Ten years ago, mortgage lending and property values were on everybody's minds after the Financial Crisis, triggered by risky lending worldwide, plunged the country into the worst Economic Downturn since the Great Depression.

Households the length and breadth of the country as well as in the Channel Islands were plunged into negative equity as prices plummeted, whilst the property market virtually stalled.

MORTGAGE MARKET REVIEW The recovery took some time and in April 2014, the Mortgage Market Review was introduced by the Financial Services Authority, the precursor of the Financial Conduct Authority which introduced strict new lending rules whose influence immediately changed the face of mortgage lending. These changes were designed to curtail the risky lending practices that had prevailed in the run up to the crash and made applying for a mortgage much tougher than it once was. Lenders now look at borrowers' spending habits, examining income and expenditure to gauge whether the applicants can afford to keep up with the monthly payments, not just at today's interest rates, but also in a "worst case" situation, stress testing affordability at a much higher interest rate as well.

NEW DECADE As we enter a new decade, the only certainty is that mortgage products and their underwriting are going to have to change to match the new market conditions that will inevitably arise post Brexit. This is already being evidenced by several local mortgage providers who have been slowly modifying their lending criteria to enable them to embrace a larger part of the market.

BIG REDUCTIONS Mortgage rates have plummeted since 2009, especially in recent years. The average two-year fixed rate ten years ago stood at 4.93%, although this has nearly halved to 2.44% today.

To put this into perspective, 10 years ago, someone on a £200,000 mortgage, taken over 20 years would be paying £1312 per month. Fast forward to today, and the cost on the same terms would reduce to £1054, a reduction of £258 per month. Three year fixes have dropped from 5.6% to 2.61%, while five-year fixes have more than halved from 6.15% to 2.74%.

Jersey lenders also offer a limited choice of seven- and ten-year fixed options, although these have a limited appeal, as they tend to reduce the flexibility that many homeowners think they will need. Since 2017, and despite strong competition between lenders, most interest rates have crept up, but still remain very low by historical standards.

The Mortgage Shop offers down to earth advice on the lending options that are available from every bank in the Island – one appointment will cover all that you need to know – call 789830

The Best Rates...

There have been no changes this month in the interest rates that are shown on our chart. This reflects the "wait and see" attitude that has been adopted for the past five months by not only mortgage lenders but also many people who are thinking of buying or selling and who are waiting to see what happens post Brexit.

Pick of the Bunch
(% loan to property value/price)

60%	Tracker	1.49%
60%	2 year fixed	1.50%
60%	5 year fixed	1.81%
60%	10 year fixed	2.74%
85%	Tracker	1.74%
85%	3 year fixed	1.99%
85%	5 year fixed	2.09%
90%	Tracker	2.19%
90%	2 year fixed	1.94%
90%	5 year fixed	2.29%
95%	2 year fixed	2.99%
95%	5 year fixed	3.49%
100%	5 year fixed	3.99%
60%	BTL 2 year fixed	1.69%
60%	BTL 5 year fixed	2.30%

* Rates correct at time of printing | BTL = Buy to let mortgage.

the mortgage shop

Tel: **789830**

31 Broad Street, St Helier, Jersey, JE2 3RR

www.mortgageshop.je info@mortgageshop.je