business investment.

Some people opt for an interest-only mortgage that converts to a traditional repayment loan after a certain period of time, such as two years. While this can be a way to get your foot in the door of the property market, the lack of equity building and the sticker shock at the end of the interest-only term make this a risky venture indeed. It is best to avoid interest-only loans whenever possible and opt for one of the repayment loans listed above instead.

Tips for Choosing the Right Remortgage for Your Needs

When you choose a remortgage product, you first need to identify your needs to make sure you choose the loan that will meet your financial needs best. Consider the following factors when it comes time to choose your loan:

- Your monthly budget (Is it flexible enough to allow for fluctuation of payment amounts?)
- Your current and future cash needs (Will you be paying for education or a holiday in the near future that would warrant taking a break from your mortgage payments?)
- Current market conditions and mortgage products offered

- The amount of equity you have in your home (if you are considering a cash back mortgage)
- The Annual Percentage Rate (APR) will give you a more accurate comparison of the interest rates between loans
- Your desire and ability to use all the features included in the mortgage
- Fees involved with the mortgage, since these fees can be high enough to negate any benefits you might receive from the lower interest rates
- Future fees, such as overpayment or exit fees if you decide to remortgage during the term of the loan
- The ability to remortgage the loan at some point in the future

When you have determined your needs and weighed all the options, you are ready to proceed in the remortgaging process.

Remortgage Options if Your Credit is Bad

For individuals who have a poor credit rating due to late payments, an IVA or bankruptcy, remortgaging may seem like a nearly impossible process. This is particularly true in today's financial climate, where lenders have tightened their restrictions and their funds to make it much harder to get a loan. However, a time of financial hardship may be the perfect opportunity to try to work your way out of an expensive mortgage product in favour of a more affordable one.

The good news is that many lenders are now offering mortgages specifically for customers with less than stellar credit, and the increase in products has made the market for bad credit mortgages much more competitive. This means that while you will still pay more for your remortgage than someone with perfect credit, the rates are slowly coming down on these products.

It is important to note that most banks will require at least 10% equity in the property if you are applying with a poor credit rating. You may also be subject to additional fees or charges, depending on the bank or building society you choose.

Step by Step Guide to the Remortgage Process

While the mortgage process may take some time to complete, it is usually worth the time and effort to secure a better deal on your loan. The process can also go much more smoothly if you know what to expect. The following are the basic steps to applying for a new remortgage. The steps may change slightly, based on your specific situation and the requirements of your lender.

1. First, talk to your current lender to get a redemption quote and find out what your options might be with that institution. Many banks and building societies offer better deals to current customers that are considering leaving for another institution. If you can keep your mortgage with the same company, it may save you both time and money in the remortgaging process. If your current lender doesn't offer you the deal you want, it is time to head to other banks to see what they can do for you.

2. Even if you like the deal your current lender offers, it still pays to shop around to see what else might be available. When you begin to collect the rates at different institutions, be sure you are comparing apples to apples. For example, if you are looking at a tracker mortgage, find out how the rate is calculated according to the Bank of England base rate and what the term is. You also want to compare LTV (loan to value ratios) and fees associated with the loans to ensure you get the best deal overall.

3. Once you have the nuts and bolts in place in terms of rates, monthly payments and fees, you can work out the calculations to determine if remortgaging is worth the time, effort and expense. Determine how long it will take you to begin to see the advantages once you have paid the fees and charges to move your account. If the deal is worth your while, it is time to pursue the remortgage with the institution you choose.

4. A mortgage application can be done online, over the phone or in person at a bank branch. You will probably need documentation for your current loan information, income amount and other monthly expenses. You will also need to authorize the bank or building society to pull a credit history to make sure you don't have any late payments or IVAs on your record. A valuation will be done on your property to ensure you have enough equity to qualify for the mortgage loan. Once the bank has all the paperwork and documentation it needs, the approval and underwriting process can begin.

