

# 125 per cent loans to homemovers

## Existing customers in negative equity can move home with new deal from Coventry Building Society

James Charles

Mortgage brokers have welcomed moves by Coventry Building Society to offer 125 per cent loan-to-value mortgages to existing customers who need to move house.

The UK's third largest mutual is to offer the controversial loans to customers in negative equity with an "excellent credit history". Their existing loan will effectively be "ported" to the new property. No additional borrowing is allowed.

It follows a similar move by Nationwide Building Society, the largest building society in the UK and third largest lender in July.

Borrowers in negative equity, with a home worth less than their mortgage, are commonly "trapped" in their homes and unable to move until they have paid down their debt.

There are about 900,000 homeowners in negative equity, according to the Council of Mortgage Lenders, the trade body. Borrowers on higher loan-to-value deals have been hit by the slump in house prices, which has seen values slump by 25 per cent from the peak in 2007 to bottom of the market earlier this year.

Aaron Strutt, of Trinity Financial Group, a broker, said: "Having more flexible criteria for existing customers in negative equity will make them feel less trapped. If both parties will be in better financial positions through porting the existing deal to another property, it is a no brainer. We should see more lenders helping their customers in this way."

Colin Franklin, sales and marketing director at Coventry, says "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.

"The Coventry is known for its responsible lending and for treating customers fairly and while this move may only affect a few of our members it is a great example of where we are doing both."

Nationwide allows existing customers to take out a home loan with a loan-to-value ratio of up to 95 per cent on a three-year fixed rate of 6.73 per cent or a five-year fix at 7.48 per cent. It then allows customers to borrow an additional 30 per cent at a rate of 7.23 per cent and 7.98 per cent.