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Homeowners struggling with the financial repercussions of the coronavirus have been offered further support from mortgage lenders.

The Financial Conduct Authority has updated its guidance to ensure that borrowers who are finding it difficult to repay their loans are treated fairly by banks and building societies.

Customers should continue meeting their monthly repayments if they can afford to do so, the FCA said, however struggling borrowers who have not yet had a mortgage payment deferral can ask for their payments to be waived for up to six months.

Those who have already taken a payment break will be eligible to top this up, meaning they can receive up to six months in total. For borrowers who have already had six months of payment deferrals this year, banks have agreed to offer further support to help the customers through the crisis. This may include further payment deferrals.

Elsewhere, homeowners who are not in financial trouble can instead take advantage of the current low rates on offer in the mortgage market and switch to a cheaper deal.

Low rates continue, but are creeping back up

Data published by Moneyfacts showed that the average rate for mortgages with product fees was 2.8% this month. While this figure is higher than the average rate in October, it is below the 2.89% average recorded in March, when the pandemic began.

The average rate for fee-free deals has fallen from 2.80% to 2.74% since March, however rates have also risen since October, meaning borrowers have been urged to take advantage of low rates while they last.

Since March, the average product fee has risen from £1,040 to £1,078, Moneyfacts reported.

Rising house prices continue

The latest e.surv house price index showed that house prices have risen by 4.4% in the 12 months to October. The average price in England and Wales now stands at £314,643.

Prices rose in every region surveyed, with London home to the fastest house price growth. Property values in the capital are 7.3% higher than a year ago, with the average house price hitting £646,614.

The other regions to boast strong annual price growth were the South East, where prices rose 4.3% to reach £392,521, and in the South West, which saw prices reach £302,828 after 4% price growth in the last 12 months.

Equity Release: market update

Older homeowners in these areas may look to capitalise on their increased equity by taking out a lifetime mortgage on their property.

Industry data published by Key found that the equity release market has quickly returned to full strength following the temporary shutdown of the housing market in spring. The research found that £884 million was released in July, August and September 2020, significantly higher than the £521 million recorded in the previous quarter. Encouragingly, this is in line with Q3 in 2019, when £887 million was released.

The most popular reasons for withdrawing cash have changed since the pandemic began, with families preferring to use equity release to strengthen their financial position and cut other outgoings. The number of people seeking cash to fund holidays and home renovations has fallen since last year, the firm said.

Help to Buy Equity Loan scheme update

For younger people, the government unveiled the new Help to Buy scheme, with applications being accepted from 16 December. The new-look scheme will be restricted to first-time buyers purchasing properties with below-average house prices.

As before, customers can purchase a home with a 5% deposit, with the Government lending 20% of the purchase price (40% in London) and the remainder coming from a mortgage lender.

The new scheme will officially open on 1 April 2021, however customers can reserve their homes from mid-December and move in at the start of April.

Sources:

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<https://www.gov.uk/government/news/new-help-to-buy-scheme-open-for-business>

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