5. Most remortgages can be processed within four to eight weeks. During this time, you may or may not be in regular contact with your new lender. If you don't hear from the bank, it is a good idea to call weekly and see where they are in your mortgage loan process. This gives you the opportunity to address any concerns or issues right away so the process progresses as quickly as possible.

Once your loan application is approved, you will be able to close your loan. This involves signing a number of documents and is often done in person. When the loan is completely signed off, your previous lender is paid off, and you can begin to enjoy the savings that your remortgage efforts provide.

Fees Associated with Remortgages

While a remortgage can save you money in the long run, the fees and charges involved with the process often give a loan applicant significant sticker shock. Be savvy to the types of fees banks and building societies commonly charge during the remortgage process, so you are not surprised by the overall cost when it comes time to sign the loan documents. Common remortgage fees to leave your current lender include:

- **Early Repayment Charges –** These fees are assessed when you switch lenders before your current mortgage term is over. The purpose of these fees is to discourage borrowers from moving their account before the current lender has earned a profit for the loan. Higher fees are assessed early in the life of the loan, with the first year being the most expensive time to remortgage. In most cases, the early repayment charges will be one of the highest fees you will have to pay in the remortgage process and the one that should be most carefully scrutinized before going through with the application for a new mortgage loan.

- **Mortgage Exit Administration Fee –** These fees are used to offset the cost of releasing you from your current mortgage. They are listed in the fine print of your current loan documents. If your current lender charges this fee, make sure the amount they quote you matches with the amount on the loan document. Some lenders have tried to raise the fee by a significant amount to try to recoup some of the money lost during the latest economic slowdown. While the FSA has tried to prevent this practice, it is also best to check the numbers for yourself to ensure you are paying the amount you agreed to when you closed on your original loan.

In addition to fees charged by your current lender, your new lender will probably assess certain charges as well. The most common fees include:

- **Arrangement Fees –** These charges are also known as booking or initial fees, which are charged at the beginning of the loan process. These fees used to be relatively small, but increases have put them well over £1,000 in some cases. Some lenders allow the borrowers to finance the arrangement fees into the life of the loan, making the initial costs of remortgaging much more affordable. However, when you opt for this payment method, you will also be paying interest on the amount over the loan's term, which can end up costing you a lot more overall.

  Some banks will also give you the option of paying part of your arrangement fees at the beginning and financing the rest, which is a good compromise for those who cannot pay the full amount of the arrangement fees at the beginning of the application process. A few institutions may also charge a separate booking fee on top of the arrangement fee. This charge is much smaller and is primarily used to hold an attractive interest rate until the loan is closed.

- **Valuation Fees –** This is the amount charged to assess the value of the property. Because this is an essential part of a responsible lending process, there is little doubt that you will be charged for the service. While the amount may vary from lender to lender, depending on the valuation company they use, most remortgage applicants spend around £300 for the service.

- **Legal Fees –** Legal fees are typically charged by the solicitor approved by your lender and range from £400 to £600. In some cases, mortgage companies will pay all or part of your legal fees for you to remain competitive in the market. It might be worth shopping around to see which companies offer this service, although other fees and interest rates will probably have a greater impact on the overall cost of the loan.

- **Stamp Duty –** Stamp duty is a charge paid to the government, and it varies depending on the value of the property. The higher your property is valued, the more you can expect to pay in stamp tax. The money is typically directed to your solicitor, who ensures it gets to the appropriate government agency.

- **Brokerage Fees –** If you work with a mortgage broker, you will also pay fees directly to this professional. Find out how much the broker charges in fees at the beginning of the process to ensure you don't get any surprises when the time comes to close the loan.

Most of the fees charged by your mortgage companies are set in stone and are not waived for many reasons. However, fees can vary somewhat from bank to bank, so it is worth evaluating the fees when comparing different companies.

How to Choose a Remortgage Company

When it comes time to choose a company for your remortgage, there are several options available. First, you can apply directly to a bank or building society for the mortgage product that most closely fits your need. Another option is to go through a mortgage broker, who acts as a middleman between you and the mortgage company to help you land the best deal and ensure the process goes as smoothly as possible.

