Secondsight
Part of the Foster Denovo Group

What's happening in the mortgage market and how might it affect me? Your FAQs, answered

If you have a mortgage deal coming to an end, or you're looking to buy a new home, the current uncertainty in the market can make this feel like a difficult and worrying time.

Indeed, the Bank of England (BoE) announced on 3 November that it would be raising its base rate to 3%, the biggest jump in the rate since 1989. According to Moneyfacts figures reported by Forbes, this decision has seen interest rates for two- and five-year deals hit averages comfortably above 6%. We've been receiving many of the same queries from our clients about the current situation. As a result, we thought it might be helpful to answer some of the FAQs in a straightforward blog to offer reassurance if you're concerned about what's going on.

reading for our answers to your questions. And remember, if you'd like to discuss your personal circumstances in regard to your mortgage, please do contact our mortgage team at Foster Denovo today.

If you would like to discuss any aspect of this paper, please contact Secondsight by email info@second-sight.com or call 01932 870 785.

Q: Why are mortgage interest rates rising?

A: There are many reasons that mortgage rates are rising, but perhaps the most significant is surging inflation, and the BoE's attempts to reign this in by increasing interest rates.

Inflation has been unusually high in 2022, reaching levels not seen in over 40 years as supply chain issues and the Russian invasion of Ukraine have caused the cost of goods and services to climb.

In turn, the BoE has increased the base rate, a figure that sets the cost of borrowing across the economy. Doing so typically encourages financial institutions and individuals to stop spending and start saving, hoping to bring inflation under control as a result.

While this means interest rates on savings accounts typically rise, lenders also tend to increase the rates on their mortgage products.

Q: How far will rates rise, and when will they come back down?

A: Unless they have a crystal ball, no one can truly answer this question.

Some analysts are predicting rates to continue climbing in the new year. For example, the *Guardian* reports that Goldman Sachs predict interest rates to peak at 4.75%, while Schroders predict that the base rate will rise to 4%.

However, rates could easily rise or fall depending on what happens in the wider economy and how the BoE responds. There is no way to say for sure.

Likewise, it's impossible to predict when rates will come back down.

Q: What will happen to my mortgage in 2023?

A: This will depend on what kind of mortgage you have. For example, if you have a fixed-rate mortgage with a year or more left on it, then nothing will happen to you in 2023. You'll continue to make your payments as planned.

Of course, when that deal comes to an end, you may need to shop around and find a new rate. It's likely that any new deal you take out will be at a higher rate than the deal that is expiring.

For mortgages on the lender's standard variable rate (SVR), you may well see your rate change, especially when the base rate increases. This means that your monthly repayments will likely increase.

Meanwhile, tracker-rate mortgages will typically have their interest rate set using the BoE's base rate. So, if the BoE changes the base rate as it did on 3 November, then you will likely see your mortgage interest increase in line with it.

Like a mortgage on an SVR, this will see your monthly repayments increase.

Q: What can I do in the meantime to prepare for an increase in my mortgage rate?

A: The good news is that there's plenty you can do to prepare ahead of your mortgage deal expiring or interest rate rising.

Planning and reviewing your options ahead of any deal you have expiring can be a prudent choice. This can give you a broad view of what's happening and the state of the wider market, and might even allow you to find a suitable option early on.

Additionally, you can also develop a back-up plan if things suddenly change. For example, while you might have your eyes on a certain mortgage, it can be helpful to have another deal in line as a contingency.

Perhaps the most sensible choice you can make is to contact a mortgage broker. By working with an expert, they'll help you to navigate the current situation, ensuring that you're adequately prepared no matter what happens next.

Q: Why would I work with a mortgage broker when my lender has already offered me a new deal?

A: When your mortgage deal comes to an end, your lender will likely get in touch and offer you a new deal. However, it's important to remember that your lender is not incentivised to offer you the best, or even a better deal, if it doesn't suit them.

Meanwhile, a mortgage broker is only interested in helping you in your personal circumstances. That means they'll look for the mortgage deals that are best for you, whether that's because they have the lowest rate or the greatest flexibility.

A broker can do the complicated maths for you, comparing the various elements of each mortgage and then making suggestions and recommendations based on this information.

