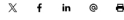


Mortgages Apr 17 2023

Homeowners opt for product transfers over remortgaging



(Diondre Haria/Getty Images)

By Jane Matthews

Mortgage brokers have reported a rise in popularity of product transfers as borrowers opt for the low-stress option and lenders prioritise customer retention.

With the volume of new mortgage lending down so far this year, mortgage lenders are focusing on keeping customers, with brokers reporting a noticeable improvement in product transfer options.

"The previously neglected or taken-for-granted area of customer retention has become a higher priority for most lenders," Blue Fish Mortgage Solutions owner, Ross McMillan said.

McMillan, whose firm is based in Glasgow, said some of the biggest lenders are now offering bespoke product transfers and often very attractive pricing for existing borrowers.

"Along with the relative ease and speed of the process, product transfers are undoubtedly on the rise and will often represent the best advice," he said.

One broker noted that it is "positively raining product transfers at the moment".

Verve Financial director, Gary Boakes explained that "lenders see this as easy business to keep, the rates are all competitive and with the ability to cancel and switch to new rates if they become lower, they have been the perfect solution for many people."

Currently the Bank of England base rate sits at 4.25 per cent after it was raised by 25 basis points towards the end of March, but many mortgage lenders had already priced this into their products.

The mortgage market has calmed in recent months, with rates settling around 4 per cent on average for residential mortgages following the period of instability that followed from September's "mini" Budget.

Some brokers have described the competition between lenders at the moment as a price war.

Private Finance's technical director and senior mortgage adviser, Chris Sykes said product transfers have also benefited from this, with most lenders pricing them in line with their new business ranges.

"At the moment, the product transfer is very often the most competitive option for people and doesn't involve a whole re-underwrite. If their new business is competitive they'll likely have a good customer retention rate," Sykes said.

"With transaction levels down, retention is key for lenders," he added.

Affordability is also a driver

Brokers also pointed out that affordability concerns have been a factor in the rise of product transfers.

Sykes explained: "Whereas previously every lender may have given a client the amount they are borrowing, now it might be that only a few competitive lenders will do it, so a product transfer is better."

Despite this improvement, brokers have said given the competition that exists between lenders at the moment it is still important that borrowers shop around.

"With something of a rate war ongoing currently, comparing what your current lender may offer with what the overall market has to offer remains a vital part of the process," Blue Fish's McMillan said.

However, others noted that while a client will never come in and ask for a product transfer or a remortgage specifically, there is a notable difference in the time it takes to complete both currently.

"All being well, product transfers take hours to complete while remortgages, with lender backlogs, shortage of valuer slots and solicitors taking much longer to process the legals, they could take eight weeks plus," MortgageShop.com's Gary Bush said.

"During this time anything could happen to the fixed rate market, and added to this the risk of reprocessing a client's remortgage to another lender, due to a poor underwriting decision or a down valuation, is quite high.

"When you explain this to borrowers, they often opt for a product transfer, potentially at a marginally higher rate, just for peace of mind."

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