

# Top tips on remortgaging

## Background

Is your fixed-rate mortgage expiring soon? Borrowers may be hit with much more expensive monthly repayments, in light of the explosive increase to mortgage rates seen in 2022 and 2023. But a disciplined

strategy could save thousands of pounds. This factsheet covers key considerations if your mortgage is coming to an end.

## The remortgaging process

When you remortgage, you are switching your mortgage to another deal, and often, another lender, to get a cheaper rate. It is worth noting that a remortgage is not always the best option. Even if the lender you are considering switching to is offering a lower rate, you must take into consideration a number of different factors.

ever products are usually available where these are paid for by the lender. Make sure you account for a mortgage arrangement fee, which are often between £1,000 and £2,000.

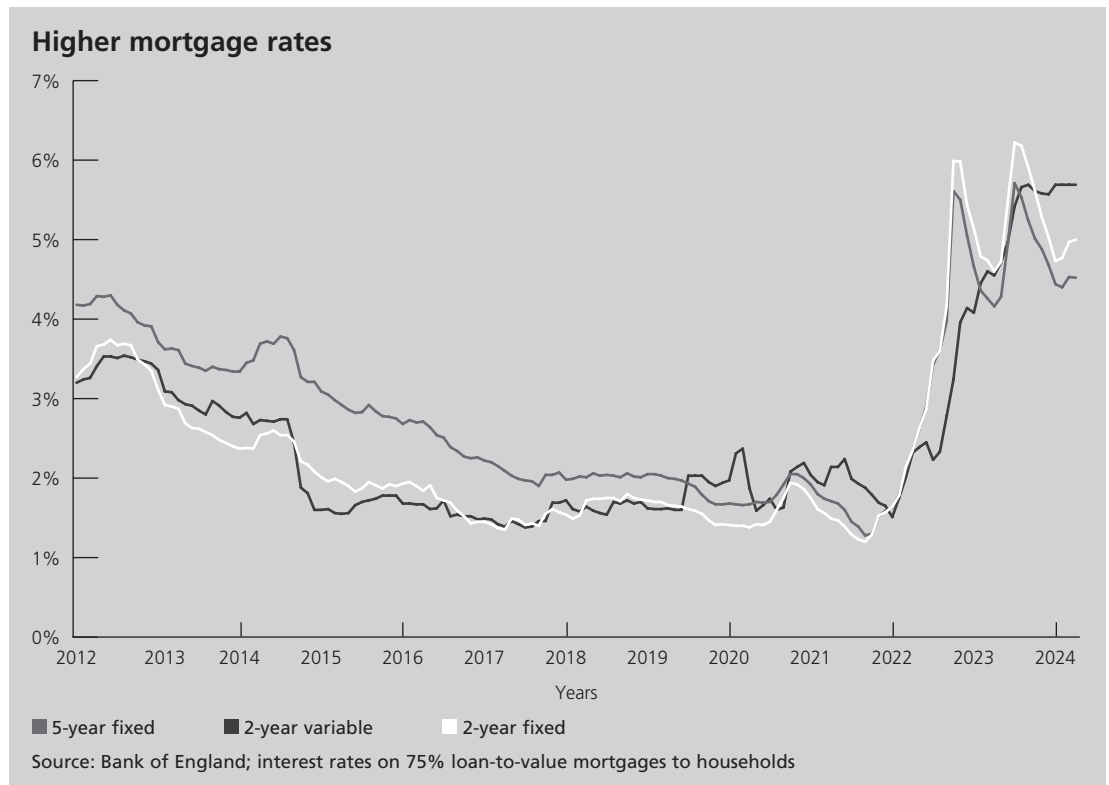
The new lender may charge you for valuation and solicitors fees, even if you have already paid these on your mortgage with your current lender. How-

You may be able to switch your mortgage deal with your current lender, avoiding some unnecessary costs. Many lenders will allow you to switch your mortgage deal reasonably easily, although sometimes these products are not as good as their new customer products, or products from other lenders.

