

8 April 2009

Base rate held at 0.5% in least eagerly anticipated MPC decision for months...

Prudent to assess impact

Neil Young, CEO - [Young Group](#), believes that the Bank of England's rate setting committee is prudent in maintaining the current base rate; *"The MPC has acted decisively in recent months in a bid to stimulate the economy and lending markets, but we now have to assess the impact of those measures. The effects will not be felt overnight, so it comes as no surprise that the MPC has opted to take a 'wait and see' stance this month."*

Inflated Margins

Lenders are still not doing enough to pass on the benefits of an all time low base rate to the man in the street via their mortgage products; *"The margins that mortgage lenders are receiving are still significantly inflated. The treasury is quick to point out the value of stimulus that it has provided, but much less fast to acknowledge that the treasury-owned lenders are sitting on the benefit as a result of their inflated margins."* Neil Young, CEO - Young Group.

Residential Divide & Willing Investors

Disappointingly, lenders are still placing a premium on Buy-to-Let mortgages over and above residential products. Neil Young explains: *"Rates on buy to lets are still higher than residential mortgages and the arrangement fees are commonly between 1% and 3.5% of the loan amounts. For example at a loan to value of 75% on a residential purchase you could get a fixed rate of 3.49% with a 2% fee, but a comparable buy-to-let mortgage at 75% LTV would be subject to a rate of 5.19% with a 2.5% arrangement fee."*

"This is especially disappointing at a time when well informed investors are actively seeking to capitalise upon market opportunities to secure property at value, the likes of which has not been seen for at least the last 15 years."

Neil Young concludes, *"The economy is still crying out for liquidity but successive cuts in base rate have not yet made an appreciable impact on lenders' willingness to provide credit. Time will tell whether lenders will loosen their tight grip on mortgage funds and if quantitative easing is the panacea that the treasury hopes."*