

Nationwide launches 0% green mortgage product

This is the first time the Society has offered members a 0% mortgage product to support decarbonising housing stock.

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Nationwide Building Society has reduced the interest rate on its green additional borrowing products to 0%.

The new 0% green additional borrowing products, which will be available from Thursday 1st June, will enable up to 5,000 households with a Nationwide mortgage to borrow £5,000-£15,000 up to a maximum of 90% LTV across the two or five-year product term.

Nationwide hopes that by removing interest on its green additional borrowing products, it can incentivise members to make green home improvements. For example, if a member borrowed the maximum £15,000 over a five-year term, the monthly payment on the existing green additional borrowing product at a rate of 3.89% would be £275.50. For those taking out the new version, the payment would reduce by £25.50 per month to £250, meaning the member would save £1,530 over the full term of the deal.

The new green additional borrowing home loan will be made available via brokers.

All of the loan must be used to fund non-structural, energy-efficient home improvements, such as solar panels, air source heat pump, window upgrades, boiler upgrades, cavity wall insulation, loft insulation or an electric car charging point. Members can use any local or national contractor or supplier for the work.

The previous version of the Society's green additional borrowing product will be withdrawn from sale at 23:59 on 31st May.

Henry Jordan, director of home at Nationwide Building Society, said: "Residential properties are one of the biggest causes of emissions and there is a need for more to be done by government and business to encourage households to act. A key barrier to making homes more energy efficient is not only the upfront costs associated with retrofitting, but also the payback period of making such changes.

"It's clear to us that only meaningful incentives will help shift behaviour. So, by launching this latest product for up to 5,000 of the Society's mortgage holders, we can test and understand whether offering zero per cent interest will encourage members to make the necessary green home improvements, where the costs of finance may have, until now, discouraged them. As a mutual, we're committed to returning value back to our members, which is demonstrated by this being the first time we've taken this approach. Creating a greener society is a shared goal and we need to make it as easy as possible for households to play their part."

Brokers' view

PR platform, Newpage, asked brokers for their views on the new products.

Craig Fish, director at Lodestone Mortgages & Protection: "This is a great idea in principle, so well done Nationwide, but more needs to be done. There are some significant limitations on this product such as the maximum loan being offered at £15,000. Most 'green' improvements that make a difference are going to cost considerably more than this, so I'm not sure that it's going to be such a popular product. Furthermore, whilst offering interest-free loans for a period of two or five years is great for the green agenda, borrowers need to be aware of the fact that the rate will jump to the lender's standard rate after the interest-free period ends. As with all these new and innovative schemes, the devil is in the detail, and borrowers should seek independent advice to understand those finer details."

Gary Bush, financial adviser at MortgageShop.com: "Nationwide's new 0% mortgage isn't quite what it at first leads you to believe but it's a great start towards a greener UK. Nationwide giving all their existing mortgage borrowers the chance to borrow from £5,000 to £15,000 for green-based home improvements without interest charges for up to five years will make a big difference to the UK's green agenda. The fact that the most important improvements on the lender's list reach far beyond the £15,000 ceiling highlights why more needs to be done in this regard but it's promising. Well done Nationwide."

Scott Taylor-Barr, financial adviser at Carl Summers Financial Services: "This is a really innovative take on green financing from Nationwide. Whereas other lenders have offered slightly discounted interest rates, or cash backs for small green improvements, this is a very bold statement of intent from the UK's largest mutual, and a very clever way of showcasing the benefits of their 'owned by members' structure. It's going to be interesting to see how other lenders respond, especially other mutuals, as it could give them a really clear differentiation over banks competing in the same market, or will we see some banks step up and offer similar deals on a 0% basis and how will that sit with shareholders?"

Hannah Bashford, director at Model Financial Solutions: "This is a great initiative and will be a good step forward to helping to make homes greener. The amount in some cases will not cover the full cost but will provide an affordable option for part of the funding and will hopefully encourage more people to look at their options. Will they expand this to TMW customers to help with landlords' obligation to get their properties to an EPC C by 2025? That remains to be seen."

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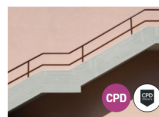
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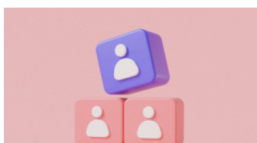
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