## Higher mortgage rates

Interest rates increased dramatically in 2022 and 2023 (see chart below), with property owners nearing the end of their mortgage period facing huge increases on monthly repayments. Meanwhile, variable mortgage rates continued to rise as the Bank of England

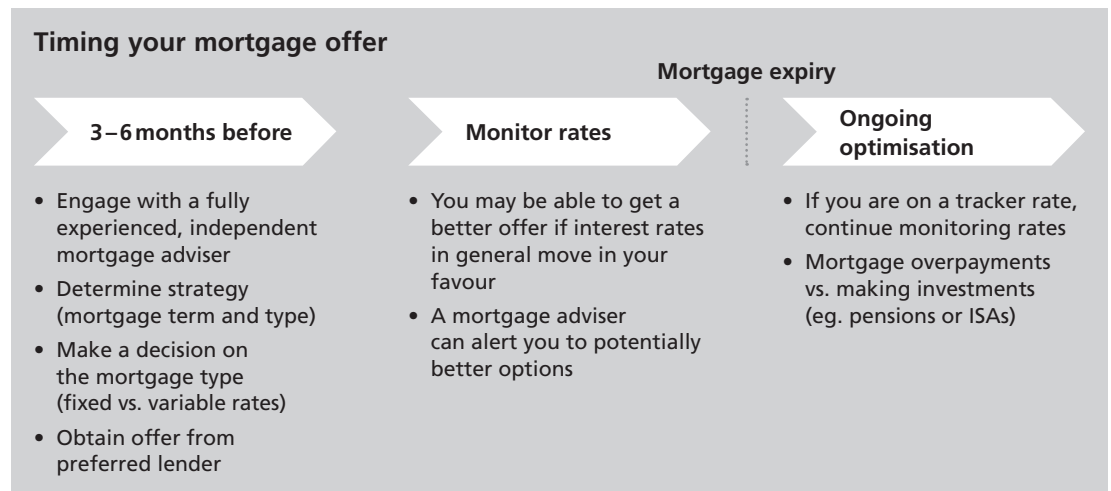
increased official interest rates to fight inflation. However, rates are predicted to fall at some point in 2024, which places greater emphasis on the importance of effective rate monitoring, to help you find the best deal when you are remortgaging.



Start looking at options early

Early planning is always advisable. You can normally secure a deal up to three to six months in advance. If you do not act in time, you could end up on expensive standard variable rates. Remortgaging may take a couple of months, although it's significantly quicker if you are switching to a new mortgage rate with your

current lender. An experienced, independent mortgage broker can often find you a cheaper rate. A good broker will also monitor the rate you have locked in and reduce it if the lender's rates drop before the rate is due to start.



Loan-to-value (LTV)

The loan-to-value, or LTV, measures the outstanding mortgage amount against the market value of your home or property, with the difference being your equity.

Mortgage rates are normally available for loan-to-values of 60% or below.

The lower the LTV, the better the mortgage rate (up to a point), which means lower monthly repayments and better overall affordability. Market-leading mort-

You could opt to appeal a lender's index-linked valuation if you have made significant home improvements, as this might lower your LTV. Sometimes providing photographic evidence of improvements helps to 'build the case' with the lender.

Repayments

You may be able to lengthen the mortgage term and thereby reduce monthly repayments. This would require a full review of your finances by the lender. You could potentially choose to keep repayments at the same level as before, for an extra budgeting cush-

ion. If need be, you could reduce repayments to the minimum level. Interest-only mortgages are another way of keeping monthly mortgage payments in check. Interest-only mortgage products tend to be more readily available on investment properties.

Fixed vs. variable rates

Choosing the mortgage type (fixed vs. variable) or the length of a fixed-rate period can be a daunting task. A mortgage adviser can help you make this important decision by highlighting rate comparisons, and the advantages and drawbacks of different prod-

ucts. In recent months it has been crucial not to rest on initial mortgage offers amid fast-moving market conditions. Monitoring a 'locked in' rate – and subsequently switching to a cheaper rate before the new deal starts – can save thousands of pounds.

Expert, whole of market mortgage advice with Lumin

Arranging a mortgage is one of the biggest financial decisions you will face, whether it is for your first property purchase, or when your initial product period is nearing its end. Benefit from the vast experi-

ence of our in-house mortgage advisers, Davidson Deem, who have particular expertise in advising high-net-worth individuals, doctors, dentists, solicitors, and self-employed people or company directors.

Important information

You should think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up with repayments on your mortgage, or any other debt secured against it. You may have to pay an early repayment charge to your existing lender if you remortgage. Securing short

-term debts against your home could increase the term over which they are paid, and therefore increase the overall amount payable. Davidson Deem is an appointed representative of Lumin Wealth Limited, which is authorised and regulated by the Financial Conduct Authority (FCA) No. 775068.

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