A mortgage broker will usually cost more because you have to pay a broker fee on top of the regular costs involved with remortgaging. However, you often recoup that fee by getting a better deal than you can negotiate yourself. On the other hand, banks tend to offer special mortgage deals directly to customers that are not available through mortgage brokers.

There are pros and cons to using a mortgage lender, and the final decision rests with whether this mortgage advisor will suit your needs better than working directly with a bank or building society.

We will talk more about choosing a mortgage broker in just a moment. First, let's look at three steps to choosing the best lender for your needs:

- Research a number of lenders to find out what types of rates they are offering, fees they are charging, and services they are providing.
- Research the quality of service you would receive from the lenders by reading reviews, talking to friends and family who have worked with the company, and perusing the company website.
- Research the various loan options available so you know which product you are most interested in and can search for the lender that offers that specific product.

These initial steps will help you narrow down your choices in a mortgage lender. Once you have a short list of companies to choose from, it is time to contact the institution and ask a few questions.

7 Questions to Ask Your Remortgage Lender

You may have a relatively good idea of which lender will best meet your unique needs by researching their website and the loan packages they offer. However, it is always a good idea to contact the company directly and ask a few questions of your own before settling on a single bank or building society.

These seven questions will go far in helping you find the best mortgage lender for your needs:

- **What types of mortgage products do you offer?** With so many options to choose from, including fixed and variable rates and newer products like offset mortgages, it is important to find out exactly what the company offers. While you may have perused the website for details, you might get more information or learn about additional products by conversing with a representative from the company live.

- **What fees do you charge?** The fees were discussed above, and they can vary greatly from lender to lender. By talking to a company representative on the phone, you may discover that a particular institution is currently waiving legal fees or offering a break on their arrangement charges. When you talk to someone live, you also have the ability to negotiate for a better deal on loan fees. For example, some banks might take off some of the legal fees involved to make their company more attractive to potential borrowers.

- **How do I apply?** Some banks allow you to apply by phone or online, which is exceedingly more convenient than having to walk into a branch and make an appointment with a mortgage loan representative. However, you will probably need to make an appearance at least once or twice to turn in necessary documentation or sign on the dotted line to close the loan.

- **How long does the remortgage process typically take?** A remortgage can take anywhere from four to eight weeks to complete, depending on the lender's current backlog. While you may not get a completely accurate estimate, you will probably get a general idea of how busy a bank might be in their loan processing.

- **What kind of LTV do you require?** The LTV (loan to value ratio) considers the full valuation of the home minus the outstanding mortgage balance on the property. Most banks require an LTV between 75-90% to offer a remortgage on the property. Different products may also require a different LTV, so it is a good idea to know approximately what your current LTV is before you begin calling institutions with this question.

- **What other services do you provide?** If you choose a bank or building society for your remortgage, you may find that the institution also offers good deals on savings and current accounts for their mortgage customers. You may learn that by moving all of your financial business to a single institution, you enjoy serious savings on all of your products.

- **Are you authorized by the Financial Services Authority?** This is an important question to ensure that you are dealing with a legitimate mortgage bank in the UK. The company should be able to supply you with this information, but you can also check on the website of the FSA to ensure the bank you choose is included in their list of authorized lenders.

Is a Mortgage Broker Right for You?

Mortgage brokers negotiate for the best mortgage deal possible – but they do so at a cost to you. In some cases, the cost may be well worth it when you end up with a much better mortgage deal than you could have negotiated on your own. On the other hand, many banks offer special mortgage deals directly to customers, which are not available through a mortgage broker.

To determine whether a mortgage broker is the right choice for you, consider the following:

- **How independent is the broker?** While some brokers do work with just about any lender on the market, others work from a smaller pool of lenders that are representative of the entire market, but not truly the entire market of options. To ensure your broker has complete freedom to find you the best deal possible, ask if he is "whole of market."

