

Rise In Mortgage Costs For Homeowners Revealed

Homeowners may see pressure on their finances increasing in months to come due to surging mortgage costs, new research shows.

April 2, 2008 (FPRC) -- In a study carried out by the Motley Fool it was revealed that an estimated 1.4 million Britons are due to reach the end of their fixed-rate mortgage deal during the next few months. As this happens, the personal finance publication states, that they will see an increase in their monthly mortgage repayments. Such a rise in costs is also reported to potentially effect those consumers with tracker, discounted and capped-rate mortgages.

Upon coming towards the end of their mortgage deal, it was revealed that 41 per cent of homeowners have been offered a standard-variable product of between six and seven per cent, with a further 29 per cent set to make repayments on their new deal at between seven and 7.5 per cent. The average standard-variable rate was revealed to stand at 6.3 per cent. Consumers who are to go on such a deal from a 4.8 per cent 200,000 pound fixed-rate mortgage were reported to see their monthly repayments surge by 180 pounds to 1,326 pounds.

Due to such a rise in mortgage repayments it may also be possible that homeowners develop difficulties in managing other demands on their spending. This could include areas such as personal loan repayments, credit and store cards, council tax and household bills. Research from the Motley Fool also revealed that one in three (33 per cent) consumers are looking to switch to another money lender in an attempt to reduce pressure on their finances.

Meanwhile four per cent of homeowners state that they will take on extra jobs, with five per cent claiming they will sell their property and rent a home. In addition, one in 20 of those surveyed are looking to repay their loan over a longer period of time.

Commenting on the figures, David Kuo, head of personal finance at the Motley Fool, stated: "Many homeowners will feel the full force of the credit crunch when their special rate mortgage deals come to an end. For a lucky few, another good deal will be just around the corner. However, a significant number of homeowners will find that the myriad of choices that were once available has shrunk to no choice, as lenders limit their best deals to their preferred clients. But homeowners can lessen the shock by taking avoiding action now.

"Paying more than the amount your lender has stipulated while your special rate deal is still in place will chip away at the loan. And by getting your finances in order, lenders will be beating a path to your door rather than beating down your door."

For those consumers concerned about the prospect of higher mortgage repayments, a cheap loan might be of assistance. In taking out a loan, borrowers may find that they are able to meet such a demand on their spending and various other financial constraints quickly and effectively. This could be of particular assistance after Bob Pannell, head of research for the Council of Mortgage Lenders, claimed that people should "review their finances and plan ahead" as they come towards the end of their fixed-rate deals. His comments come after research by the Bank of England revealed that significant numbers of money lenders are reducing the availability of their borrowing products.

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