



## The Credit Crunch and your Mortgage.

When house prices are allowed to inflate unhindered, it follows that consumers will use their properties like an ATM. It also follows that sentiment drives a lemming-style approach, only for property to become even more inflated. The outcome - record debt, all attached to an illiquid asset and a population that believes it is actually wealthy.

It could not be worse. The resulting crunch has meant that 75 per cent of customers are better staying with their existing lender, spelling the end of the 'remortgage' market for mortgages of less than £150,000, as the fixed fees, when priced into the deal, are hugely cost prohibitive.

There are two further threats to the mortgage market. The commercial market has tightened dramatically.

The buy-to-let market plunged into despair last week after most lenders turned their back on the market. One Internet marketing company reported that all the mortgage brokers who purchase buy-to-let mortgage enquiries from them postponed any further purchasing, as they could not place the buy-to-let mortgage anywhere.

Many lenders effectively pulled out of the buy-to-let market or changed their criteria to such a level that it has become close to impossible to borrow.

About 30 per cent of lenders have withdrawn completely, a number of lenders have pulled out of new build apartments completely and many lenders have already re-priced their contracts to rates that are as unattractive as they have ever been.

A further 20 per cent of lenders have altered their criteria drastically, lowering their loan-to-value to 75 per cent for example. There used to be numerous lenders who offered mortgage terms if the rent covered the mortgage by just 100 per cent. It is not good news that 90 per cent of these lenders have pulled out.

Unless there is a speedy turnaround we could well have seen the end of the buy-to-let market for the some time.

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THE FINANCIAL SERVICES AUTHORITY DOES NOT REGULATE SOME ASPECTS OF TRUST AND TAXATION ADVICE.  
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED UPON IT.  
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