

Friday April 11 2008 | £1.50

How To Spend It
Brands and the Bond factor
In today's FT

Vive la différence
Eurozone is resisting slowdown
CHRISTINE LAGARDE **Page 13**

Tough old boot
Can anyone save Italy from
itself? **ANALYSIS Page 11**

Newspaper of the year

World Business Newspaper

Shocked by cost of next mortgage

CASE STUDY

By Sharlene Goff

Roxanne Lomas has only a couple of months until her mortgage deal expires, and is struggling to find a new, comparable rate.

She took out a fixed rate of just above 5 per cent when she bought her flat in south London two years ago. The new rate on her £186,000 mortgage could be almost one percentage point higher, costing her more than £200 extra a month.

"I have been feeling a bit smug because I thought I had a three-year fixed rate, but I got a call from my adviser earlier this week telling me that wasn't the case and that I needed to remortgage now," Ms Lomas says.

She expected her new rate to be "a little higher" as base rates have gone up since she bought the property. But she was shocked to hear the lowest rate her adviser could get was 5.99 per cent, meaning an additional £210 a month in interest. "I pay all of my bills on my own, so there's no one to share the pain with."

Ms Lomas knew banks were making it harder to borrow money, but thought this would affect first-time buyers with small deposits more than existing homeowners. She was surprised to hear new mortgage rates might not change after yesterday's base rate cut.

Ms Lomas is an HSBC customer so may qualify for the bank's "rate matching" service announced this week.

If she cannot secure a cheaper rate she may struggle to meet her mortgage payments. "It will take up the bit of money I have each month to pay for 'big' things such as holidays and unexpected bills."



Roxanne Lomas's mortgage deal is about to expire and she is struggling to find a comparable rate

Daniel Lynch

Little impact likely Helped by deposit

CASE STUDY

Jeremy McGovern, founder of Mercury Homesearch, expects yesterday's interest rate cut will have very little impact on the UK property market, writes Sharlene Goff.

He says buyers of properties worth at least a few million pounds would gain more value by negotiating a good discount on the asking price.

"For buyers of £5m-£6m properties the cut is totally irrelevant, and for those purchasing £1m-£5m properties job security and bonuses have more effect," he says.

"Banks are also not passing the rate cut on, so it is irrelevant for those in the lower brackets unless banks free up more liquidity."

M e r c u r y
H o m e -
s e a r c h



Jeremy McGovern: 'Irrelevant for high-end market'

specialises in finding properties worth at least £1m in prime central London for high-end borrowers.

"A lot of people are failing to get financing because of the credit crunch, but there are still buyers out there looking for good stock."

He says buyers are seeing some good price reductions, often about 10 per cent, in this area of the market. Even small discounts of 2 or 3 per cent make a big difference when buying properties for £1m or more.

The biggest discount to asking price he has secured recently was 30 per cent.

"Buyers are in a much better position to negotiate now," he says. "Gaining reductions to asking prices is where their focus lies."

Property search agents typically charge 2 or 3 per cent of the offer price.

He believes the very high-end market will remain relatively stable as there is still a shortage of good quality properties.

CASE STUDY

As a first-time buyer, Tim Miller is in a fortunate position. He has a large deposit, which means he has been able to secure a reasonably competitive mortgage rate. He has also negotiated a good discount on his London property purchase, writes Sharlene Goff.

Mr Miller, a 31-year-old economic consultant for an accounting firm, is aware that his low loan-to-value requirement has been a big help. His mortgage is worth around 80 per cent of his property price.

"I'm quite lucky as I have a large deposit, so finding a mortgage has been OK," he says. "It was just a case of finding a rate I was happy with."

He missed out on his first choice of mortgage offer when it was withdrawn at short notice. His broker, London & Country Mortgages, then found him a two-year fixed rate of 5.59 per

cent from Halifax, with an arrangement fee of £1,499.

"I opted for a fixed rate as trackers were not looking good value for money," he says.

Mr Miller has been in the property market in the past. He sold a house around five years ago but, apart from a short period co-owning another property, he has since been renting. His deposit comes from the equity in the property he previously owned.

He decided to go back into the market as there were some good deals to be had, and bought a factory conversion flat in east London. The property was originally on the market for £340,000 but after some price reductions and haggling he paid £312,000.



Tim Miller: 'Trackers were not looking good value'