



The Mortgage Market.

Gross mortgage lending has fallen 17% since March last year to £26.3bn, according to figures from the Council of Mortgage Lenders (CML). CML estimates gross lending for the first quarter of 2008 fell 8% to £77.2bn on the same quarter last year and predicts levels will worsen over the next few months.

The council typically expects a 20% rise between February and March as people have rushed to buy houses in spring for decades but this year lending only rose 5% to £26.3bn.

HBOS, the UK's largest mortgage lender, has increased rates on a range of its two-year fixed rate and tracker deals despite calls from Gordon Brown to follow the Bank of England's recent base rate cut lead.

The move comes barely a fortnight after HBOS announced it would raise borrowing costs for customers with a deposit under 25%, and only hours after a meeting between top bankers and the Government.

In addition application fees on a range of two and three-year fixed rate mortgages have almost doubled in the last 12 months, research suggests.

A recent industry study has discovered fees on five of the most competitive three-year fixed rate deals have jumped from an average of £578 to £1,132 and from £999 to £1,478 for two-year deals. Borrowers on the lookout for a new deal must learn to focus on the true cost of their loan, taking into account fees as well as the initial monthly payment. Higher fees are the latest setback for borrowers, as most can expect to see no savings on their initial monthly payments on their new fixed rate mortgages, despite the recent Bank of England rate cut. Last October, when the base rate was 5.75%, the average interest rate of the top five two-year fixed rate mortgages was 5.67%, but now it is just 5.59%.

Gordon Brown recently held a meeting with bosses at Lloyds, Barclays, HSBC, HBOS and the Royal Bank of Scotland, in which Gordon is said to have discussed a range of measures to manage the crisis in the mortgage market. Part of the discussions were thought to include measures to ensure banks pass on interest rate cuts to borrowers, but HBOS has clearly opted against this suggestion.

As mortgage costs increase, it remains important for any borrower with potential financial difficulties to speak to their lender as soon as possible, and preferably before they have missed a payment.

April 2008

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