



# SIMPLY MORTGAGE

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

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Talking to your lender as soon as possible to make them aware of your situation is key

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Seven steps to prove you're mortgage-ready

# COULD REMORTGAGING HELP YOU BEAT THE COST OF LIVING CRISIS?

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

**T**he 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.

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# WHAT TO DO IF YOU CAN'T PAY YOUR MORTGAGE

Talking to your lender as soon as possible to make them aware of your situation is key

Over the past year and a half, the Bank of England's base rate increases have led to a spike in monthly mortgage payments, making it increasingly difficult for some mortgage holders to meet their obligations.

This is particularly true for those transitioning from five-year fixed rates, who may face a sudden rise in payments if they hadn't anticipated the increase in mortgage rates. In 2018, fixed rates were below 2%; however, currently, the best rates hover around double that for fixed and variable mortgages at 60% LTV. As a result, some borrowers may find themselves paying twice as much as before.

## LENDERS WILL DO THEIR UTMOST TO HELP YOU RETAIN YOUR HOME

If you're one of those struggling, the good news is that lenders today are more patient and considerate than they were during the early '90s and mid-2000s recessions. Repossession is typically considered a last resort, and lenders will do their utmost to help you retain your home. This was evident during the pandemic when the 'mortgage holiday' scheme allowed financially affected homeowners to defer their repayments for up to six months.

If you're already in default or foresee difficulty making your next mortgage payment, it's crucial to communicate with your lender immediately. This will help mitigate any potential financial penalties or

other adverse consequences. Your lender is there to assist you, and the earlier you can discuss how to navigate the situation, the better.

## WHAT ASSISTANCE IS AVAILABLE?

Each lender has unique terms, and what they're willing to offer depends on your individual financial situation and borrowing level.

### Here are a few options to make your mortgage payments more manageable:

**Extending your mortgage term:** A longer term reduces your monthly capital repayment, but you'll carry the mortgage debt for a longer period and pay more interest over time.

**Switching to interest-only:** If you currently have a repayment mortgage, your lender might agree to switch you to an interest-only plan for a while, dramatically reducing your monthly payments. However, remember that you'll still have to repay the capital eventually.

**Reducing your payments:** You might be able to lower your payments for a certain period, but you'll need to compensate for the deferred amount later.

**Taking a payment 'holiday':** If you're facing temporary financial difficulties but expect improvement soon, you might be able to pause your monthly payments, as many did during the pandemic.

## UNDERSTAND HOW YOUR LENDER PLANS TO REDISTRIBUTE THE DEFERRED AMOUNT

Remember, if you take a payment break or reduce your monthly capital repayments, interest will continue to accrue on the total amount you owe, leading to slightly higher payments over the mortgage term. You should also understand how your lender plans to redistribute the deferred amount. They will typically extend your mortgage term or increase your remaining monthly repayments.

Lastly, if you have other costly debts adding to your financial troubles, discuss with your broker the possibility of remortgaging to release equity to settle those debts. You might find a relatively inexpensive borrowing solution by consolidating all your debts into your mortgage. ■

## NEED PROFESSIONAL ADVICE FOR YOUR CIRCUMSTANCES?

Your mortgage is likely to be one of the biggest financial commitments you'll ever make, and given its long-term nature, it's crucial to get it right. Given the complex nature of mortgages and the vast array of products available, we are here to provide professional advice for your circumstances. Contact us to learn more about how we could help for more information.

# ARE YOU READY TO APPLY FOR A MORTGAGE?

Seven steps to prove you're mortgage-ready

**W**hen contemplating a home purchase, the mortgage application process may appear intimidating. It does require substantial information and paperwork. However, with adequate preparation, you can ensure a seamless progression through this process. Here are our seven tips to help you do just that.

**1. Identify the lender's criteria:** Lenders consider more than just your income when deciding whether to approve a mortgage. They'll assess your loan amount, deposit, employment status, credit score, existing debts and monthly expenses. They'll also conduct a 'stress test' to predict your future ability to repay the loan.

**2. Keep your finances healthy:** Lenders will evaluate your financial health by considering your credit cards, loans and overdrafts. Aim to reduce your debt to increase your chances of getting a mortgage. Avoid maxing out your credit cards or relying on your overdraft, as these behaviours may suggest you're living beyond your means.

