

Can HSBC's Rate Matcher allay general mortgage misery?

The mortgage markets have hit the headlines repeatedly in recent weeks, with news about the HSBC Rate Matcher mortgage creating a major buzz. Meanwhile, the last 100 per cent mortgage deal has been withdrawn and the Bank of England rate cut appears unlikely to ease pressure on homeowners.

Those coming to the end of fixed-rate deals may be pleased to know that the HSBC deal offers existing HSBC customers two, three or five year fixed-rate deals at their previous rate. New customers will be offered a two-year fixed rate to match their existing deal, which may offer a much lower rate than newer deals.

With many other lenders raising mortgage prices right, left and centre, could this be the answer to every homeowner's prayers? The simple answer is no. It may offer a low rate, but the mortgage deal comes with a number of conditions. It is only available for five weeks from April 5, and for customers whose existing deal is set to mature before June 30.

Furthermore, customers can only apply if their mortgage is 80 per cent loan-to-value or less and for mortgages of up to £250,000. Moreover, the Rate Matcher mortgage involves a fee of up to £5,000, although HSBC claims the majority of customers will pay £599 or less.

On the bright side, John Charcol's Kate Tucker says that she thinks the deal offers a ray of hope for a lot of borrowers looking to avoid a major hike when their deal comes to an end and adds that it may help to boost interest and raise confidence in the mortgage market as a whole.

The extinction of 100 per cent deals has dealt a further blow to potential homeowners, particularly first-time buyers who are finding it difficult to scrape a deposit together. Abbey was the last mortgage lender to withdraw its no-deposit deal, excluding many first-time buyers from the property sector altogether.

At the end of 2007, mortgage applicants could choose [mortgage](#) deals offering 100 per cent or more of the property's value from 33 per cent of lenders. Approximately 70 per cent of all mortgage deals have been withdrawn since the credit crunch began, leaving many with no option but to continue renting.

Finally, while many have been clamouring for a Bank of England rate cut, it is feared that the 0.25 per cent reduction announced on April 10 2008 will do little to end the pitiful plight of many homeowners. While tracker rates will, by definition, fall, the decision for each lender when it comes to slashing mortgage rates is entirely at their discretion. And, while some appear to cutting rates with one hand, they are raising other prices and arrangement fees with the other. Reports indicate that repossessions will rise over the course of the year as homeowners struggle to cope with rising mortgage repayments and a higher cost of living.

Adrian Coles, director general of the Building Society Association warns that in the current uncertain economic climate, it is important that homeowners ensure that they will be able to maintain mortgage repayments and that they contact their lender as soon as possible if they foresee any repayment problems.

About the Author

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