

Falling mortgage rates offer some hope to housing market



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Press Release Summary: Recent falls in fixed-rate mortgage rates have given both homeowners and would-be homebuyers some reason to hope, says financial solutions company ThinkMoney.com.

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Press Release Body: As house prices continue dropping and transaction levels reach a new low, financial solutions company ThinkMoney.com welcomes the recent falls in fixed-rate mortgage rates.

Recently, falls in the cost of wholesale funding have allowed lenders such as HBOS, HSBC, RBS and Woolwich to reduce their mortgage rates, reports Times Online. These cuts may not be not enough to undo the increases we've seen since the onset of the credit crunch, but they could still indicate an important change of direction that

potentially places the peak in mortgage rates behind us.

"The criteria for mortgages may still be strict, but it's nonetheless encouraging to see mortgage rates coming down like this," said a spokesperson for ThinkMoney.com. "Essentially, any move in this direction bodes well for the housing market, implying a return of confidence among lenders which should translate into greater confidence among would-be homeowners."

Yet the drops do not benefit all would-be buyers equally. "With lenders determined to protect themselves against potential falls in house prices, the biggest drops are aimed at those with the largest deposits. Given the importance of confidence to the housing market, however, it's important not to underestimate the potential impact of more attractive rates – even if they are only available to some would-be homebuyers, they could provide a much-needed boost to the market. The more lenders' confidence in the mortgage market increases, the sooner we should see more significant drops in mortgage rates offered to those with smaller deposits.

"At the moment, of course, prices are dropping because of the problems in the mortgages market – they're dropping because so many people simply can't buy. Once mortgages become cheaper and more readily available, there's a high probability that prices will level out or increase. Nevertheless, astute would-be homebuyers are fully aware that any increase in prices can't take place overnight, and they're saving up now to make sure they can move as soon as mortgage rates descend to a level they find acceptable – but before house prices start to climb once more."

Among homeowners, two groups in particular are watching the mortgage news with great interest.

"Any homeowner thinking of selling their property today faces an unpleasant choice: sell now (if they can) for an average of 9% less than their property would have fetched at the peak of the housing market in October 2007, or wait and hope the market improves. For them, any drop in mortgage rates is good news, as it might increase the number of potential buyers – and the more buyers there are, the more likely we are to see a recovery of some kind in the housing market.

"At the same time, the rising cost of mortgages has hit anyone looking to remortgage – because they're coming off their existing fixed-rate

mortgage, for example, or consolidating their debts. This news about falling mortgage rates may be particularly significant for people in this group, as so many of them find themselves forced to act within a certain timeframe. For them, 'wait and see' simply isn't an option."

Think Money (<http://www.thinkmoney.com>) are a financial solutions company based in Salford Quays, Manchester. The company specialises in a range of financial services, including mortgages, loans, debt help and advice (including debt management plans, IVAs, and debt consolidation).

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