Mortgage advice could help homeowners benefit from base rate cut

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Press Release Summary: Financial solutions company Think Money have said that many homeowners stand to benefit from January's base rate cut, adding that those who are prevented from receiving the benefit due to mortgage collars could still potentially save money if they remortgage.

Press Release Body: Following the Bank of England's latest base rate cut to 1.5%, financial solutions company Think Money have said that many homeowners will benefit from the cut, adding that those who may not receive the benefit of the base rate cut due to mortgage collars could still save money if they remortgage.

The half-point base rate cut brings the base rate down to its lowest level since the Bank of England was established in 1694. It is the fourth cut in as many months, and the seventh consecutive base rate cut since December 2007, shortly after the credit crunch began.

The cut is a further attempt by the Bank of England to revive the market for loans and mortgages, both of which are important to the health of the economy. Despite recent sharp base rate cuts, many lenders have remained cautious with regard to their lending, while many banks have simply been unable to obtain the funds necessary for normal levels of lending.

A mortgage expert at Think Money said that on the whole, the cut is good news for the mortgage market. "In theory, a cut means that lenders can afford to offer mortgages at lower rates, which is good for homeowners. People on tracker mortgages will automatically benefit, unless they have reached their mortgage collar, and lenders may consider reducing their fixed-rate mortgages too.

"However, there is some pressure on mortgage lenders due to the LIBOR rate, which is still higher than the base rate – meaning that some of the funds lenders rely on for mortgages are more expensive than it may first appear. That may explain why a number of lenders raised the interest rate margins on their tracker rates in anticipation of this base rate cut."

The Think Money spokesperson added that now could be a very good time for existing homeowners to remortgage, as well as a good opportunity for first-time buyers to make their first purchases. "A remortgage could save existing homeowners a lot of money, especially those who started fixed-rate deals in the last two-to-three years. Switching to a tracker deal could greatly reduce homeowners' monthly payments, until rates begin to rise again, and many fixed-rate mortgages are cheaper than they have been in recent years.

"At the same time, we are in a situation where houses are falling in price, and interest rates are relatively low, both of which mean mortgage payments are likely to be lower than they were, say, two years ago. For that reason, it can be a good time for first-time buyers to make a move.

"Many first-time buyers are put off by the idea that mortgages are difficult to obtain. It's true that they are more difficult to obtain than at the height of the mortgage market in 2007, but they are still very much available – it can sometimes just take a little longer to find the best mortgage deals.

"Anyone looking for a mortgage should make sure they receive expert mortgage advice beforehand. Speaking to the right people can help homebuyers to find the best rates and the best type of mortgage for their circumstances."

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