- **How much service does the broker offer?** Part of the advantage to working with a broker is a smoother mortgage process overall. This won't happen if your broker is only involved in a portion of the procedures. Find out what your broker will do from the very first day you sit down and choose a loan product until you sign on the bottom line to close your new mortgage loan.

- **Is the broker regulated by the FSA?** Like other financial professionals, you want to ensure your mortgage broker is authorized by the proper authorities. That way, you can register any complaints against your broker if necessary and rest assured that your broker is working to the highest possible standards set by this agency. You can confirm the authorization by checking the website of the FSA.

- **How much does the broker charge?** Brokers get their income through two different sources. First, most lenders pay a commission on loans the broker lands for them. This commission can be fairly steep in some cases, with banks paying anywhere from 0.3% to 0.5%. The other way brokers make a living is through broker fees charged to the customers for their services. The most expensive brokers usually charge around 1.25% of the total amount of the loan. While the fee may seem steep, it is often worth the money to get the best deal on your remortgage. However, many brokers also provide their services without charging a broker fee, so it pays to shop around for the best price.

- **What does the broker offer you that a bank can't?** This is an important question, particularly if you will pay this advisor a fee for his services. A broker should provide an advantage by offering objective advice and guidance in the mortgage loan process. Because he is not linked with a single company, he can scan the market to find the best products tailored to your specific needs. This advisor may also be able to negotiate a deal with a lending company that is much more attractive than the one you would secure on your own. These extras ensure the fee you pay to your broker is worth every penny.

Whether or not to use a broker is a matter of personal preference. However, if you decide a broker is the right choice for you, it is important to shop around for the best broker for your needs. The one offering the cheapest fee may not be the best at finding you the best remortgage product. You need to weigh the cost of the broker against what he can offer to ensure you get the best value for your dollar.

Just Say No: Protect Yourself from the Hard Sell

Once you get into the remortgage process, you may be faced with the "hard sell" on a few key features. This may happen whether you work with a bank or a broker, since both may benefit from their ability to sell you the extras that often accompany a mortgage loan. While some of these additional features are good, and even necessary, with a mortgage loan, that doesn't mean you necessarily have to settle for the product and price offered by your lender. These additional features include:

- **Building Insurance –** Yes, you need to have your property insured to get your mortgage approved. The finance company or bank wants to know the property they are taking as collateral is properly protected against fire, flood or other types of damage that could affect the overall value. The mortgage company will probably have an insurance package ready to sell you at the same time you receive your remortgage. While this is an option, you may be able to get your building insurance from another source at a better price. It pays to shop around for this protection before you begin searching for a remortgage to give yourself some leverage against the hard sell.

- **Mortgage Payment Protection Insurance (MPPI) –** This insurance is used to protect your mortgage in the event you are no longer able to work due to illness, injury or redundancy. Many MPPI policies being paying benefits several weeks after you are first out of work and continue for up to one year afterward. While MPPI is a good choice for some homeowners, it is not right for everyone. Some may find that a spouse's income or savings can cover them equally well without the additional cost.
  If you are the primary breadwinner of your family and you do not currently have the savings balance to make up your salary difference if you are unable to work, MPPI might be a good choice. However, you might find better deals on the insurance coverage by shopping other companies, rather than simply settling on the product your mortgage company provides.

- **Higher Lending Charges –** These charges are often assessed on mortgages that are offered on properties with an LTV of more than 90%. When you own very little equity in your property, the mortgage company assumes more of a risk with the loan, and they make up for that risk in some cases by assessing additional charges on the mortgage. Higher lending charges tend to run quite high and only benefit the lender. If you are remortgaging, you should have an LTV of 90% or lower. If you are borrowing additional money with your mortgage balance that takes you over the 90% threshold, you might want to reconsider whether this is a sound financial decision, rather than pay the exorbitant fees.

