

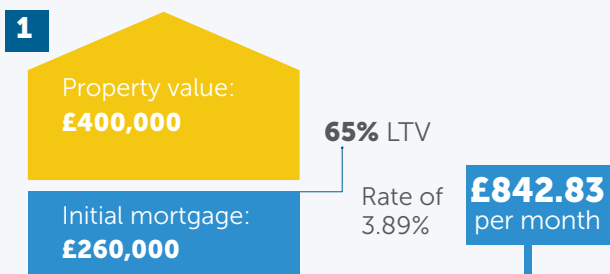
# What is the true cost of remortgaging?

If your clients want to raise additional capital, then remortgaging can appear to be an attractive solution, compared to other alternatives such as second charge loans.

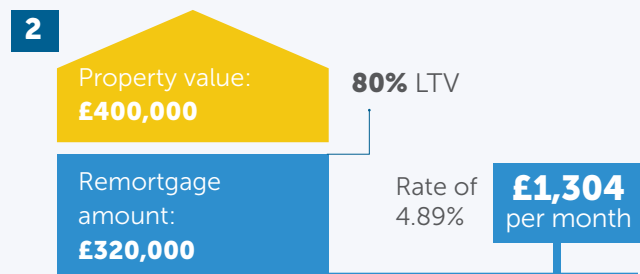
However, if the remortgage means an increase in LTV, it could increase the pay rate. Moreover, this increase in the pay rate can actually equate to a substantially higher marginal rate.

## Take a look at this

This example shows how a 1% increase in the pay rate, as a result of the remortgage, is actually the equivalent of a **9.22%** rate on the **additional** loan amount.

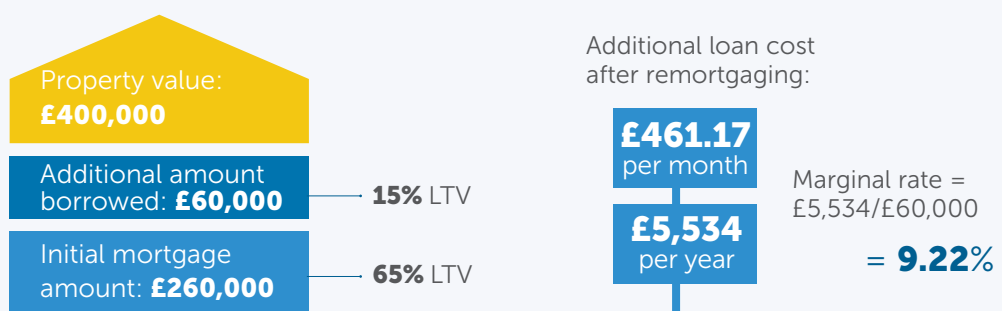


Mr Smith owns a property worth £400,000. He has a primary mortgage of £260,000 (65% loan-to-value) at a fixed rate of 3.89%. The monthly cost for servicing this loan was £842.83 (interest only).



Mr Smith wished to raise capital and remortgaged the property, increasing the loan amount to £320,000 (80% LTV) on a new fixed rate of 4.89% (interest only). The monthly cost for servicing his mortgage has risen to £1,304.

This equates to an additional monthly cost of £461.17 to increase the lending amount by £60,000 – which is the equivalent of a rate of **9.22%** on the marginal amount.



## Conclusion

Therefore, the cost of remortgaging can be greater than you think when the rate increases due to an increase in the LTV.

Castle Trust products offer buy to let and high net worth\* clients an innovative alternative for raising capital. With Castle Trust loans, borrowers can top up an existing mortgage with no need to disturb the existing rate.

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\*as defined by the Consumer Credit Act.

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