Mortgage market volatility. Your questions answered.

You may have heard a lot in the news about mortgage lenders withdrawing products or changing their rates. This may have caused you some concern if you are currently in the middle of a mortgage application or if you are unsure how it may affect your current mortgage. We hope the following information will ease your concerns.

Homemovers & Remortgages

My mortgage application has already been submitted; will I receive the interest rate I applied for?

If you have not yet received your mortgage offer but your application has been fully submitted, then your mortgage lender should honour the deal. This will be dependent on your lender having received all the required proofs of income and documents they may have requested from you, so it will be important to make sure you have provided everything your adviser needs as soon as possible.

I have received my mortgage offer from the lender, will they honour it, or will they revoke my offer now that the rates have increased?

Once your mortgage lender has approved and sent you the mortgage offer, it is binding, and the rate offered stands as per the terms of your mortgage offer document. For residential mortgages, these are regulated mortgage contracts and the lender cannot withdraw that mortgage offer unless you have breached any of the terms detailed in the offer, for example, if your circumstances have changed, such as you've left your employment and no longer have the same income to support the mortgage.

For Buy to Let mortgages, these are unregulated mortgages and although it is unlikely that a lender would revoke an offer, a Buy To Let mortgage offer is not binding on the lender.

Why are mortgage rates changing so quickly and why are lenders stopping lending?

Mortgage lenders themselves borrow money, in large-scale tranches, to fund their mortgage products. The interest rates they charge customers for their mortgage products are priced on the cost of the money they have borrowed.

The Bank of England base rate, amongst other factors, is affecting the cost of the lenders' funding so erratically that the borrowing rate they are charged is changing daily and even hourly in some cases. What this means is, when the lender has used up the current amount they have borrowed and offered mortgages at a certain % fixed rate, they then go back to the wholesale market to borrow more but the price has dramatically changed, meaning they need to reprice their mortgage products accordingly.

Lenders cannot provide mortgage products at a rate that is less than the cost they are borrowing the money, so they then need to withdraw their mortgage products from the market, often at very short notice, and increase the rate. Otherwise, the lender could be in a situation where they are providing mortgage products at a lower rate than they are paying to borrow the money themselves.

Due to the work involved in processing the huge number of applications they receive, as well as needing to reprice all their mortgage products, some lenders must stop lending completely to give them time to catch up on open mortgage applications and work on repricing products.

Existing Borrowers

My mortgage deal is coming to an end, what should I do?

There have been several reports in the news that mortgage lenders are withdrawing from the market, but this does not mean you will not be able to review your deal. Mortgage lenders are not withdrawing permanently, rather they are withdrawing particular deals which they will then replace with a new rate.

Although the new rate is likely to be a higher rate than what you were on previously, your mortgage adviser will be able to help you review your mortgage needs and advise you of your options.

My mortgage deal will end next year, should I pay a fee to exit early and move onto a new deal now?

You may be concerned that when your mortgage deal eventually ends interest rates may be even higher than they are now. Although it can be daunting to not know what interest rates will be in the coming months there a few things to consider before deciding to secure a new deal early:

- Your early repayment charge could be anything from a few hundred pounds to several thousand, depending on how much your mortgage balance is and how much time is remaining on your current deal.
- If you plan to borrow money on your new mortgage deal to repay your early repayment charge, your loan amount will be increased, and you will be charged interest on a bigger loan than what you previously borrowed.
- If your existing mortgage rate is lower than the current market rates available, for example, your rate is 2% and doesn't end for another 12 months, then you will be sacrificing the lower rate early, paying an early repayment charge, and subject to the higher rate immediately, as opposed to remaining on your lower rate for as long as possible.

I'm currently on a fixed rate deal with my mortgage provider, which doesn't end for another 9 months. Can my lender change the rate now?

No. If your rate is a fixed rate, then a lender cannot change your interest rate or your monthly mortgage payment. It is only when your deal is a variable rate that the rate can change.

I have a variable rate mortgage, what does this mean for me?

If you have a tracker rate mortgage, then the rate you are charged will change because the interest rate tracks the Bank of England base rate. In this scenario, your mortgage provider will always write to you to confirm the new rate and how this will affect your monthly mortgage payment.

Even if your mortgage is not deemed a 'tracker' mortgage, you may be on a variable deal. Although variable deals do not specifically track a base rate, variable deal interest rates are set by your mortgage provider and will fluctuate in line with market conditions. If your mortgage is on a Standard Mortgage Rate (SMR) or Standard Variable Rate (SVR) then it's highly likely your interest rate will increase moving forward, so your mortgage provider will write to you shortly to confirm how this will affect your monthly mortgage payment.

If you no longer wish to remain on a variable rate then speak with your mortgage adviser who will be able to review your options.

More questions?

Get in touch with us.

Tel 01793 512697
Email info@swindonpropertygroup.com

swindon property group
individual solutions

A MORTGAGE IS A LOAN SECURED AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE OR ANY OTHER DEBT SECURED ON IT.