**3. Demonstrate reliability:** Your credit report reflects your history with debt repayment. Lenders will review this report, which includes data from the past six years across various categories like credit cards, loans, mortgages and overdrafts. Any missed or late payments can negatively influence their decision. Unlink yourself from any joint accounts that could harm your credit score.

**4. Prepare your paperwork:** Lenders will require proof of income, so gather necessary documents such as wage slips, bank statements, tax returns, savings account statements and identification in advance. This preparation can streamline your mortgage application process and prevent delays.

**5. Fill out the application correctly:** Accuracy is crucial when filling out your mortgage application. Even minor mistakes could cause delays or necessitate a resubmission. Be sure to provide your full name, accurate date of birth, complete address history and honest answers about your spending habits.

**6. Understand the importance of a gift letter:** If someone is assisting you with

the deposit, the lender needs to know it's a gift, not a loan, and that the person won't become a joint owner of the home.

**7. Get a Decision in Principle (DIP):** A DIP is a preliminary check indicating a lender's willingness to offer you a loan. It only provides some of the information needed to obtain a mortgage; however, it can give you an idea of how much you can borrow.

By following these steps, you can better position yourself as a reliable candidate for a mortgage. ■

## NEED PROFESSIONAL HELP TO GUIDE YOU THROUGH FINDING YOUR MORTGAGE?

Embarking on the mortgage application journey can be a significant step, and we're here to guide you through it. Whether you're a first-time home buyer or planning to refinance, we're here to simplify the process. For more information, speak to us today.



# TIME TO LOCK IN ANOTHER MORTGAGE RATE NOW?

Lenders have been continually reassessing and adjusting mortgage products

**V**enturing into the mortgage world can feel like stepping into a roaring tempest. Whether you're a prospective buyer or about to remortgage, the current dynamics in the mortgage market are likely causing some unease.

Lenders have abruptly withdrawn some mortgage products due to high inflation and potential further interest rate hikes. Those on the verge of finalising a deal may be left wondering if their intended mortgage will be the next to disappear.

## SHRINKING MORTGAGE OPTIONS

Since the ongoing uncertainty around inflation, lenders have been continually reassessing and adjusting their mortgages, often leading to withdrawn deals. The rapid changes have left many scrambling to keep pace. The concern isn't merely the shrinking mortgage options but the abrupt withdrawal that could jeopardise ongoing mortgage applications.

The past few months have been challenging, with numerous deals withdrawn and mortgages repriced

upwards. In these uncertain times, one thing is sure – anyone remortgaging now will face higher interest rates than their previous deal, which is why it is essential to obtain professional mortgage advice.

## SELLING AND BUYING SIMULTANEOUSLY

This is particularly true for those coming off a two-year fixed rate (or even a five-year fix), as these deals were secured when rates were low. Our advice for those whose mortgages are due to end between now and the year's end is to start preparing now. Shopping around up to six months before your current deal ends means you could lock in a rate now. This will be beneficial if rates continue to climb.

However, if rates drop, you still have the chance to review the deal, ensuring there won't be any cost implications. If you're relocating, you're likely selling and buying simultaneously. This means you might feel the pressure of mortgage uncertainty and its potential impact on your property chain.

## SEEK PROFESSIONAL MORTGAGE ADVICE

Despite the chaos, first-time buyers are the least affected by the rates as they have yet to be used to a particular monthly payment. Property prices are stabilising, so they can buy for less, although the difficulty with deposits remains. First-time buyers should seek professional mortgage advice now more than ever. Advisers have a duty of care to ensure they are doing the best for them, both now and for their future intentions.

This consumer duty adds extra protection for the consumer. When remortgaging in the future, these first-time buyers will hopefully face lower rates. They can either reduce monthly payments or the term, or reconsider borrowing options to increase their mortgage. ■

## READY TO REVIEW YOUR MORTGAGE OPTIONS?

To discover how much you might be able to borrow and explore strategies for reducing your mortgage expenses, or for further information, please get in touch with us.



**When it comes to mortgages, taking advice can be a daunting process, whether you are looking to take financial advice for the first time or you've taken financial advice in the past.**

Finances often take a low priority for many people because they are complex, but at Simply Mortgage our clients appreciate our ability to make the mortgage-arranging process both simple and enjoyable.

At Simply Mortgage, we ask the questions, look into your future, give straightforward advice and find the right mortgage solution for you.

Contact us today to begin your journey – we look forward to hearing from you.

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