mortgage1st

Remortgaging: SVR vs. Fixed Rate

Time for a Mortgage Wake-Up Call

So the time has come for you to remortgage! But with so much uncertainty in the mortgage landscape at the moment, what is the best bet for you?

If you get a fixed rate now, could you miss out on a better deal later?

Or will a standard variable rate blow your budget?

PLEASE NOTE, THIS EBOOK IS NOT INTENDED TO REPLACE PROFESSIONAL PERSONALISED ADVICE.

WHAT IS A STANDARD VARIABLE RATE?

Once your fixed term has come to an end, if you don't move onto another fixed term, you will find yourself on a **Standard Variable Rate** mortgage. This is the interest rate you'll be charged and – as the name implies – it will vary. So you could find your mortgage payments going down – but you could just as easily find them going up, depending on the rate.

WHAT IS A FIXED TERM?

Unlike a variable rate, a fixed term rate locks you in for a certain amount of time – usually 2 years or 5 years. This means that you know exactly how much your mortgage will be every month of that fixed term, it won't vary. However, that means while you could be saving if you lock in a great rate before the base goes up, you could also find yourself paying a higher interest rate if the base rate goes down.

SHOULD I CHOOSE A VARIABLE RATE OR A FIXED RATE?

This will vary depending on your situation. Most people prefer the reliability of a fixed rate – knowing exactly how much you'll be paying every month allows you to budget much more efficiently and easily.

However, there are some people who don't like the idea of paying more than they need to and this can certainly happen if you choose a fixed rate deal and then the base rate drops.

As a landlord, you will have other outgoings as well as your mortgage, from your Building Insurance to other insurances you might have invested in like contents or rent guarantee. You need to know that the rental income covers those outgoings, so a fixed rate may be the better choice for you.

WHAT ABOUT FEES?

When changing your mortgage, you need to consider the additional cost of product fees. If you stay with your current lender, you may have to pay an arrangement fee, but you are less likely to have to pay a valuation or legal fee. This can vary from lender to lender – so make sure you know before you sign!

If you move to a new lender, this process will take a little longer and there are more steps and charges involved, including that arrangement fee, a valuation fee and a legal fee, as you will need to work with a solicitor, just as you did when you got your mortgage.

You will also need to budget for the broker fee. Yes, you can source your own remortgage deal, but you are likely to miss out on the best possible deal and you won't have as much access to the market.

What is my next step?

Now you know the difference between an SVR and fixed rate, you can sit down and work out what is best for you and your portfolio.

We really recommend that you work with a broker, particularly a specialist BTL broker, as they will be able to help you navigate this tricky decision and, with access to the whole of the market, they'll have more deals available.