



Can lend, will lend

The national press has been running with the theme of “mortgage drought” for many, many months now. As a participant in the market we always feel a slight twinge that the truth is not quite as simple as the headlines.

True, new mortgage lending in the UK is dramatically reduced from 2007 with house sales down in volume terms by around 50%. And yes, overall, lenders’ criteria have tightened. But does that mean all lenders are shutting up shop? An emphatic “no” on that one.

The contraction in the mortgage market is mainly due to the demise of the poor practices that had grown up. These included “self cert” mortgages for those who chose not to use evidence of earnings. In America, not always a good place for plain speaking, they are now called “liar loans”. Other practices consigned to UK history are the 130% loan to value (i.e. lending £130k against houses worth £100k) products famously trail-blazed by a certain northern ex-bank.

The demise of these activities and with them some of their providers explain much of the change to a smaller, more rational, marketplace.

Lenders following strategies of prudent growth however continue to offer well priced mortgages often at 85% loan to value (“LTV”). Market Harbour Building Society has held firm to its approach of prudent lending and, in 2010, will again help hundreds of folks with their home finances.

A word of warning though; quaint practices such as ensuring borrowers can afford the commitment now and in the future will mean credit, for some, is less readily available. Our thoughts should be with those who took on mortgages in 2007/8 pre crunch for whom the pain is especially acute. Whilst record low interest rates offer some relief, the 130% LTV borrower is hobbled from moving home or remortgaging even if not actually in negative equity. It is this group for whom the drought – or at least the drying up of the torrent of credit - is a painful reality.

Mark Robinson
Chief Executive
Market Harbour Building Society
mrobinson@mhbs.co.uk