Your Mortgage Essential Guide:
Residential Mortgage - Review your mortgage saving guide

Under FSA rules, once your have taken out a mortgage your lender must send you a statement at least once a year. This is a good opportunity to check your mortgage and consider any changes.

You should also review your mortgage whenever the period of a special deal – for example, a fixed or discount interest rate – comes to an end.

Your annual statement

Use your annual statement to check that your mortgage details are what you would expect. The statement includes:

- the date and amount of payments you have made during the year compared to those that were due, including payments for any tied products you took out through the lender;
- the amount of interest you have been charged over the year;
- the balance of the loan still owed at the statement date;
- the term remaining on the mortgage;
- the cost of paying off the mortgage including any early-repayment charges; and
- where early-repayment charges apply, the date they will stop.

If you have a repayment mortgage, the balance shown on your statement should get smaller over the years. If you have an interest-only loan, the balance should stay the same, unless you choose to make early capital repayment.

If you have an interest-only mortgage (or part of your loan is on that basis), the statement should either give details of any savings or investment plan you have taken out through the lender or warn you that you should have some arrangement in place for repaying the mortgage at the end of its term. Check that it is on track to do this.

Are you getting a good deal?

If you move home, you'll probably shop around to find a competitive mortgage. Even if you are not moving, there is no reason to stick with a poor deal.

Questions to ask yourself

- **Are you still on a special deal or are you now payment the lender's standard variable rate?**

If you are still on a good deal, then make a note of when this finishes and remember to review it again closer to this time (it is prefer to be two months before).

- **Would you have to pay an early-repayment charge to switch mortgages?**

If so, it may not be worthwhile switching yet, depending on how much the charge is. Make a note of the date when the early-repayment charge will no longer be payable (from your annual statement) and review it again closer to the time.

- **Are you paying the lender's standard variable rate and are there no early-repayment charges?**

You should definitely review the products in the market and see if you can save money by switching to a new deal.

Use the information in your annual statement to compare your mortgage with other mortgages available both from you current lender and from other lenders. Shop around, using the information in your statement such as the amount you owe, the term remaining, the interest rate and monthly payment.

Get a keyfacts illustration (KFI) for mortgages that you are interested in, and check that you save money by switching.

Switching your mortgage

Gone are the days when you took out a mortgage and kept the same one for 25 years. Nowadays, it's common to shop around every few years to make sure you are getting a good deal.

Switching can cut your monthly payments. But you'll need to weigh up these monthly savings or other benefits against the upfront costs of making the switch. The main factors to consider are set out below.

Make sure you recover the costs of switching over a period that is shorter than any special deal – for example, over less than two years if you switch to a two-year discounted rate.

Which type of deal do you want?

Do you want a special interest rate deal or, say, a mortgage with flexible features?

Do you want a repayment or an interest-only loan or combination of both? You don't have to stick with the same repayment method. If you are switching from an interest-only to a repayment mortgage, you do not have to stop or cash in any associated savings plan.
(For interest rate, flexible features, repayment or interest-only mortgage, please refer to The Residential Mortgage Guide.)

How much do you want to borrow?

Switching can be an opportunity to borrow extra money, especially if the value of your home has increased since you took out your existing mortgage. But don't borrow more than you can afford to pay back. Don't forget that you may be saving money now, which means you can afford the new payment. But remember that this payment may go up in future unless you take a fixed rate for the term of the mortgage. When switching your mortgage, this can also be a good opportunity to pay off some of your mortgage and borrow less.

What will it cost you?

Especially in the early years, your mortgage might have early-repayment charges. These can be hefty if you are still in the period of a special deal, such as a fixed, discounted or cashback 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.

Also, if you are switching lender, check whether they will charge you interest to the end of the month even if you pay off the mortgage earlier. In this case, make sure you switch your mortgage at the end of the month.

Your mortgage may be your largest financial commitment in life time. It is worth to consult a professional mortgage advisor to help you shop around.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

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