

Remortgaging and further advances

What is remortgaging?

Remortgaging is when you pay off the original mortgage with the money you receive from a new mortgage, using the same property as security. People often remortgage to secure a more competitive interest rate.

The new mortgage is usually from a different lender, but the term 'remortgage' is sometimes also used when your new mortgage is with the same lender but is a different mortgage product.

What is a further advance?

The term 'further advance' is used for extra borrowing secured against a property in addition to the original mortgage advance. You will not be changing your original mortgage lender.

What is a remortgage with further borrowing?

This is when you remortgage but borrow more on the new mortgage than the amount required to pay off the original mortgage.

Why does Orbit need to know if I change my mortgage?

Orbit will need to approve any change in your mortgage and will require a copy of the new mortgage offer, along with details of the amount to be repaid on your current mortgage before we are able to consider giving consent.

If you are a shared owner, your lease will include a clause known as the Mortgagee Protection Clause. This offers protection to the mortgage lender in the event of repossession but the mortgage lender will only be protected if Orbit has approved the mortgage.

When you originally purchased your home we would have approved the terms and conditions of the original mortgage to make sure they were not too onerous and that you were not borrowing more than the share price. If you are changing your mortgage, we have to approve the terms and conditions of the new mortgage and check that you are not borrowing more than the amount required to pay off the original mortgage.

If you are a HomeBuy equity loan homeowner, the charge for your HomeBuy equity loan will be secured on the property after the mortgage. If that mortgage changes we need to consent to the change in order for the new mortgage charge to be registered.

When you bought your home, Orbit would have approved the original mortgage, the amount of your loan and checked the conditions. If you are changing your mortgage we have to check the conditions of the new mortgage and that you are not borrowing more than the amount required to pay off the original mortgage before we can consent to the new charge.

What type of terms and conditions do Orbit need to check?

In addition to checking the amount you are borrowing we also need to check that you are on a residential, owner-occupier mortgage from a qualifying lending institution who know you have a shared ownership lease or a HomeBuy equity loan.

If you are a shared owner we will also need to check that:

- The interest rate is acceptable and
- Any early repayment or redemption penalties are acceptable.

Why does Orbit have to know if I want a further advance or further borrowing?

Orbit has a duty to not only protect our financial interest in the property, but also the public funding we received that helped you buy your home. For this reason we can only approve further borrowing or a further advance for specific reasons.

You will need to inform us what the extra money is for.

If it is to be used to carry out repairs to your home you must provide us with estimates for the work. If you are altering the property (for example, building an extension) in addition to estimates you will also need to apply for 'consent to the alterations' by completing the alterations request form and provide any plans (if applicable) etc. We may also need details of your current household income to check sustainability based on your current situation.

The circumstances in which we are able to approve extra borrowing are set out in the funding regulations and will depend on what type of homeowner you are.

If you are a shared owner:

Under the Mortgagee Protection Clause contained within your shared ownership lease we will only provide protection for further advances we have approved and that are:

- To allow you to buy extra shares in your home,
- To comply with other conditions of the lease, for example, repairs or improvements, and these must be agreed and approved with Orbit, or
- To allow one joint leaseholder to buy out the interest of the other joint leaseholder.

Neither the regulations, nor your lease, allow for further lending for other reasons such as debt consolidation, buying a car, or to pay for a holiday. The total amount of lending, including

the principal mortgage, will not be able to exceed your percentage share based on the current property value and the mortgage lender, or the solicitor acting for the lender, will require our approval before the money can be advanced.

If you are using the extra borrowing to buy all of the remaining shares in your property we do not need to approve the mortgage as on completion the mortgagee protection clause will no longer apply (please refer to the Staircasing leaflet).

If you are a HomeBuy equity loan homeowner:

Under the funding regulations we are only allowed to approve further lending to finance repairs or improvements to the home if the borrowing is to be secured as a priority charge over Orbit's loan.

