

Negative equity escape deal offer

The Coventry Building Society is offering existing customers in negative equity a mortgage escape route if they need to move.

The mutual has changed its policy so existing borrowers can get a deal of up to 125% of a property's value if they must move, such as relocating for work.

But they will not be allowed to borrow more cash under the deal, only offset the reduction in their equity. One broker has called for similar "flexibility" from other lenders.



Mortgages have become more difficult to come by in the downturn

Squeeze

The credit crunch and subsequent downturn have made it tough for many borrowers to get a good deal on a mortgage.

The rapid fall in house prices also, in effect, trapped some homeowners in their properties when they needed to move owing to a change in family or employment circumstances.

For Coventry borrowers, these falls have pushed such borrowers outside the building society's normal lending criteria when they need to move.

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Mortgage broker Aaron Strutt

For example, an 80% LTV could become 95% LTV, simply because of the falling value of a home - but the building society might not normally lend at this level.

The society said that as long as they had an excellent credit history, customers could carry over the lack of equity into the new deal when they moved house. Yet they would not be able to increase their cash borrowing as part of this deal.

"As a mutual, this is what our members expect of us. We are offering a sensible level of support to people we have a relationship with who are facing real difficulty in moving home," said Colin Franklin, sales and marketing director.

He said that this maintained an aim of responsible lending and treating customers fairly, and only a few borrowers would be affected.

Mortgage broker Aaron Strutt, of Trinity Financial Group, said: "This sort of easing of

mortgage criteria will help existing customers in negative equity feel less trapped in their property.

"It would be nice to see more lenders being more flexible with their customers. In many cases, it could put the bank in a better position financially."

Negative equity means that the value of someone's home is less than the amount they owe on their mortgage.

The Nationwide introduced a similar scheme in July, describing it as a "niche offer".