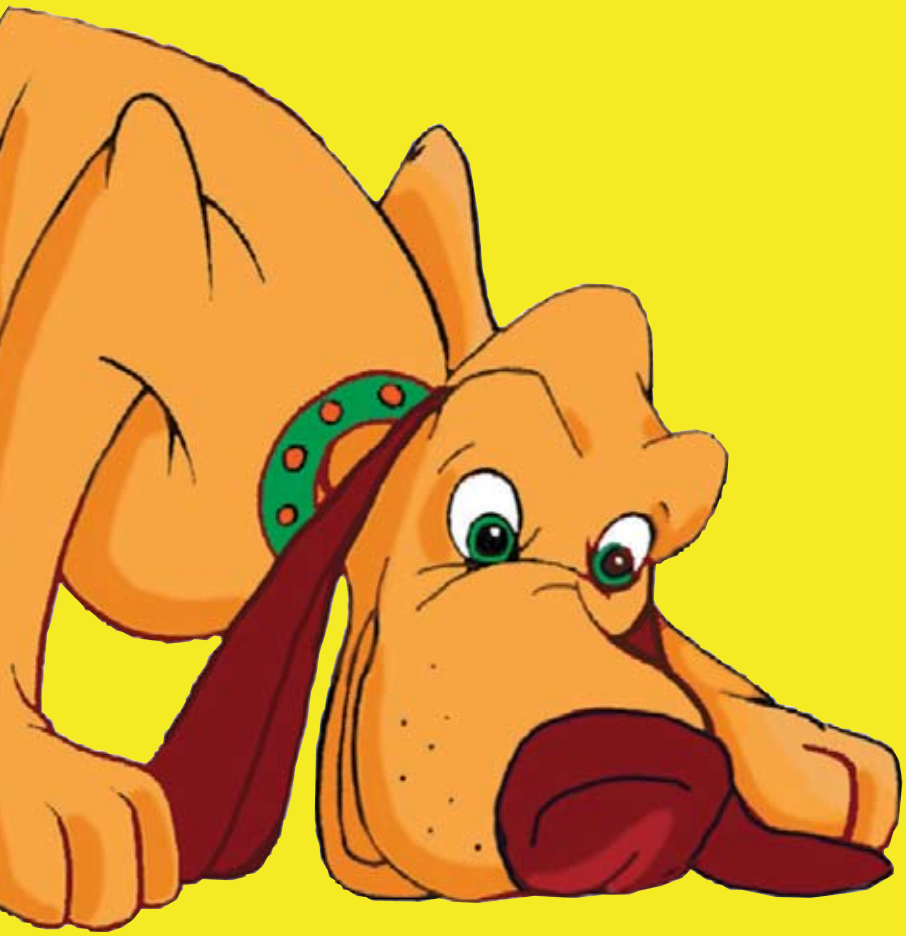
Remortgage Guide



MortgageFinders

Remortgaging – it may be your best decision

Why do I need to consider a remortgage?

For most homeowners, a mortgage is probably your largest financial commitment so it's essential to ensure you are not paying more than you need to. A remortgage is the name given to the process of changing your mortgage from one product to another, either with your existing lender or to another lender. It can be used to increase or decrease your borrowing or change the terms of the loan.

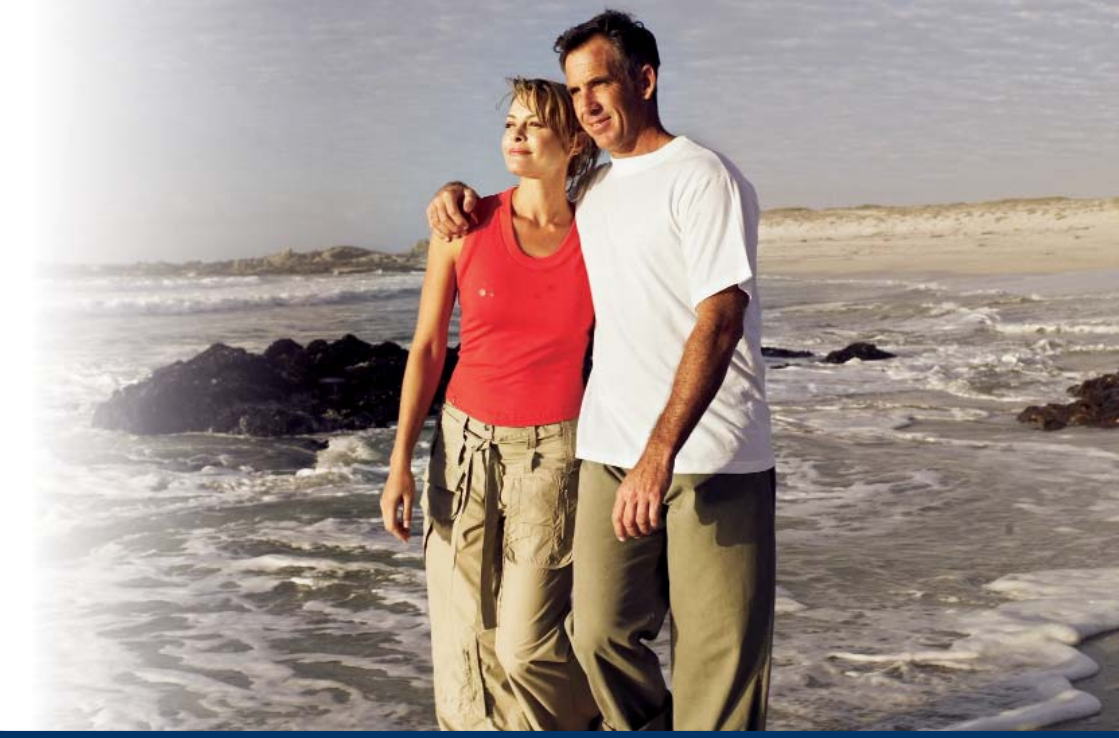
This brochure gives you a brief guide to the many benefits of remortgaging. We will be happy to explain the whole process in more detail. We will provide you with details of all the options and answer any questions you may have. Taking out a mortgage is a big financial commitment so it is essential you receive the right help and advice. For the best mortgage advice, contact us now and let MortgageFinders take the hassle out of remortgaging.

