

Immediate release

Nearly 300,000 homeowners fear they will have to sell their home to repay their mortgage

The tightening of regulations on interest-only mortgages, introduced by the Financial Services Authority, will push many homeowners to the edge of what they can afford to keep their home. The YouGov survey, commissioned by the HomeOwners Alliance, reveals for the first time the scale of the impact of the new rules on lending, which could see the end of most interest-only mortgages.

The key findings are:

- 12% of homeowners – equivalent to 2 million - have an interest-only mortgage on their main home
- Most interest-only mortgage holders (60%) are worried about how planned changes will affect them (25% very concerned)
- Over a third of those worried (35%) – equivalent to over 400,000 homeowners - report they will no longer be able to afford their mortgage payments
- A quarter of those worried (24%) – equivalent to nearly 300,000 homeowners – fear they will have to sell their home to repay their mortgage
- The changes raise fears with those nearing retirement age. Respondents commented that “*age restriction to extend terms prevents us reverting to repayment now*” and “*As an OAP with a small interest only mortgage I am unlikely to be able to find an alternative*”

The Financial Services Authority is introducing stricter regulations on interest-only mortgages from April 2014. Already the market has responded and tightened the criteria for interest-only mortgages, while many lenders have simply stopped offering them. As borrower's interest-only mortgage deals come to an end, they will find similarly affordable options very limited and will need to show proof of an acceptable repayment vehicle (equity ISAs, pensions, endowments), if they wish to switch providers.

Our report, **On the Edge**, found that nearly 300,000 people fear they will have to sell their home to repay their mortgage, and over 400,000 believe they will not be able to afford the increased repayments. In particular older people felt that options were limited. One respondent said:

*“Our mortgage term ends in 2 years, we have been told we could have an extension of 5 years with up to £1,000 in extra payments a month. My husband is over 60 and this is impossible, we are worried sick and at our wits end. We are also in negative equity... **we planned to stay in our current property 2 years...now, we will be homeless**”*

Paula Higgins, Chief Executive of the HomeOwners Alliance said:

“Although designed to protect homeowners, the new rules could be a disaster in the making. Many homeowners on interest-only mortgages seem unable to afford the higher repayments they will face and could lose their homes. The mortgage lenders must think creatively about how to cushion the impact of these changes and offer imaginative solutions. They tempted homebuyers with the cut price deals, and they must not abandon them now. Our research shows older people are worried as their options are reduced as remortgage options are severely limited.”

David Hollingworth, of London and Country Mortgages said:

“Changes in the mortgage market have made life difficult for those with interest-only mortgages and they cannot simply rely on rising house prices to repay their debt. Borrowers should not bury their head in the sand and it makes sense to act sooner rather than later. A switch to repayment or overpaying the mortgage now will help to eat into the mortgage over time and avoid panic at the end of the mortgage term.”

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Notes to editor

1. Homeowner reaction to changes to interest-only mortgages drawn from HomeOwners Alliance survey via UK YouGov online panel. The total sample size was 2056 adults:
 - Data weighted and representative of all UK adults (aged 18+)
 - 1393 homeowners with mortgages were asked about mortgages
 - 162 respondents with interest-only mortgage holders were asked about changes planned
 - Fieldwork was undertaken between 18th-21st January 2013
2. According to YouGov polling 12% of individuals who own their own home have an interest-only mortgage.
3. 60% of interest-only mortgage holders are worried about changes to mortgage regulation. Of those worried, 24% fear they will need to sell to repay their mortgage and 35% worry they can no longer afford mortgage payments.
4. Source data for calculations: 26.4 million households in the UK (ONS 2012), 65% of householders own their home (UK Census 2011)

About the HomeOwners Alliance

The HomeOwners Alliance champions the interests of Britain's homeowners and aspiring homeowners, and provides services they can trust. We are a member-led organisation, acting as the voice of the homeowner in the media, lobbying for the interests of homeowners and aspiring homeowners in government, and campaigning against bad practices in industry.

We directly engage with government and the media by conducting independent research and publishing reports that promote and champion the interests of homeowners. Former Housing Minister, Grant Shapps, called the HomeOwners Alliance "good news for homeowners and homeownership". Sunday Times wrote: "with the launch of the HomeOwners Alliance, British property owners finally have an ally".

At **hoa.org.uk**, we provide independent advice for the key moments in owning a home, supported by legal and industry experts.

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