

Repossession And Arrears 'To Rise' In 2008

Repossession and mortgage arrears will increase in 2008 unless action is taken now, warns The Council of Mortgage Lenders....

November 1, 2007 (FPRC) -- The Council of Mortgage Lenders (CML) has warned that mortgage arrears and repossessions will increase in 2008, suggesting consumers having trouble with their finances may wish to take out a debt consolidation loan before debt repayments become unmanageable.

Michael Coogan, CML director general, has said that the approaching period for the mortgage and housing market could be the "most challenging" that the current government has had to face.

The CML is predicting the number of three-month mortgage arrears to increase from around 145,000 by the end of 2007 to 170,000 by the end of 2008. These figures account for 1.22 per cent and 1.42 per cent respectively of all mortgages, suggesting that a number of consumers could benefit from a debt management solution such as debt consolidation loans to ease their financial difficulties.

In addition to this, the organisation expects the number of repossessions to climb by 15,000 by the end of 2008. This rise - from 30,000 to 45,000 - represents a 50 per cent increase and would account for 0.38 per cent of mortgages in total becoming too much of a burden for those attempting to repay the money borrowed.

"The housing and mortgage markets are facing their most challenging period since Labour came to power a decade ago," Mr Coogan said. "Luckily, the credit crunch occurred at a time when the UK economy was robust, but even so the effects on the financial sector are significant and the mortgage market is not immune from them."

The director general added that while "most borrowers will cope" in 2008, not all those who have a mortgage "will escape unharmed", suggesting a debt management plan may be needed to help such people back on track in the future.

According to the CML, the effect of the credit crunch has served to "exacerbate trends" and the organisation has said that mortgage arrears and repossessions would have climbed without the credit crunch due to issues such as interest rate rises since the summer of 2006 and the ending of fixed-rate deals in 2008.

The figures also predict a fall in gross mortgage lending, net lending, house price growth and property sales, with the tightening of lending criteria and reduced opportunities for bad credit loans in the sub-prime sector causing these changes, the CML has said.

Finally, the CML had some good news for borrowers, predicting that the Bank of England base rate will fall to five per cent by the end of next year, finishing this year at 5.5 per cent. The current rate of 5.75 per cent has been in place since a 0.25 per cent rise in July.

Last month R3 - the Association of Business Recovery Professionals - suggested that consumer

borrowing has increased since the turn of the century and that as a consequence, so has the number of Britons struggling to meet the repayments required. Nick O'Reilly, vice president of R3, said that the number of people with debt problems is "obviously" higher than it used to be as a result.

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