

Conveyancing remortgage: A Comprehensive Guide

Introduction

Remortgaging is the process of switching your existing mortgage to a new deal, either with the same lender or a different one, without moving home. The process involves conveyancing, similar to when you first purchased your property. This guide provides a comprehensive overview of the conveyancing process involved in remortgaging, including the steps, legal requirements, and key considerations.

1. Understanding Remortgaging

a. What is Remortgaging?

- Remortgaging involves taking out a new mortgage to replace your current one, often to take advantage of a better interest rate, access additional funds, or change the terms of your mortgage. It does not involve a property sale or purchase but does require legal work to update the lender's interest in the property.

b. Why Remortgage?

- Lower Interest Rates: To secure a more favorable interest rate and reduce monthly payments.
- Accessing Equity: To release equity in the property for home improvements, debt consolidation, or other expenses.
- Changing Mortgage Terms: To switch from an interest-only mortgage to a repayment mortgage or vice versa.
- Avoiding Standard Variable Rates (SVR): To avoid the higher interest rates that often apply after a fixed-rate period ends.

2. The Conveyancing Process in Remortgaging

a. Initial Steps

- Choosing a Conveyancer: The remortgaging process begins with selecting a conveyancer or solicitor to handle the legal aspects. Many lenders have a panel of approved conveyancers, and choosing one from this list can streamline the process.
- Instructing Your Conveyancer: Once chosen, you will formally instruct your conveyancer to act on your behalf. They will request documentation, such as the title deeds and mortgage details.

b. The Legal Work

- Title Deed Review: The conveyancer reviews the title deeds to ensure there are no issues that might prevent remortgaging, such as disputes or unregistered land.
- Mortgage Offer Review: The new lender will issue a mortgage offer, which your conveyancer will review to ensure all terms are clear and in your best interest.

- Searches: Although extensive searches are not always required in remortgaging, some lenders may still request basic searches (e.g., local authority searches) to check for any issues that could affect the property's value.

c. Liaising with the Lender

- Redemption Statement: Your conveyancer will obtain a redemption statement from your current lender, detailing the amount required to pay off your existing mortgage.
- Transfer of Funds: On completion day, the conveyancer will use the funds from your new mortgage to pay off the existing one and handle any surplus, such as releasing equity to you.

d. Final Steps

- Updating the Title: The conveyancer will update the title at the Land Registry to reflect the new mortgage lender's interest in the property.
- Completion: Once all legal work is completed, your new mortgage is in place, and you will begin making payments according to the new terms.

3. Costs Involved in Remortgaging Conveyancing

a. Legal Fees

- Conveyancer's Fees: These are the fees charged by your conveyancer for handling the remortgaging process. They can vary depending on the complexity of the transaction and the conveyancer's pricing structure.
- Disbursements: These are additional costs that your conveyancer will pay on your behalf, such as Land Registry fees and search fees.

b. Other Costs

- Early Repayment Charges (ERC): If you are remortgaging before the end of your current mortgage term, you may have to pay an early repayment charge.
- Valuation Fees: Some lenders may require a property valuation before offering a new mortgage, and the cost may be passed on to you.

4. Key Considerations When Remortgaging

a. Timing

- Consider the timing of your remortgage, particularly if your current mortgage is nearing the end of a fixed term. Remortgaging too early might incur early repayment charges, while waiting too long could result in higher interest rates.

b. Lender's Requirements

- Different lenders have different criteria for remortgaging, such as minimum property value, loan-to-value ratios, and credit checks. Ensure that you meet these requirements before proceeding.

c. Future Financial Goals

- Consider your long-term financial goals when remortgaging. For example, if you plan to sell the property in the near future, a remortgage with high exit fees might not be suitable.

5. Benefits and Risks of Remortgaging

a. Benefits

- **Cost Savings:** Remortgaging can significantly reduce your monthly mortgage payments if you secure a lower interest rate.
- **Flexibility:** Remortgaging allows you to change your mortgage type or term, providing greater financial flexibility.
- **Access to Funds:** Releasing equity can provide funds for various needs without selling the property.

b. Risks

- **Fees and Charges:** The costs associated with remortgaging, including early repayment charges and legal fees, can offset potential savings
- **Negative Equity:** If property values fall, you could end up owing more on your mortgage than the property is worth.
- **Credit Impact:** Multiple credit checks during the remortgaging process could affect your credit score.

Conclusion

Remortgaging involves several legal and financial considerations, and the conveyancing process is a critical part of ensuring a smooth transaction. By understanding the steps involved, the costs, and the potential benefits and risks, you can make informed decisions that align with your financial goals. Whether you are seeking better mortgage terms, accessing equity, or avoiding higher interest rates, proper conveyancing is key to a successful remortgage.