FIND PEACE OF MIND
Personal Finance for the Life you Desire

A Guide to

Mortgage Advice

7 Re - Mortgage Mistakes - Homeowners

1. Inaction

When you take out a mortgage, your lender will generally offer a low interest rate for an initial period. For example you might take out a 2 year discounted rate or a 5 year fixed rate deal. At the end of the initial period, if you do nothing, your mortgage is likely to transfer to a higher interest rate, usually the lender's Standard Variable rate, resulting in an increase in your monthly mortgage payments.
To avoid this from happening you can re-negotiate a new mortgage deal. It is worth thinking about this a few months before the initial interest rate period comes to an end because it can take a while get everything in place and you want to ensure that you don't end up paying more than you have to.

2. Limiting Your Options:

It could be tempting to quickly accept a new deal from your current lender, but you'd be ignoring thousands of mortgage products offered by hundreds of other lenders and potentially missing out on huge cost savings.
To make sure you don't miss out, speak to an independent mortgage adviser, such as Find Peace of Mind, who will be able to ensure you find the most cost effective mortgage. They will be able to assess your options with your current lender, as well as identifying whether cost savings can be achieved my changing lenders.

3. Chasing the Best Rate

Choosing the right mortgage involves looking at the overall cost of the mortgage, rather than simply picking the lowest interest rate. You should consider:

Arrangement fees

How much will you need to pay the new lender to cover the admin costs of arranging your new mortgage?
Size of your Mortgage: The relative importance of arrangement fees and interest rates will differ depending on the size of your mortgage. The larger your mortgage, the more important the interest rate is likely to be.

Early Repayment Charges

Will you need to pay charges if you want to re-mortgage before the end of the initial term?

Exit fees

Will the lender charge a fee or penalty for closing your account at a later date?

Legal fees

How much will you need to pay to cover conveyancing costs? Some lenders offer 'free legal' packages or cash back options.

Valuation fee

Will the lender charge for valuing your home?

Overpayments

How much will the lender allow you to overpay your mortgage each month if you want to pay off your balance more quickly?

A professional adviser will ensure that all aspects are taken into account when identifying the right deal for you.

4. Failing to Plan Ahead

Your mortgage company will typically tie you in to your mortgage for the term of the period of the initial rate, with hefty penalties applied if you repay the mortgage before the initial rate expires.

If you are thinking about moving home or altering your mortgage in the future, you may want to limit the tie-in period to say a 2-year timeframe rather opting for a 5-year fixed rate. Some mortgages are free of early repayment charges entirely.

Failing to consider the future could cost you thousands so think about where you might want to be in the future and plan accordingly.

5. Not Taking Advantage of Overpayment Allowances

Overpaying your mortgage each month can be an effective way of paying off your mortgage faster and saving money over the long term. Many lenders will allow you to make overpayments of up to 10% of your mortgage balance, even within the initial interest rate period.

If you want to pay off more than 10% you will need to time it right to avoid paying any penalty charges, or opt for a more flexible arrangement. Be careful that the cost of flexibility doesn't outweigh the benefits.

6. Not Using an Adviser

We have already mentioned that by using an independent mortgage adviser you will be able to identify the most cost effective mortgage available from the vast range available to you. An adviser's experience in dealing with mortgage companies, their lending criteria and their systems can also prove invaluable.

When the 'computer says no', your adviser is often able to cut through the jargon and fight your corner to identify what needs to be done to get you the mortgage you need.

7. Neglecting Your Desired Lifestyle

We only get one life and it's important to live it. You might have been dreaming about extending your property or helping out a child financially. Increasing your mortgage to release equity in your property can be one way of achieving lifelong dreams of ambitions.