If you are using the extra borrowing to redeem your HomeBuy equity loan we will not need to approve this, as our charge will be removed on completion (please refer to the Redeeming your equity loan leaflet).

The regulations do not allow for further borrowing for other reasons. For example, debt consolidation, buying a car, or to pay for a holiday, and the amount of extra borrowing you can have is restricted by a formula for 'headroom' as set out in the funding regulations.

The headroom is the increase in the value between the original market value and the current open market value and the amount of restriction is based on the percentage of the original loan.

For example (based on a 12.5% equity loan):
Original valuation: £100,000 (87.5% of £100,000 = £87,500)

Current valuation: £120,000 (87.5% of £120,000 = £105,000)
Owners headroom: £17,500 (£105,000 – £87,500 = £17,500)

Maximum amount of additional borrowing: £15,313 (£17,500 x 87.5% = £15,313)
Total borrowing not to exceed: £102,813 (£87,500 + £15,313 = £102,813)

These restrictions are in place to protect the public money invested in providing the equity loan. We will have to issue a 'Deed of Postponement' to your mortgage lender or the solicitor acting for the lender agreeing to the extra lending before the money can be advanced.

What if I want to borrow extra money for a reason other than those listed above?

If you want further lending for any reason other than those listed above and the loan is to be secured against the property it will have to be in the form of a secured loan and not be part of your mortgage.

Also note:

If you are a shared owner: Any secured loan will be secured on your leasehold title only and will not benefit from the Mortgagee Protection clause.

If you are a HomeBuy equity loan homeowner: Any secured loan will have to be placed on the charge register after both your mortgage and Orbit's charge. We will not postpone our charge.

Do I have to pay for a valuation for changing my mortgage?

If there is no further borrowing, Orbit does not need to see a valuation of your property but will need to see a redemption statement from your current lender. The redemption statement shows how much is outstanding on the mortgage, and the amount of your remortgage must not exceed this figure.

If there is to be extra borrowing (for example alterations or repairs to your home) we will need to see a copy of the mortgage valuation unless your mortgage offer already states the mortgage valuation figure.

Your mortgage lender may charge you for a valuation but Orbit do not require an independent valuation unless you are borrowing more money to buy extra shares or redeem your loan. If you are doing either of these please refer to the Staircasing or Redeeming your equity loan leaflets.

Is there anything else I need to pay?

You will need to check if there are any redemption fees or penalties on your current mortgage for paying it off early. There is also likely to be a mortgage arrangement fee charged by the mortgage lender for the new mortgage and a fee for the mortgage valuation.

In addition to the charges made by the mortgage lender, Orbit charges an administration fee for the extra work we have to do as a result of you wanting to change your mortgage or borrow more. If you are altering the property there is a separate administration fee for the work involved in approving any alterations. Please see our leaflet on Administration Charges for the current fees and a summary of your rights and obligations in relation to our fees.

Can you recommend a mortgage for me?

Orbit staff members are not financial advisors and therefore cannot offer you any advice on mortgages or other financial products.

Where do I get the other leaflets and forms from?

All the leaflets or forms referred to are available to download from our website: www.orbit.org.uk (follow links to Living in Orbit > Homeowners) or are available from your Leasehold Officer.

Who do I contact at Orbit if I have any more queries regarding changes to my mortgage?

If you have any further queries please contact your Leasehold Services Officer on 0800 678 1221.

Alternatively you can e-mail info@orbit.org.uk or visit our website www.orbit.org.uk

Remortgage checklist:

Checklist of what you will need for us to consider your request to alter your mortgage or to apply for consent for further lending:

- Current mortgage redemption statement
- New mortgage offer
- Administration fee.

Further borrowing or advance checklist: (in addition to above)

- Details of the reason for further lending
- Alterations request form, plans and administration fee (if applicable)
- Estimates for repairs or alterations (if applicable)
- Mortgage valuation (if not shown in mortgage offer)
- Details of household income

How to get in touch

For further information please email us at: info@orbit.org.uk

Or call:
0800 678 1221

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