Many borrowers are currently paying their lenders standard variable rate and with many cheaper deals available, you could be paying more than you need to. Remortgaging can help you to improve your situation in a number of ways, and not just by reducing your monthly outgoings.

For example, you can:

- consolidate your personal debt, such as credit cards, loans or overdrafts, into one affordable monthly payment;
- increase your mortgage to pay for large expenditures such as home improvements;
- raise capital to pay for a luxury item such as a car or a holiday;
- help to finance your children's education.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE



Will I see the value of my home increase by the amount spent on any home improvements?

Some home improvements are better 'investments' than others but even where it doesn't add value, it can improve your overall standard of living. The following are some of the better options in terms of increasing your home's value:

Central heating – will almost certainly pay for itself by increasing your home's value.

Garage – will definitely increase the value and appeal of a property, and may even help to lower your motor insurance premiums.

Extension – adding a bedroom or extending a kitchen will add value providing it is in keeping with the rest of the property.

You are unlikely to recover the full cost of double glazing, a refitted kitchen or bathroom when you sell your property. However, such improvements can make your property more attractive to a prospective buyer when comparing similar properties without them.

But remortgaging doesn't just mean a cheaper deal, you could consider it for a number of different reasons.

Here are a few examples:

Raise money

As property values in the UK have generally risen in recent years you could release some of the equity in your home by increasing your mortgage. You could then use the money to help pay for major expenditure such as a wedding, to finance your childs' education or as a deposit for a second or holiday home.

Pay off personal debt

By increasing your mortgage you could pay off other, more expensive, personal debt such as a loan, credit cards or an overdraft. However, you need to consider that these debts will be repaid over a longer period and it could end up costing you more.

Improve your home

As your family grows, wouldn't it be nice to have a bit more space or an extra bedroom? By remortgaging you could raise extra money for an extension, a garage or carry out other home improvements.

See the Frequently Asked Questions section on pages 6 and 7 for more information.

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Getting the most from your mortgage

The following case studies show how a remortgage could potentially improve your situation:

Dave and Jennie have owned their property for four years and have an existing mortgage. Their fixed rate period has just ended and so they are planning to remortgage to a new, lower priced deal.

At the same time they will borrow an additional amount to pay off a number of credit cards and a personal loan.

The effect of a lower interest rate and consolidated debts will reduce their outgoings and make their finances more manageable.

Please see 'Is raising capital from my mortgage a good idea?' on page 7 for more details.

Brian and Kate have three children and have lived in their three-bedroom semi-detached home for eight years. As their children grow up they would like them to have their own bedrooms. So they have decided to extend their property by building an extra bedroom over the garage. By remortgaging, they can raise the extra money for the cost of the extension and switch to a cheaper two year discounted rate with another lender. The effect of the lower rate will help to offset the cost of the increased mortgage during the initial two year discount period.

Whatever your situation or circumstances you know that a a call to MortgageFinders makes a lot of sense. We will take time to understand your needs and search out the right mortgage from the hundreds of competitive deals available. We have access to the best products available inluding some exclusive products not available on the high street. We have access to the Whole Market including the leading UK banks & building societies, and will ensure that the lender chosen has a high standard of service so you can be sure that you are getting the very best package that is currently available on the market.

Frequently asked questions

This guide is designed to help explain many of the aspects of arranging a remortgage. Set out below are explanations to some frequently asked questions.

Can I change my mortgage even if I'm not moving house?

Yes, definitely. With such a huge range of products and schemes to choose from, you don't have to wait until you move to get a better deal.

Can I remortgage more than once?

You can remortgage as many times as you like. You should review your mortgage regularly and seek advice on whether you can get a better deal elsewhere. This could save a considerable amount of money over the term of your mortgage.

