

MORTGAGE 2008

The mortgage market has changed more so far in 2008 than most people envisaged, despite the warnings which emerged from the US in the middle of last year regarding the 'sub-prime' mortgage problem and of course the Northern Rock predicament.

The recent Bank of England base rate cuts has not had the desired effect in the face of the problems facing the market. The cut in rates has been beneficial for borrowers on tracker mortgages, but the base rate is not a reliable guide to the cost or availability of funds. The general consensus of opinion is that to improve the lending market and restore consumer confidence, the Bank of England should co-ordinate successive base rate cuts along with further injections of more widely available liquidity, hence the most recent injection of capital into the main lending banks.

The number of mortgage deals available has been significantly reduced, with 100% mortgages pulled from the market. This now leaves us in a position where buyers with small deposits are chasing fewer deals, re-mortgagers coming off 2 and 3 year fixed rates are facing stark increases. However, those of us with longer memories will feel we have seen similar situations before, lenders looking for borrowers with larger deposits and the income multiples offered tightened, high loan to value self-certification still available but only on a restricted basis.

This all means borrowers are having to look at alternatives closer than ever, constantly increasing arrangement fees - especially on re-mortgages highlight the importance of shopping around and taking independent advice.

Stephen Jackson

Your home may be repossessed if you do not keep up repayments on your mortgage.