

## Mortgage Lending Hits Record Levels Yet Again

Despite gloomy predictions by some industry experts following the recent interest rate rises, mortgage lending hit record levels during the month of June 2007. According to figures published by the Council of Mortgage Lenders (CML), gross levels of lending reached £34.2billion, up yet again on previous months. Despite the aggregated amount being a record, the percentage growth in gross lending is only running at 9% this year, as opposed to 12% growth last year and a massive 15% in 2005.

Five interest rate increases in the last year have pushed up the average mortgage repayment by £100 per month, but the higher borrowing levels reflected in the gross lending figures will only add to the concerns of the Bank of England, as their actions appear to have had little impact in slowing the housing market. The latest figures from the CML, combined with the news that inflation is still above government targets, may prompt yet another interest rate rise in the near future.

As borrowing costs get higher, industry experts predict a shift in mortgage borrowers' habits, moving away from fixed rate mortgages towards discounted and tracker products. This is due to the longer term borrowing costs associated with short-term fixed rate deals pushing up the headline rate. Borrowers will be anxious to compare mortgages even more carefully, making sure that they are getting the best deal before committing to their loan.

Fixed-rate products accounted for three-quarters of total [UK mortgages](#) granted in the first half of 2007. But because current fixed-rate products are costly due to rising interest rates, consumers are looking to cheaper options such as discounted and tracker mortgages.

It seems that many factors, including the boom in the buy-to-let market and a rapid influx of migrant workers, has placed more pressure on the limited housing supply. An admission by the government that there is not enough affordable housing is cold comfort to those who cannot get onto the property ladder. Even the old trick of increasing the debt burden on those who already own their own homes to slow house price inflation is no longer effective, or is taking far too long to work its way through the system.

The property market appears to have a momentum of its own, leaving many potential first-time buyers believing that they will never gain a foothold in the housing market. And for those who cannot count on the help of an affluent parent, which may well be the case.

### About the Author

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