Tracker Mortgages Shown To Be Becoming More Expensive

Homeowners are finding that certain mortgage products are becoming increasingly expensive and harder to obtain, new research shows.

April 5, 2008 (FPRC) -- In a study carried out by Defaqto, it was revealed that since the summer of last year the number of bank base rate (BBR) tracker mortgages available on the market has dropped significantly. Back in July 2007, some 591 of this kind of financial product, in which the rate of interest charged changes following decisions by the Bank of England's monetary policy committee (MPC), were indicated as being in existence. However, this has now fallen to 452. Such a figure represents a decrease of 23.5 per cent.

Additionally, loading above the BBR was indicated as surging in recent months. According to the financial research company, such charges were previously kept stable at between 0.5 and 0.75 per cent, an average of about 0.6 per cent, depending upon the length of the mortgage contract. Now, however, the typical loading rate stands at 1.16 per cent.

Research by Defaqto also revealed that loading above BBR for one-year deals has gone up from 0.48 per cent in the summer to account for 1.19 per cent. Meanwhile, two-year offers, which were shown to be the most popular product among homeowners, have also experienced rises, with loading here going up to 1.16 per cent in the space of eight months. However, during this period of time the MPC was shown to have cut interest rates by a total of 0.5 per cent. Furthermore, fees on the average two-year deal have rocketed by 46.1 per cent from 573 pounds to stand at 1,005 pounds.

Overall, the typical fee for a BBR tracker mortgage now stands at 1,013 pounds. However, in July such costs stood at just 573 pounds.

Following on from such an increase in rates, it is not only possible that consumers will have to divert more money towards making mortgage repayments but they may also encounter difficulties in managing other areas of financial demand. This could cause them to develop problems in making payments on home loans, plastic cards, overdrafts and utility bills.

Commenting on the results of the study, David Black, principal consultant of banking for Defaqto, said: "With banks and building societies trying to repair their balance sheets in an atmosphere of financial mayhem, it is hardly surprising it is the poor consumer who is caught in the middle and is having to pay more for less choice. It is almost as though we are going back to the days when lenders felt they are doing you a favour by offering you a mortgage."

For those consumers who are concerned about their capacity to make repayments on their mortgage, applying for a debt consolidation loan might prove to be of assistance. In selecting such a low-cost loan, it is possible homeowners can merge numerous spending constraints into one affordable monthly repayment. This could leave them with more cash to invest into making contributions towards mortgage commitments. Indeed getting a debt consolidation loan could be of help to a significant proportion of Britons, after a recent MoneyExpert study showed 14 per cent of consumers have taken action over the last three years to reduce their overall level of indebtedness. Just under a third of these people were shown to be attempting to manage debts of up to 5,000 pounds.

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