

House-buying caution fuels remortgage boom

The proportion of UK remortgages as a percentage of loans approved over the last six months has grown significantly as cautious homeowners are turning their back on buying houses in a period of perceived financial instability.

Figures produced by Hamptons International Mortgages show that the proportion of home loans used to purchase a property has fallen 12% since March 2007 and now stands at 32.09% of total loan approvals. Conversely, the amount of remortgages approved has grown by 9% since March and now stands at almost 28% of the entire market with almost all of that increase coming in the months of August and September.

It has become apparent that the housing market is entering a period of uncertainty and managing director at Hamptons, Jonathan Cornell believes it is further evidence of people heeding global warnings of an over-priced UK residential property market. He said: "The clear disparity in the directional change of remortgage and purchase lending over the month of September offers potential evidence that supports recent reports of the housing market slowing down, as less people are willing to commit to mortgages on house purchases. "

Two other significant findings were highlighted by the recent research. Firstly, the loan-to value (LTV) of remortgages fell significantly in the space of a month; August figures showed an average LTV of almost 66% which dropped to just under 50% a month later. Secondly, many remortgaging borrowers are opting for tracker mortgages, gambling on the Bank of England rate going down over the coming months or years, leading Cornell to comment: "Remortgaging has considerably increased since August 2007, yet borrowers are now borrowing at a lower LTV, choosing variable rate over fixed rate deals. This suggests that people are still unsure about where the market is going and as a consequence are making cautious decisions."

Despite the caution, people are still willing to take on new borrowing in the form of remortgages, so even though they might be unsure about the future of house prices they are not so wary about their own financial future.

[Remortgages](#) are also growing in popularity as homeowners with unsecured debt are trading it off against the equity in their property, to relieve some of the pressure on the household's monthly outgoings. Some are taking this action in conjunction with the expiration of an existing fixed rate, tracker or discounted rate mortgage; although increasing numbers are remortgaging solely as a way of clearing their unsecured debt.

About the Author

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