Should You Take Equity from Your Home? Remortgaging with More Principal

A remortgage is a good method for getting a better deal on your mortgage loan, which can free up cash flow for other financial needs. However, it is important to note that you are using your home for collateral in this situation, which means that if you default on your loan, the bank has the ability to take your home away from you. While this is a necessity of home ownership for most Brits, the idea of taking additional cash from the equity of your home is not usually essential.

Taking advantage of your home's equity is an attractive prospect. For a low interest rate and an affordable monthly payment, you can finance higher education for your children or a holiday for the family. You can consolidate messy outstanding debts into a single, easy to track and easy to pay, monthly payment. While this sounds good on the surface, it is important to understand exactly how much this additional debt might cost you.

Breaking Down the Pounds

Let's say you take an additional £10,000 on your remortgage. You have the equity in your home, and you want to use the money to pay off other debt and take a nice family holiday. The amount is tacked onto your current mortgage balance for a fixed rate of 4% over a period of five years. The additional amount of principal would raise your monthly payment amount by about £180. That is much less than the monthly figure of £500 that you would be paying on your 19% personal loan over the next two years. Sounds like a bargain, right?

There are two problems with this scenario. The first is that you are financing your loan balance over a longer period of time, which means more interest is paid on the loan throughout the term. Your loan that seemed so much more affordable has now become much more expensive.

The other issue is the collateral you are using. Now if you cannot make the payment on your loan, your homeownership is in jeopardy. Instead of heading to the bank to work out a revised payment plan on a personal loan or going to a financial advisor to work out an IVA, you are facing foreclosure.

Should You or Shouldn't You?

Using the equity in your home to secure more cash is not always a bad idea, but it should be weighed very carefully. First, you want to make sure you can afford your monthly payments throughout the entire loan term to ensure your home ownership is not threatened. You also need to determine whether the interest you pay out on the loan will be worth the money you borrow. If you can confidently answer yes to both of these questions, than cashing in on your home's equity might be the right decision for you.

Weigh the costs of using your home's equity before you talk to a lender. Some companies may try to talk you into a larger loan balance because it means more interest payments for them. By analyzing this choice on your own, you will be better prepared to deal with their urgings in this direction. Don't let any lender push you into borrowing more money than you need. If the lender uses these tactics, find another mortgage company.

A Remortgage Glossary

When you begin the remortgage process, you will hear many terms floating around that you may be unfamiliar with. To help you understand remortgages from start to finish, we have included many of the terms you may come in contact with and what they mean in regards to remortgaging.

Adverse Credit
This term is used for customers who have a less than stellar credit rating. You may have adverse credit due to late payments, county court judgments or IVAs. Adverse credit affects the type of remortgage product you qualify for and the interest rate you will have to pay.

APR
Also known as the annual percentage rate, the APR offers a more accurate depiction of what you will pay in interest over the life of the loan. When you compare mortgage rates, make sure you are comparing apples to apples by looking at the APR.

Arrangement Fees
These are charges assessed by the bank or building society to set up your new mortgage product. Arrangement fees can be rather steep, so it is wise to shop around for the best deals on these charges.

Bank of England Base Rate
The Bank of England is the central bank of the UK. The base rate is the rate set by the Monetary Policy Committee and instituted by the Bank of England. Many mortgage products are tied to this base rate, particularly those that offer a variable interest rate.

Capped Rate Remortgages
A capped rate mortgage is one that is variable but cannot go above a particular ceiling that is set in the loan terms. This means that even if the Bank of England base rate goes higher than your ceiling, you cannot be charged a higher interest rate. The disadvantage of many capped rate remortgages is that the terms are limited and there may be penalties assessed for remortgaging during the term.

Cash Back Remortgages
These remortgages offer cash back to the loan applicant, based on the amount of equity in the home.

Default
Defaulting on your mortgage payment means the balance due is more than 30 days late. Default payments go on your credit rating, and they may result in adverse credit that negatively affects your ability to remortgage in the future.