Mortgage brokers usually also have access to a wider range of deals on the market,

working directly with lenders to find the best rates and products. So, by speaking to a broker, you could find a better option than you might be able to find yourself or that your existing lender is offering you.

Crucially, your broker can regularly review any mortgage you're considering ahead of taking it out, ensuring that it's still the best option when you come to make a choice.

This extra level of service can be invaluable especially during uncertain times like these, giving you an experienced expert in your corner to help you find the most suitable mortgage product for you.

Q: When should I get in touch to discuss my options?

A: If you're concerned about what's going on at the moment, then there's no harm in getting in touch now to find out what your options are.

Otherwise, the minimum amount of time you should ideally leave yourself is six months before your current deal expires. This ensures there's plenty of time to fully explore all your options and choose the best one for you.

If you've already worked with our mortgage team at Foster Denovo before, we'll contact you around six months before the end of your current deal to let you know that it's coming to an end, and remind you to get in touch with us to find out your options moving forwards.

If you haven't spoken to one of our experienced advisers, get in touch to find out what we can do for you. If you would like to discuss any aspect of this paper, please contact Secondsight by email info@second-sight.com or call 01932 870 785.

You can also search for a mortgage broker near by using Unbiased and similar search tools.

Q: What do I need to do if I'm buying a home?

A: This will depend on your lender and whether your mortgage is "portable".

Portable mortgages can be moved from one property to another. Essentially, you repay your existing mortgage in full when you sell your current property. Then, you can "port" the interest rate and terms and conditions when you move.

You will still have to reapply to do this so, if your income or employment has changed, the lender may take this into account. But if you have a mortgage that you want to stick with then, provided that your lender allows porting, this could be an option for you.

However, if your lender does not allow porting, or they are unable to agree the level of borrowing you require, you will need to find a new mortgage when you move. Again, it can be sensible to speak to a broker when searching for a new deal.

If you are a first-time buyer, in this uncertain time it can pay to speak to an expert who can help you to find the most appropriate mortgage deal for your needs.

Q: If I took a payment holiday during the Covid-19 pandemic, can I still get a new mortgage?

A: The answer to this question will depend greatly on your personal circumstances and your lender, but the general answer to this is yes, you will. Any payment holiday you took as a result of being furloughed during lockdown shouldn't affect any future deal you look to take out.

For other payment holidays, this will depend on your personal circumstances and the lender's criteria.

Q: I'm now struggling to make my mortgage repayments. What can I do?

A: First and foremost, try not to panic. There are a few different avenues to explore if an increase to your interest rate means you're now struggling to make your repayments.

One option you have is to discuss what you could do with your lender. They might make suggestions such as deferring payments, taking a payment holiday, or even increasing your mortgage term to reduce your monthly payments.

You may also want to consider speaking to one of the many debt information support agencies available. These services are free to use and can offer help as to how to handle your debt in circumstances like these.

Citizens Advice and StepChange are two organisations you could speak to, and there may also be more in your local area.

You can also contact us at Foster Denovo and we'll be more than happy to guide you through your options.

Q: I'm self-employed, how many years of accounts will I need to get a mortgage now that rates have risen?

A: While rising rates might affect your affordability for certain deals, self-employed individuals shouldn't need to provide any more years of accounts than normal.

How many years you'll need to provide will vary from lender to lender. The standard that we typically expect to see is two years, but some may ask for as many as three and even as few as one.

If you already have a deal with a lender, you should typically be able to take a new product with that lender without having to provide any more information.

Q: What happens if I lose my job during the cost of living crisis?

A: Sadly, during periods of extreme economic uncertainty like this, these things do happen. It can be a worrying time to lose your job, especially if you have mortgage repayments to make.

So, it can be sensible to have cover in place, such as income protection, to ensure that you are able to continue paying your mortgage if you lose your income during this period.

Even if you never need to use it, knowing that you have cover in case something goes wrong can offer you immense peace of mind.

Speak to us

If you have any questions or concerns about what's going to happen to your mortgage as rates rise, please do get in touch with us at Foster Denovo today.

We'll explain your options based on your personal circumstances and help you find the most appropriate solution for you.

If you would like to discuss any aspect of this paper, please contact Secondsight by email info@second-sight.com or call 01932 870 785.

Please note

Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it.