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Could remortgaging help you beat the cost of living crisis?

Millions of families are seeking strategies to navigate the current economic turbulence

The headlines are filled with reports of the escalating cost of living crisis. The surge in inflation, climbing interest rates and skyrocketing energy prices create a financial strain that even the most budget-conscious households can't ignore.

Many families will seek strategies to navigate this economic turbulence and regain control of their finances. Amidst all the uncertainty, there's a beacon of hope – remortgaging.

Financial manoeuvre

Remortgaging could be an effective strategy to reduce your monthly expenses as we wait for the economy to recover. This financial manoeuvre involves switching from your current mortgage to a potentially more cost-effective one on your existing home.

Your mortgage is likely to be your largest ever financial obligation, and remortgaging is as significant a decision as when you initially signed up for your mortgage. With many options available and a commitment period that spans a few years, it's crucial to understand what remortgaging entails and what factors to consider.

Reasons to remortgage

There are different reasons why a homeowner may want to remortgage:

- Your current mortgage term is nearing its end, which would put you on your lender's standard variable rate (SVR). This often has a higher interest rate that you'd ideally want to evade.
- To lessen your monthly repayments. A more affordable deal could help you manage your finances without borrowing more.
- You desire to overpay due to changes in your financial status, and your current mortgage provider restricts this.

- You wish to increase your borrowing for a significant expense, such as moving house, funding a home improvement project, paying school fees, investing in a Buy-to-Let or consolidating debts.
- Your property's value has escalated, potentially qualifying you for a cheaper mortgage due to a lower loan-to-value (LTV).
- The Bank of England base rate has changed, prompting you to seek a more competitive rate if you're on a variable rate mortgage.
- To stabilise your payments. If you foresee changes in your circumstances or an increase in rates, remortgaging to a fixed rate deal guarantees predictable monthly mortgage expenses.

Choosing the right time to remortgage

It's advisable to remortgage periodically to ensure you secure the right deal and pay the right amount. You should set a reminder six months before your fixed deal ends. This will allow ample time to explore the market and complete your remortgage application in time for a seamless transition to a better deal.

If you've made substantial repayments over the years and accumulated equity in your home, switching mortgages could reduce your monthly interest payments by securing the most competitive deal.

However, switching before your current mortgage deal ends may incur penalties. We can conduct a thorough cost analysis to ascertain if the potential savings outweigh the penalties.

Helping you through the remortgage process

Remortgaging usually takes between 18-40 days from application to mortgage offer. However, there is no strict timeline.

We'll review your current mortgage deal, including the type, current interest rate, remaining repayment period and monthly payments, and calculate whether a remortgage will save you money, including any penalties and fees.

Legal assistance will be necessary unless you're remortgaging with your current lender, so you'll need to hire a conveyancing solicitor.

You can pay the arrangement fees upfront or add them to your loan. While the latter is a popular choice, remember that this will attract interest and increase overall costs over the mortgage term.

If you're locked into a particular mortgage deal but wish to access the equity in your house or reduce your monthly payments, you could consider remortgaging with your current lender over a longer term. However, this would make the mortgage more expensive over its lifetime. ■

Want to protect yourself against further interest rate rises?

Whether you're looking to avoid rising interest rates, free up cash for unexpected expenses, reduce monthly repayments or capitalise on an increased property value, remortgaging could be the beacon of light guiding you through this storm. To learn more, please contact us.

THINK CAREFULLY BEFORE SECURING OTHER
DEBTS AGAINST YOUR HOME.

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