



## **10 WAYS TO SAVE £££'S ON YOUR MORTGAGE**

### **1. Call your current lender**

Tell them you think your rate is too high and will they consider lowering.

This seems too easy to be possible but many lenders will drop your rate on the back of just this one phone call.

Often they will say yes and at no cost to you, sometimes they will charge a small admin fee.

Have other rates available for comparison to strengthen your case.

Remember if you also want to increase your mortgage you will be required to have an additional valuation and incur greater costs.

### **2. Tell your current lender you are thinking of switching lenders**

Get a genuine offer from another company and show it to them and ask them to match it or better it, otherwise you are leaving.

### **3. Switch lenders**

If your existing lender won't budge, then move.

Beware of penalties with your existing lender but don't let it put you off – that's what they are designed to do!

Firstly, ask your old lender if they will forgo the charge as they couldn't match your deal themselves even though you gave them the opportunity. Ask your new lender if they will cover your penalty.

If none of these tactics work calculate what you will lose/gain by swapping; for example: -

6 months interest is the typical penalty applied – at first this seems monstrous however on an £85,000 mortgage at 4.5% this is a penalty of around £1900 (6 x £320). If you were switching to a rate of 3.75% with 3% cash back you could be financially better off by switching.

### **4. Look at what else is included in your mortgage payment**

House and/or life insurance may be included in your payment and you can invariably get these cheaper elsewhere.

Some mortgage offers (low, fixed, capped or cash back) often have clauses that mean you must take their insurances: -

- a) This is normally only for the offer period and they shouldn't be able to tie you in for the long term
- b) Contest it anyway. If they think they are going to lose ALL your business they would rather lose just some of it.

## **5. Switch to daily or, at least, monthly interest**

This means that as soon as you make a payment (regular monthly payment or an overpayment) it is credited to your total debt and you only pay interest on the remaining sum each day/month.

Many older mortgages still have annual interest calculations so you may have a mortgage of £80,000 on December 31<sup>st</sup> 2002, make 12 payments of £500 each month and still pay interest on the full £80,000 through the whole of the following year until 30<sup>th</sup> December 2003, even though **you** might think you have been paying down your mortgage balance each month.

## **6. Take a look at your endowment**

Do you still need it?

Have you switched to a repayment mortgage instead?

It may well be cheaper to switch to a repayment mortgage than make payments into a savings plan.

## **7. Downsize**

There are millions of people who are sitting on large sums of equity in large properties they don't need. You could be proactive, sell up, pay off your existing mortgage, buy somewhere cheaper and live mortgage free.

Move abroad or to a cheaper part of the country for a similar effect to downsizing.

## **8. Make overpayments**

Even small amounts can make a huge difference. Every time you get a bonus, rebate or even money for birthdays why not put it to good use and pay off your mortgage?

The compounding effect of this is tremendous and could save you many thousands of pounds.

For example if you purchased a property for £100,000 and had a repayment mortgage of £85,000 over 25 years at 5% and made an additional monthly payment of just £50 per month you would save around £12,000 in interest and reduce the term of your loan by over 4 years!

**Note** – whenever you make an overpayment send a cheque to your lender and specifically state that you wish the overpayment to be applied to the capital. Some lenders apply overpayments to the total monies owed i.e. capital and interest, and this will not have the same effect.

## **9. Make an extra payment each year**

One payment divided up over a year doesn't amount to much so resolve to put that money aside and make one extra payment per year.

## **10. Pay your mortgage bi-weekly**

This way you make 26 half-payments per year which is 13 months instead of 12 – this way you automatically make an extra payment but it is applied each fortnight.

This system can dramatically affect your interest and term of your mortgage. Not all lenders have or allow the facility for bi-weekly payments but there's no harm in asking. It's an American idea that is sure to become more popular in the UK.

### **Bonus Tip!**

#### **Get a lodger**

This won't directly reduce your mortgage payments as such but it will certainly help with them, especially as you are allowed to receive £4250 (2009-10) each year tax free.

Now let's assume you put this full tax free allowance towards your mortgage payments as additional payments each month (£4250 a year is £354 a month). Using the same example as in point 9 you would save nearly £43,000 in interest and reduce your mortgage term by a whopping 13 years!

University students and overseas placements are an extension of this and there are many companies who specialise in such placements.

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## **Acknowledgement**

The above information was supplied by Keys (UK) Limited. You can get more information from [www.keys-property.com](http://www.keys-property.com) and [www.keys-mortgages.com](http://www.keys-mortgages.com)

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Your home is at risk if you do not keep up repayments on a mortgage or other loan secured on it.

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