However, you do need to consider any redemption penalties that may apply to your mortgage. Even if there are no early repayment charges, your lender might make an administration charge. If you are switching to a new lender, your home will have to be valued and there will be legal costs to pay. With some mortgage deals, the lender will pay these fees for you.

You will therefore need to weigh up any monthly savings or benefits against the up-front costs of making the switch

I like the lender I'm with now but want to reduce my payments. Do I need to switch lenders to remortgage?

Not necessarily. Most lenders offer cheaper alternative deals to their existing customers, but often don't publicise the fact. Your adviser will be able to give you all the details and compare this against what's on offer elsewhere. If you do find a good deal elsewhere, it's worth going back to your existing lender to see if they will offer you a similar deal to keep you as a customer.

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Can I switch to a better deal and increase my mortgage at the same time?

Possibly. The ability to increase the amount of your mortgage depends on the current value of your home and your income. Remortgages are generally available up to 90% or even 95% of the value of your home. However this figure may be lower depending on what the extra money is for. Provided your income is sufficient to cover the increased mortgage and there is enough equity in your property then you should be able to borrow more.

Be careful not to borrow more than you can repay and you need to consider that your payments may go up in the future unless you take a long-term fixed rate.

Switching your mortgage can also be a good opportunity to pay off some of your mortgage and borrow less.

Is raising capital from my mortgage a good idea?

In most cases, yes, as it can be one of the cheapest ways to borrow money. Most other forms of credit, such as an overdraft or a personal loan are charged at a higher rate than a residential mortgage. However, you do need to consider the term of the mortgage as, even with a lower rate, the full cost of the mortgage can be higher if repaid over a longer period.

We need more space. Can we increase our mortgage to extend our current home?

Yes. Not everyone relishes the thought of moving. Extending your home could work out cheaper as you won't incur moving costs such as estate agents fees, stamp duty or removal expenses.

Providing essential protection

Taking out a mortgage is a major financial commitment. You want to ensure that you, your home and any dependants are fully protected if you are unable to meet the repayments or if you should die.

Set out opposite is a brief explanation of the various insurances available to protect you. MortgageFinders can provide you with full details.

Life cover – mortgage protection or term assurance

Depending on the type of mortgage and your own circumstances, you may need to take out life cover to repay the loan if you die during the term of the mortgage.

Critical Illness cover (CIC)

This cover pays out a lump sum if, during the term, you're diagnosed with a critical illness such as cancer or heart disease, enabling you to repay the loan.

Accident Sickness & Unemployment cover (ASU) also known as Mortgage payment protection insurance (MPPI)

Designed to provide you with a monthly payment to cover your monthly mortgage payment and associated mortgage costs if you were to lose your earned income. The benefit will usually only cover your mortgage-related monthly payments, such as any life cover or building insurance premiums, as well as your mortgage payment. The benefit is usually payable for a maximum of 24 months.

Income Protection Insurance also known as Permanent Health Insurance

This can replace your regular income if you can't work through illness or accident. There is often a longer deferment period before the monthly benefit starts, but it normally continues until you're fit enough to return to work.

Property Insurance (Buildings & Contents)

Your lender will insist that your property has adequate buildings insurance while your mortgage is outstanding. This covers the cost of repairing or rebuilding your home if it's damaged or destroyed.

Although not a condition of the mortgage you should also insure the contents. This covers the cost of repairing or replacing your possessions if they're damaged, destroyed, lost or stolen.

MortgageFinders will be able to give you advice and help you to arrange any of these insurances, providing you with complete peace of mind.

Important information to understand as a borrower

As well as protecting your family and insuring your home, there are other important factors to consider when arranging a mortgage.

Joint name mortgages

If you're taking out a mortgage jointly with your spouse or partner, you should remember you're both normally liable for the full amount of the mortgage loan until it has been repaid.

Responsibility for repaying your mortgage

Your mortgage lender will send you a reminder ech year about the method you're using to repay your mortgage. It is your responsibility to ensure you have suitable arrangements in place to do so.

Government support for out of work borrowers

If you become unemployed, the Government provides Income Support benefit to help borrowers with their mortgage payments. However, the support provided has been gradually reduced over recent years and on 1 October 1995, the rules on Income Support changed radically. The key points are:

- For mortgage loans taken out before 1 October 1995, no income support is payable for the first 8 weeks of any claim and only 50% of the mortgage interest is paid during the following 18 weeks of the claim.
- No income support for mortgage interest is payable for the first 39 weeks of a claim, on any mortgage loan taken out after 1 October 1995.

The Department for Work & Pensions (DWP) decide the interest rate used to calculate income support payments. Usually payments go straight to the lender.

You can get further advice from the Citizens Advice Bureau and other Government offices if you experience difficulties in paying your mortgage. The Financial Services Authority produces an information leaflet entitled 'What to do when you can't meet your mortgage payments', which your adviser can provide you with.

Fortunately, there is a full range of insurances available to protect you if you cannot pay your mortgage because of accident, sickness or unemployment. MortgageFinders will be happy to discuss these with you.

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