No time like the present: act now while mortgage rates are enticingly low

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A MATTER OF TIME

Making the decision to enter (or re-enter) the property market can seem both exciting and daunting. Whether you're putting down roots for the first time or looking for your dream home, there are so many things to consider. Getting the timing just right is one of them. A question I'm often asked by potential purchasers is: "Is 'now' a good time to move?"

Certainly, the past year has been incredibly positive for house buyers, with the government's Stamp Duty Holiday allowing thousands of people to save substantial sums of money as they reached completion. "Now" – as it turned out – was most definitely a good time, and the surge of increased activity did much to stimulate the property sector and economy at large.

Sadly, that tax holiday came to an end in September, since when buyers have returned to paying Stamp Duty at the normal rates. This kicks in with properties purchased at £125,000 and above (above £300,000 for first-time buyers*).

Yet the return to normality doesn't seem to have had a particularly detrimental effect on the property market – not yet, anyway. Even if the market does begin to slow, as is predicted by the end of the year, there will surely be other stimuli that will help to keep us on the move. One of the current incentives is the popular **Mortgage Guarantee Scheme**, which allows borrowers who have struggled to gather a deposit to take out a 95% loan-to-value mortgage with supporting lenders via a government-backed guarantee. There's also **Help To Buy**, which offers an equity loan to buyers with a 5% deposit.

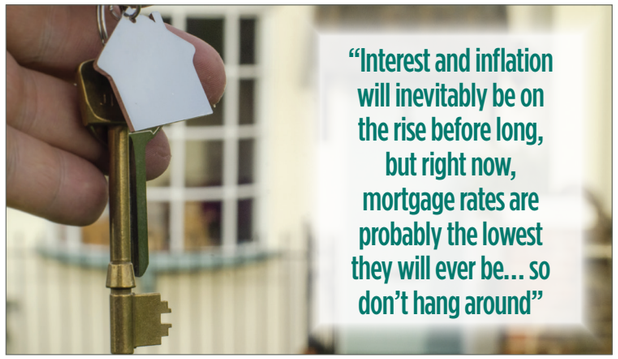
SWING OF THE PENDULUM

One thing about the property market is that it is very difficult to predict with any great accuracy, and is always full of surprises. If only we had a crystal ball!

In the last year alone, we've seen house prices hitting historic highs while interest rates fell to all-time lows. In a bid to limit the economic fallout of the Covid-19, The Bank of England's interest base rate was slashed in March last year to 0.1%, where it remains (albeit tenuously) today. Such an incredibly low interest rate is clearly of benefit to borrowers, such as people taking out a mortgage. Homeowners who are already on a standard variable-rate (SVR) or tracker mortgage have also seen their monthly interest payments reduce to much more favourable levels.

According to market analysts, however, we're set for inevitable changes at least by next Spring. Rising inflation is beginning to rear its head, again in the wake of the pandemic, and a hike in interest rates is very much on the cards. But no need to panic. Leading commentators, including Andrew Bailey of the Bank of England, predict that any rise is expected to begin with a modest 0.15 percentage points, which will take the base rate to 0.25%. This could be followed by a second rise of 0.25-0.5% in the first few months of 2022[1] – still extremely low and favourable for borrowers. Any adverse impact on mortgage payers would be "softened" or delayed, because most homeowners and buyers are on fixed-rate deals and so won't feel the effect until they come to the end of their fixed-term deal (see *Time To Switch*, below).

With competition continuing to be fierce between mortgage lenders, there is every likelihood that fantastic, competitive and low-rate products can still, and probably always, be found. So if you have saved your deposit and feel ready to buy somewhere to live for the next few years, then we would have to say, in answer to that original question, that... yes, "NOW" is absolutely the right time to move, should you want!



TIME TO SWITCH

The one group that would probably feel the rise more readily would be the two million or so UK householders who already hold a standard variable rate (SVR) or tracker mortgage. Economists are now advising these borrowers to think about switching to a fixed-rate mortgage and lock into a long-term deal while interest rates remain at record lows.

Even for those who are already on fixed-rate mortgages, it's well worth looking to see what money could be saved by switching. We can check to see if savings can be made, irrespective of the fixed period left to run, and/or early repayment charge being payable.

Getting professional independent advice in any these cases is absolutely crucial. You will need to be sure that your current mortgage product doesn't have tie-in periods or early repayment penalty clauses that might not make switching worthwhile. In most cases, it is likely that you *will* benefit from a well-planned switch, but you must be certain it's right for you. At Willson Grange Mortgages, we have experienced specialists on hand who can take you through the various options available and help you to find the best possible products to suit your needs. If you have any questions at all, just ask.

*If you're a first-time buyer purchasing a property under £300,000, there's no Stamp Duty to pay. If the property is worth between £300,001 and £500,000, you only pay 5% Stamp Duty on that portion.

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[1] www.thetimes.co.uk/article/interest-rate-rise-is-likely-this-year-warns-city-pbszvcf52 12 October 2021