



DENTAL & MEDICAL

FINANCIAL SERVICES

Dental & Medical Financial Services

1 Market Square, Horsham,
West Sussex RH12 1EU

T: 01403 780 770

F: 01403 780 771

E: info@dentalandmedical.com

W: www.dentalandmedical.com

Are you paying more than you need to on your mortgage?

If you are on a standard variable rate, it is time to consider your options

Purchasing a home is often the most significant investment individuals make in their lifetime. Most buyers rely on securing a mortgage to facilitate this purchase and experience profound relief once the mortgage process is successfully navigated.

But are you among hundreds of thousands of mortgage holders on a standard variable rate? Also known as 'reversion rates', SVRs are lenders' default rates that people tend to move on to if their fixed period ends and they do not remortgage onto a new deal.

Lenders can change the rate at any time, and you may see a rise when the base rate increases, although they can go up by more or less than the Bank of England's move. Borrowers must be careful as the rates are often higher than the lender's fixed rate or tracker alternatives.

Understanding your position

Typically, people on SVRs are either unaware they are on them or worried lenders will pull their mortgage due to a change in their financial situation. Alternatively, they may be concerned that if they returned to their lender for a new fixed rate, their finances wouldn't allow them to remortgage, so they continue on a higher SVR. In 2019, the Financial Conduct Authority introduced modified mortgage assessment criteria for borrowers based on their payment history rather than affordability.

Exploring your options

What can you do if you are on an SVR? First, it is worth approaching your lender or speaking to a professional mortgage expert to establish your situation and whether a switch

might be possible. Establishing affordability is vital for any mortgage application or product switch. It's essential to consider the options if you are concerned you fall outside these parameters, which the current cost of living crisis may be causing.

Navigating the switch

These days, lenders typically allow borrowers to switch their mortgage rate to a new one without additional underwriting, avoiding new affordability checks. If moving to a new lender may prove challenging, there could be an option from the current lender that could still prevent the need to pay an SVR and wouldn't require any new affordability assessment if switching on a like-for-like basis.

Considering tracker rates

Another option may be switching to the lender's tracker rate, which may be lower than an SVR and doesn't charge penalty fees for switching off the product to a fixed rate when the time is right. Any borrowers whose current fixed rate deal is ending potentially face much higher costs and should explore their options as soon as possible. Those who have agreed to buy a property may also want to check their borrowing capacity and monthly payments and consider locking in a deal.

Planning ahead for remortgaging

For those looking to remortgage, it's essential to compare rates to secure the option of a new rate. Anyone with a fixed rate deal ending within the next six to nine months should look into the most competitive rates they can obtain – and consider locking in a

new deal. Often, there is no obligation to take it. If you plan ahead, it is possible that they may fall by the time you need the mortgage.

Securing your future

Most mortgage deals allow fees to be added to the loan and only charged when it is taken out. By doing this, borrowers can secure a rate without paying arrangement fees. We can discuss whether you are obliged to take the rate or could shift to a cheaper deal if rates fall before you take the mortgage out. Those with home purchases agreed should also aim to secure rates as soon as possible so they know exactly what their monthly payments will be.

Proceed with caution

Home buyers should beware of overstretching themselves and be aware that house prices may fall from their current levels, as higher mortgage rates limit people's borrowing ability and buying power. If you're navigating the complex world of mortgages and require further guidance or information, do not hesitate to discuss your options with our highly experienced team to ensure you make informed decisions about your future. ■

Want to discuss the latest remortgage deals and rates?

If you are looking for a mortgage deal, want to move, or your fixed rate is coming to an end, we're here to guide you and help you secure the right mortgage for your needs.