

FREE YOUR ASSETS



WITH MARKET CONDITIONS uncertain and interest rates still low, now could be a good time to consider a better mortgage deal.

Recent research into Britain's property market shows that activity is picking up again after disappointing figures in 2009 and 2010. In January, according to Connells Survey and Valuation, valuations are on the rise again, driven mostly in the remortgage sector.

REMORTGAGING

The reasons for remortgaging are self-evident. Few people are interested in buying a new home for themselves right now. With government and central bank policy up in the air, it is an uncertain time for buyers, but the low interest-rate environment creates an opportunity to lock in a better deal ahead of potential rate rises – and this has driven the popularity of remortgage schemes.

This is particularly true for expats with a property or properties back in the UK. Now could be the time to save money on mortgage repayments or release some of the funds tied up in a property that has risen in value.

Here are some simple tips to think about beforehand.

Property owners remortgaging to get a better interest rate might be wise to consider an alternative mortgage deal, as this may well save a lot of money. Borrowers on a fixed rate, that is set to expire soon, should shop around.

Conversely, borrowers on standard variable rates – typically an expensive way to borrow money – have been enjoying unusually low rates these past few years. For this reason, remortgaging fell to multi-year lows in 2010 as borrowers sat happily on cheap deals. Indeed, the Council of Mortgage Lenders says that remortgaging sank to a 13-year low of just 313,200 in 2010, compared with 408,000 during 2008 and an average of more than 1 million during the housing boom of the past decade.

That is set to change as interest rates in the UK and around the world look set to start rising again this year.

But, whatever motivation you have for seeking a better rate, make sure you take the time to do your sums and calculate what the effect of a new mortgage deal might be. Use a remortgage calculator to get as close an idea as possible of what your monthly payments will be now and in the long term, bearing in mind future rate changes. Compare this to your current situation and make sure it's worth it before making the change.

“There has been very little incentive to remortgage over the past year, with interest rates stuck at historic lows...However, this situation is likely to change this year with remortgaging growing in popularity if borrowers seriously believe that interest rates are going to rise significantly.”

Melanie Bien, director of independent mortgage broker
Private Finance

PENALTIES

You should also bear in mind that your current mortgage lender may enforce fees for paying the mortgage off early, so take this into account in your calculations.

Debt consolidation is one of the main reasons that people consider remortgaging. If you're a homeowner and have multiple debts that you're struggling to keep on top of, it can be tempting to use your home as security to clear these debts. However, you should always consider very carefully before securing borrowing with property, as this will obviously be at risk if you fail to meet the repayments.

On the plus side, as well as simplifying your finances, you can take advantage of some competitive remortgage deals currently on offer to help ensure your monthly payment is affordable, taking into account fees and any early repayment penalties.

HOME IMPROVEMENTS

Many people remortgage to gain funds to carry out home improvement work to their property, which can be a sensible option because any improvements you make to your home may well increase its value in the long term. Spending in this way is therefore an investment in your property as you will likely see a return on it at some future date.

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Remortgaging is also an option for people who cannot keep up with their repayments, but this is a situation in which you are best advised to speak to your current lender to see if there are any alternative suggestions that they have. Remortgaging is just one of the options that may be available to you.

If the property you are investing in has appreciated in price you might want to extract some of that value through equity release. Remortgaging is one of the ways you can do this, as it can be built into the terms of the deal, however it basically amounts to further lending on your property, and should therefore not be entered into lightly.

Equity release loans are traditionally thought of as a retirement option, but many companies are now offering re-mortgages for equity release to almost any homeowner, for any purpose. This can be a cheap and easy way to free up the capital from your home, as well as one of the cheapest ways to borrow money full stop.

However, it is also worth bearing in mind that a lot of the activity in the remortgage sector is driven by increased competition among providers. That means there might be deals to be had, but also some sharp practices as banks vie for business. As ever, beware, and make sure that you have all the facts and figures you need to make the best decision possible.

It makes sense to review your mortgage arrangements regularly to see if you can save money by getting a better deal and there are many remortgages available at very competitive rates. So why not use the opportunity to raise some cash at the same time? You can use the money however you wish – clear debts or take a holiday, or invest in a business or property to provide you with an income for the future.