

Home Loan Borrowing Falls

Home loan levels have fallen, new research shows.

January 8, 2008 (FPRC) --

According to the Council of Mortgage Lenders (CML), some 80,000 loans were taken out by Britons for the intention of house purchasing over the course of November. This figure represents a fall of 3.1 per cent from the 83,000 noted during October. The value of such home loans, the council reveals, now stands at 12.2 billion pounds, the lowest amount recorded since April 2007. Meanwhile, loans for remortgaging dropped by 20,000 between October and November to stand at 73,000. Overall, gross lending stood at 30 billion pounds during November, a decrease of 10.4 per cent from 33.5 billion pounds in October. In addition, this figure is also 9.6 per cent below the 33.2 billion pounds recorded in November 2006.

The study also revealed that affordability has worsened for homeowners, as the proportion of their income needed to make mortgage payments rose to 17.7 per cent, the highest level since 1992.

Due to rising mortgage costs, many consumers may find that they experience further difficulties in meeting demands on other areas of their finances; for example personal loans, credit cards, overdrafts and household bills.

Statistics from the CML also showed that the average first-time buyer is borrowing a home loan at 3.33 times their annual income, showing a continued steady fall from August. Existing property owners, meanwhile, borrowed an average of 3.02 times their salary during November. In addition, the study indicated that the proportion of borrowers taking out fixed-rate mortgages fell for the fifth successive month, to 65 per cent. In June, such products were held by 77 per cent of homeowners. The council stated that this could be due to borrowers anticipating that the Bank of England's monetary policy committee (MPC) could lower the base rate of interest later this week.

Should such a reduction take place, it could be possible that homeowners' monthly mortgage repayments would decrease, boosting their ability to meet other sources of financial demands such as loans, household bills and credit cards.

Michael Coogan, director general of the CML, said: "At a time of global market uncertainty, business levels in the mortgage market are holding up reasonably well in the UK despite funding constraints. There are mixed signals on inflationary pressures here which will make the MPC's decision finely balanced, but consumer confidence would be further underpinned by another rate cut this week. Most borrowers are on fixed rates and so will not see any immediate benefit from another change in the base rate."

Meanwhile, Paul Hearnden, managing director of My Mortgage Direct, reported that self-employed people and others who have difficulty in proving their income are gaining increased access to competitively-priced home loans. He suggested that many money lenders are "waking up to the fact that self-employed people and those who can't prove their income with standard pay slips are still able to maintain mortgage repayments". Those looking for an effective way in which to make mortgage payments, in addition to other areas of financial demand, might wish to consider applying

for a cheap loan.

All About Loans providing you with breaking homeowner loans news.

Contact Information

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