



Coronavirus – The Impact on Mortgages and Property Purchases

With the impact of Coronavirus affecting almost every industry, mortgage applications are no exception. Mortgage providers are still working hard to help applicants, but naturally there will be some disruption.

This guidance document aims to provide some additional information on the impact the current situation has on any existing mortgages, as well as highlighting some key considerations if you are in the process of applying for a mortgage.

Interest Rates

The Bank of England base rate has dropped to the lowest in its history, which means that mortgage interest rates will also reduce. If you have a tracker rate mortgage, then the rate you are charged will also reduce because the interest rate you are charged tracks the Bank of England base rate. In this scenario, your mortgage provider will be writing to you in due course, to confirm how this will affect your monthly mortgage payment.

Even if your mortgage is not deemed a 'tracker' mortgage, you may be on a variable deal. Although variable deals do not specifically track a base rate, variable deal interest rates are set by your mortgage provider, and can fluctuate in line with market conditions.

If your mortgage is on a Standard Mortgage Rate (SMR) or Standard Variable Rate (SVR) then it is likely that your lender may reduce your interest rate moving forward and will write to you shortly to confirm how this will affect your monthly mortgage payment.

Mortgage Payment Holidays

In line with the UK Government announcements to assist mortgage borrowers, mortgage providers are offering payment holidays in an effort to assist those who have been financially impacted by the Coronavirus outbreak. If you are facing financial difficulty and wish to apply for a payment holiday, most mortgage providers have requested borrowers contact them directly, as opposed to going via a broker.

The Financial Conduct Authority (FCA) wants to reassure that if you request a payment holiday, there will be no impact on your credit score and that companies should not be investigating the reason for requesting the payment holiday. This guidance is specific to

mortgage borrowing, therefore if you are concerned about financial difficulty linked to any other borrowing, e.g. credit cards or loans, it is recommended that you contact your credit provider to discuss how they can help you at this time. You can also contact the Money Advice Service at www.moneyadviceservice.org.uk, which provides free and impartial support to anyone concerned about financial difficulty.

The method to apply for a mortgage payment holiday varies from lender to lender. Owing to the high volume of calls, it is recommended that you check your mortgage provider's website for further instruction before telephoning. To avoid high telephone call volumes, some mortgage providers have set up an online application form for customers who wish to request a payment holiday.

If you are in financial difficulty, it is important you do not simply cancel your monthly mortgage direct debit without contacting your mortgage provider as this could have a detrimental impact on your future credit history.

One thing that is key to bear in mind is to consider when your current mortgage deal may end. If your mortgage deal is ending soon, it is important to speak to your mortgage provider before requesting a payment holiday as some mortgage lenders will not allow you to review your deal whilst you are in a payment holiday period. This is particularly important to consider, as once your deal ends it is likely your interest rate will automatically revert to a Standard Mortgage Rate (SMR) or Standard Variable Rate (SVR). These SMR and SVR interest rates are likely to be higher, and if you are unable to review your deal until the end of your payment holiday i.e. in 3 months, the interest you will be charged will be a higher amount, and you may end up paying more overall.

Mortgage Protection Payment Insurance

In addition to mortgage payment holidays, it is worth checking if you hold Mortgage Protection Insurance (MPPI). This is an insurance policy which provides monetary support to pay your mortgage if you are off work for a long period of time, as a result of illness, or in some circumstances, through unemployment.

These types of policies will typically require you to be off work for at least 30 days before your claim can be submitted, but it's worth checking to confirm if you have cover and what your cover provides.

Remortgaging or Switching Your Deal

As mortgage interest rates have dropped, remortgaging your home to a new provider could be a good opportunity to save money. It is worth noting however that some mortgage providers are now limiting the amount a customer can borrow and in some cases, not taking new mortgage business at all in the current climate.

This does not mean you cannot still switch your mortgage deal with your current lender to a more competitive interest rate. For borrowers who are not currently locked into a deal, the option of a 'product transfer', where you exit your current deal but remain with your existing provider on a lower interest rate, could save you money. Please contact your mortgage broker to discuss this further.

Moving Home

If you are thinking about buying or moving home, it is still possible to obtain a mortgage, however timeframes may be significantly impacted. The simple logistics of property viewings and valuations are severely limited at present owing to social distancing obligations. Whilst this may mean certain re-mortgages will still be possible, it could potentially have a detrimental effect on purchases, as those involved in the process will understandably want a property to be sufficiently valued, especially if home improvements have been done.

Clarification from the Government about whether home purchases and home moves should continue at the current time have said:

- Home buyers and renters should, as far as possible, delay moving to a new house while emergency measures are in place to fight coronavirus.
- If moving is unavoidable for contractual reasons and the buyers and vendors are unable to reach an agreement to delay, people must follow advice on social distancing to minimise the spread of the virus.
- Anyone with symptoms, self-isolating or shielding from the virus, should follow medical advice and not move house for the time being.

I am awaiting a valuation for a property I am wanting to buy, how will this be affected?

Some lenders are able to do desktop valuations on properties, as opposed to physically going out to view them. If this is not possible, in some instances larger estate agencies are offering video valuations to mortgage providers to help avoid delay with mortgage applications.

This is not an option for all companies or all mortgage transaction types. Some providers have postponed physical valuations until further notice, however all other work pertaining to your mortgage will be going on in the background to help avoid any further delay. Once it is deemed safe for valuers to proceed with physical valuations and visit the property, then your mortgage lender will be able to assess and progress your application accordingly.

I have instructed a HomeBuyers Report on the property I am purchasing, how will this be affected?

In line with UK Government guidance, it is likely all homebuyers valuations will be suspended, with the situation assessed again at a future date. Any booked surveys will be cancelled and then rescheduled following the outcome of the latest Government advice at that point.

I want to apply for a further advance on my mortgage to help with reduced income at this time, can I do this?

Some mortgage lenders are not currently accepting any new applications at this time. This is to help ease any backlog of ongoing applications, and simply to protect themselves and borrowers at this uncertain time. However should your mortgage provider still be accepting new applications, and subject to their satisfactory assessment of your income, then applications for further borrowing may be possible.

Please be aware that should your lender require an up-to-date physical valuation of your property, then the application may be subject to the delays mentioned above, until such time valuers are able to gain access to the property in line with UK Government advice.

I work in an industry severely affected by coronavirus, will my application be declined?

At this moment there are no widespread limitations from mortgage providers restricting the occupations of customers they will lend to.

There are a few instances of mortgage lenders who will currently not consider mortgage applications from customers who work in travel, retail, hospitality and entertainment. However this is an exception, and not the generic stance across the board.

I have already submitted my application, will I receive the interest rate deal I applied for?

Once your mortgage lender has received your application they should honour the deal. Even if that interest rate deal is now no longer available, you will have reserved the product and the rate at the time your application was submitted.

