



BUDGET SPECIAL

ON THE MOVE

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THE SUNDAY TIMES

Remortgage via Help to Buy plan

You could use the scheme to move to a cheaper lender

Ali Hussain Published: 24 March 2013



Builders at work on a new house (Chris Ratcliffe)

remortgage could also get a loan guaranteed through the scheme from another lender, reducing their repayments by thousands of pounds a year.

It followed accusations that existing homeowners could also use the scheme to buy a second property.

Brokers have reported a surge in calls from borrowers trying to find out how they can take advantage of the new system.

London & Country, the broker, said: "We've received a large number of calls about the scheme. One buyer has put his application on hold to consider his options." Trinity Financial, another broker, reported a 10% rise in calls in the two days following the budget.

There are about 839,000 people stuck on their lender's standard variable rate (SVR) — the rate customers usually pay at the end of a deal. With less than 15% equity in their homes they are unable to get a better rate, according to a recent study by HSBC.

The average SVR is 4.4% according to the Bank of England. On a £250,000 repayment mortgage over 12 years you would be paying £1,391 a month. Those with just a 5% deposit can switch only to deals that cost more.

The best-buy, three-year fix, for example, is from Newcastle at 6.19%, costing £1,659 a month — £3,216 more a year.

However, the most competitive rate on a similar deal for someone with a 20% deposit is from West Bromwich building society at only 2.75%. Repayments would be £1,163 a month, saving £2,736 a year.

The £70bn Funding for Lending Scheme, which offers lenders government-backed cheap loans in return for passing savings on to customers, may also be extended, though it has had a bigger impact on deals with larger deposits.

HUNDREDS of thousands of mortgage "prisoners" stuck on expensive deals could switch to a cheaper rate under plans announced by the chancellor last week.

George Osborne introduced proposals for a £12bn scheme to guarantee up to £130bn worth of mortgages to kick-start the housing market and encourage banks to offer more competitive deals to borrowers with a 5% deposit.

The plan, which is expected to take effect from January 2014, will guarantee about 15% of the value of a home, encouraging providers to offer cheaper rates normally reserved for customers with 20% deposits.

The Help to Buy mortgage guarantee scheme could benefit up to 570,000 borrowers over the three years from its launch next January. It is aimed at first-time buyers and families who want to trade up to bigger properties.

However, it emerged last week that borrowers may not have to move home to benefit. Those looking to

Will rates fall? It is hoped the plan will boost the number of mortgages for those with 5% deposits, which should mean more competition on rates. However, mortgage providers must pay a fee to access the scheme, so it is unlikely that rates will match exactly those for buyers who can put down 20%.

Will all lenders participate? Not necessarily. Banks will need to decide whether it is feasible commercially. A crucial part of the discussions will be whether the Financial Services Authority, the City watchdog, will relax banking rules that reduce the cost of lending to borrowers with small deposits.

Lloyds Banking Group and Royal Bank of Scotland have already committed to taking part in both schemes. Barclays, Santander, HSBC and Nationwide said they will wait until the scheme's details are finalised.

More interest-only mortgage deals scrapped

BORROWERS suffered a blow last week when two of the most competitive lenders pulled out of the interest-only market, *writes Anna Mikhailova*.

From March 25, HSBC — currently offering the best-buy two-year fixed rate at 1.75% on a 40% deposit — will offer interest-only deals solely to “Premier” customers — clients with investments or savings of at least £50,000, or individual annual income of at least £100,000, with a mortgage, investment, life insurance or protection product with the bank.

Yorkshire building society, including Chelsea building society and Accord Mortgages, last week scrapped interest-only deals outright. Norwich & Peterborough and Barnsley building societies will also withdraw from the market. Yorkshire building society had the second-best two-year fix, at 1.79% for those with a 40% deposit.

The best two-year interest-only deal is from Barclays at 2.29% for a 40% deposit. The Help to Buy mortgage guarantee scheme, announced by the government last week, does not apply to interest-only deals. There were 175 interest-only deals available last week — down from 250 a year ago — compared with 1,192 capital repayment options.

Ian Gray of largemortgageloans.com, the broker, said lenders were going too far in their tough stance: “The Financial Services Authority wants lenders to be more responsible on interest-only, but it has not asked them to ban it, or impose certain explicit minimum wealth or income requirements.”

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 Robyn Hart

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