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# A GUIDE TO SWITCHING MORTGAGES

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# MAKING THE SWITCH

You can make significant savings on your mortgage if you switch to a lower interest rate. Since the 1st of January 2019, the Central Bank of Ireland has put new measures in place to make it easier to switch your mortgage.

**FACT FILE**

If you switch lenders, there will be many of the same fees and charges that are similar to when you first applied for a mortgage. These need to be weighed up against any savings that could be made.

Under the new measures lenders must:

- Tell you about cheaper options 60 days before your fixed rate mortgage period ends.
- If you are on a variable rate (but not a tracker), the lender must notify you if you can move to a cheaper rate due to a change in your loan-to-value ratio. You will need to provide an up-to-date valuation for this.
- Explain the pros and cons of any mortgage incentives such as cashback offers in a clear way.
- Give you a comparison of how much your mortgage costs versus other options offered by your lender if you ask for one.
- Give switchers all the information they need to switch including how long it will take.
- Give you a decision within ten business days of receiving a completed mortgage application.

### Can I Switch?

If you are eligible to switch your mortgage, you need to consider the following:

- **Loan-to-value (LTV) ratio:** How much you owe on your mortgage in relation to how much your house is worth. Lenders will consider the LTV ratio when you make your application. An up-to-date valuation is needed to get an accurate value of the property.
- **Outstanding balance:** If you have a small outstanding balance on your mortgage, you may find it difficult to switch as lenders may have a minimum amount they are willing to lend.
- **Negative equity:** Lenders may not be willing to take you on as a mortgage customer if you are in negative equity. This means if you owe more on your mortgage than your property is worth.
- **Mortgage term:** Minimum or maximum loan terms may apply when you are switching your mortgage. Some lenders may not accept an application for a mortgage over 30 years or less than five years.
- **Repayment history:** Whether you have been meeting your mortgage repayments over the previous 12 months and any other financial obligations will be considered as part of your new application. Lenders will examine your credit history as part of this.
- **Fixed Term:** If you are on a fixed rate and want to break out of it early, you may have to pay a fee. This fee is called a redemption charge. The cost of this charge should be weighed against potential savings that could be made by switching or alternatively you can wait until you are coming to the end of the fixed term and then switch.

### What to consider before switching

Before you start applying to other lenders, it is worth your time to contact your current mortgage lender and ask them about your Loan-to-value (LTV) ratio. Most lenders offer better rates the lower the ratio is. Over the lifetime of your mortgage, your LTV ratio will change as your mortgage decreases and the value of the property changes. If you want to get a reduction in your rate based on the LTV, you will need to get a valuation of your home.

Before making any important financial decisions, it can be a good idea to get financial advice from your Financial Broker.

**FACT FILE**

LTV stands for Loan to Value. This refers to the ratio between the amount borrowed and the value of the property. If the property value is €200,000 and the loan is for €150,000, then the LTV is 75%.

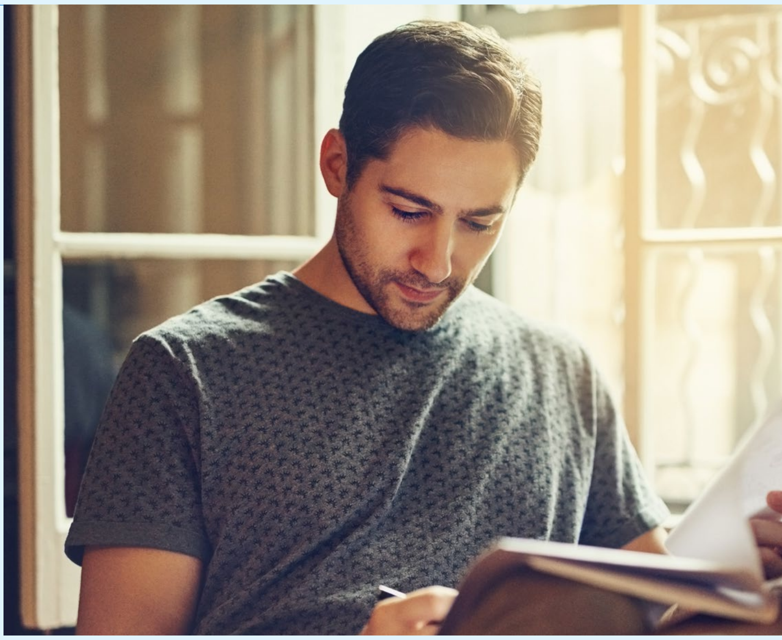
Before you start applying to other lenders, it is worth your time to contact your current mortgage lender and ask them about your Loan-to-value (LTV) ratio.

### Mortgage Protection Insurance

When switching your mortgage, you need to consider how it will be paid off in the event of your death. You may also consider how to continue repayments if your income falls, due to illness, unemployment, or other reasons.

When you get a mortgage to buy your home, you will generally be required to take out mortgage protection insurance. This is a particular type of life assurance taken out for the term of the mortgage and designed to pay it off on the death of the borrower or joint borrower.

It is important to review your mortgage protection policy regularly which can be done through your Financial Broker.



**FACT FILE**

In most cases, the lender is legally required under **Section 126 of the Consumer Credit Act 1995** to make sure that you have mortgage protection insurance before giving you a mortgage.

### What is a Financial Broker?

*Clear. Concise. Professional Advice*

Financial Brokers are experts on financial planning matters and work on your behalf giving you a choice of products and providers from across the market. A Financial Broker will work with you to understand your financial goals and helps you create a plan to meet your personal finance objectives. Their services can include: personal financial planning, life cover, serious illness cover, income protection, health insurance, savings, investments, pensions, retirement planning, business financial planning, inheritance tax planning, mortgages.

### Why would I need to use a Financial Broker?

Your Financial Broker will be able to explain the choices available to you in simple language allowing you to make an informed decision.

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