

Spotlight on Mortgages

Mortgages have become more difficult to arrange recently, and interest rates have become less predictable.

Although the Bank of England interest rate is important, banks more often lend funds between themselves. This is called "Interbank borrowing". The Interbank interest rates normally operate at three quarters of a percent above the base rate. Since the onset of the Credit Crunch lending between banks has become stifled and the interest rates have not fallen.

Stand Out From the Crowd

With less money available, and at a relatively high cost, banks are much stricter with mortgage borrowers. If you want the best mortgage deal you need to aim at being a prime candidate when these tighter criteria are applied. Here are some tips to help you:

Maintain a good credit report: Ensure all financial commitments are adhered to and avoid misunderstandings. Something as simple as not being on the electoral roll can adversely affect your credit rating.

Don't miss credit card payments: Missing just one month's credit card payment can damage your credit rating. You can avoid this by setting up a direct debit.

Do not seek multiple credit or mortgage decisions: Each time you do this it appears on your credit history and creates the sense of an urgent need for money to lenders. If you think you might need further credit, wait until after your mortgage is arranged.

Try to reduce your mortgage: This will also help you with the new tighter lending criteria because the amount of your mortgage debt in relation to the value of your property is taken into account. This is called the "Loan to Property Value ratio". The better the ratio, the better the mortgage you will be able to obtain. Avoid early repayment fees by using a savings account until there are no penalties on your mortgage.

If you are having difficulties: Don't panic – seek advice and talk to your lender. There may be some simple steps you can take to keep your home. The sooner you ask for help, the sooner you will receive it. Your home is at risk if you do not keep up your mortgage payments.

Contact us: We are here to help you.

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*Good bankers, like good tea,
can only be appreciated
when they are in hot water.*

Jaffar Hussein – Governor of Malaysian
Central Bank from 1985-1994.