Discounted Rate Remortgage
A discounted rate mortgage is usually a variable rate product with a discounted interest rate for the early part of the loan term. When the discounted term has ended, the mortgage will revert back to the standard variable rate explained in the loan terms.

Early Redemption Fee
When you pay off your mortgage early, or switch your mortgage to another lender, you will probably be charged an early redemption fee. This is a charge assessed by lenders to help them recoup some of their losses when their borrowers don't remain with them for the full term of the loan. Early redemption fees can be high and affect whether a remortgage is a good option at any given time.

Early Repayment Charge
This is similar to an early redemption fee, and it specifically refers to paying off your mortgage loan ahead of the date listed in your loan terms.

Equity
The equity in your home is calculated based on what you owe on your mortgage and the current valuation of your home. The equity is a determining factor of the type of remortgage product you qualify for and the rate you can expect to receive.

Equity Release Remortgage
This is similar to a cash back mortgage in that the borrower receives additional funds from the remortgage based on the amount of equity in the home. Additional funds can be used for debt consolidation, higher education costs or home improvements.

Financial Services Authority
The Financial Services Authority, also known as the FSA, is the authorizing and regulating agency for many business sectors in the UK, including the financial industry. It is important to make sure loan companies and brokers you work with are authorized and regulated by the FSA for your own protection.

Fixed Rate Remortgage
This type of loan product offers a fixed interest rate and consistent monthly payments over the life of the loan. It is a good option for those who want predictability and consistency for budgeting purposes.

Flexible Remortgage
This loan product offers more options in mortgage repayments, including overpayments, underpayments and payment holidays.

Higher Lending Fee
This charge is sometimes assessed by lenders when the borrower has a smaller loan to value ratio. The purpose is to protect the lender in the event the borrower defaults on the loan and the property must be sold for less than the outstanding mortgage debt. It is primarily beneficial to the lender, and can be avoided in many situations.

Interest-Only Remortgages
These loan products require payments of interest only for a certain period of time. At the end of the term, the full amount of principal on the property comes due. This is not the best mortgage choice for most homeowners, since the terms are much riskier and the sticker shock at the end of the term much higher than that of repayment loans.

LTV
Also known as loan-to-value ratio, this number tells the mortgage lender how much equity the property owner possesses. It is calculated by the current valuation of the property, minus the amount of money you owe on the mortgage. Unlike equity, this number is written in a percentage to show the ratio between the loan amount and the property value. The LTV will dictate the type of mortgage product you qualify for and the rate you can expect to receive.

Negative Equity
When you have negative equity in your property, it means you currently owe more on your mortgage than the property is worth.

Offset Remortgages
This loan product uses the balance in your savings account to offset the mortgage balance and reduce the amount of interest you must pay on the loan overall.

Remortgage
A remortgage is simply the process of moving your mortgage loan from one lender to another to get a more competitive rate or a more attractive loan product.

Remortgage Term
The term refers to the amount of time it takes to pay back the mortgage in full. Lending institutions offer a variety of remortgage terms from a short two-year term to as long as 50 years on long-term remortgages.

Repayment Remortgage
This type of mortgage loan requires regular payments that include both interest and principal. A repayment mortgage loan allows you to continue paying down the loan balance and increasing the equity in the property. This is the most common type of remortgage loan available.

Stamp Duty
Stamp duty is a government tax that must be paid when you purchase any property with a value of £100,000 or more. Stamp duty is generally included in the loan amount and is paid by the solicitor responsible for the processing of the loan and the appropriate distribution of funds after the loan is closed.

Tracker Remortgages
A tracker remortgage is a variable rate mortgage that is directly tied to the Bank of England base rate. It is one of the more popular types of remortgage products today.

Valuation Report
This report provides information about the total value of your property and must be secured before a remortgage loan is issued on the property.

Variable Rate Mortgage
A variable rate product offers a fluctuating rate of interest that goes up and down in accordance with market trends. It may or may not be tied to another rate, such as the Bank of England base rate.