



COUNCIL of MORTGAGE
LENDERS

More rate rises to come, says CML

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The Council of Mortgage Lenders (CML) is unsurprised by today's decision by the Bank of England to raise interest rates from 4.75% to 5%.

Commenting on the rise, CML Director General Michael Coogan said:

"Financial markets have been anticipating a rise in interest rates since the last one in August, so today's news should come as no surprise to anyone. A quarter point interest rate rise on a typical £120,000 repayment mortgage equates to around an extra £20 per month."

In recent months concern has been raised about lenders making credit too freely available and borrowers taking on more debt than they can sensibly manage. Today's rate rise will undoubtedly fuel these fears. But borrowers can do a number of things to protect themselves against further interest rate rises, and many are already doing so. For example:

- Borrowers can take out a fixed-rate mortgage. This will lock them into a fixed level of repayments for a period, and will give the borrower certainty in their monthly mortgage repayments. This year has seen high numbers of people taking out fixed-rate deals (60% in August) - showing that many borrowers are keen to protect themselves from the effects of a rate rise.
- Borrowers can also mitigate the effect of any change in their financial circumstances by making sure they are adequately insured. Products such as mortgage payment protection insurance (MPPI) might be especially useful if borrowers, suffer a loss of income.
- While much has been made of the decision by some lenders to offer mortgages requiring high income multiples, these will only be within the grasp of a select group of borrowers who are able to pass lenders' stringent affordability and credit checks.

Continuing, Mr. Coogan said:

"Today's rate rise might mark the start of a cooling down in the housing market as we approach the new year, but this is not necessarily a bad thing. This year has seen record levels of mortgage lending - almost on a monthly basis - and modest increases in mortgage costs will help to maintain a sustainable environment."

"But borrowers should be warned that financial markets are expecting yet another rate rise by next spring and now is the time to take action to protect themselves. Borrowers should be factoring in to their finances the effects of at least one more rate rise, and making sure that they are shielded from any risks this situation might bring."

Notes to editors

1. The Council of Mortgage Lenders' members are banks, building societies and other lenders who together undertake around 98% of all residential mortgage lending in the UK. There are 11.6 million mortgages in the UK, with loans worth over £1 trillion.

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