HSBC

News Release

ALTHOUGH RISING INTEREST RATES ARE A GROWING CONCERN, THERE ARE OPTIONS FOR HOMEOWNERS

HSBC Global Research Shows More than 3 in 4 Mortgage Holders Have Not Experienced a Rate Rise on their Current Mortgage

NEW YORK – March 1, 2018 – The end of the low interest rate environment could cause adjustable mortgage rates to change for many home owners in the U.S. and around the world according to HSBC's new survey, Beyond the Bricks - *The Value of Home*. Nearly nine in ten U.S. homeowners (87%), have not experienced a rise in the interest rate of their mortgage/home loan during the time they have had it.

"From a home owner's perspective, we're heading into unfamiliar territory," said Pablo Sanchez, HSBC's Regional Head of Retail Banking and Wealth Management for HSBC Bank, USA, N.A. "The average U.S. homeowner is already spending almost 40 percent of their monthly income on their mortgage. When you factor potential interest rate rises into household budgets, making that monthly payment could become a struggle. This is why it's important for current and potential homeowners to be aware of how the current and forecasted interest rate environment could impact their mortgage, conduct adequate due diligence when researching mortgage rates and partner with an institution that can help them navigate changes."

In the U.S., 24 percent (22% globally) say that a two percentage point increase in their mortgage/home loan interest rate would cause them to struggle or not be able to afford their mortgage repayments; this figure rose to 45% (versus 47% globally) for a five percentage point increase.

"The good news is that U.S. homeowners are well-informed about their mortgage," said Sanchez. "With roughly 8 out of 10 U.S. homeowners aware of both how much interest they are paying as well as the terms of their loan (81% and 79% respectively), now is the time for homeowners to adequately prepare should interest rates continue to rise. At HSBC, we aim to build transparent and proactive partnerships with our clients so that they know what options are available to them if their mortgage rates rise."

The figures in this study also reflect high levels of expenditure on home ownership, with mortgage holders spending on average 39% (versus 38% globally) of their monthly income on their mortgage. Additionally, affordability for U.S. respondents continues to be a challenge for those looking to buy a home, with 70% (versus 80% globally) finding it difficult to save for a down payment.

Most prospective buyers (73%) plan to pay up to 20% of the purchase price as a down payment to secure a mortgage and will largely rely on their regular savings (72%) to help them achieve this. U.S. home owners who hold a mortgage took an average of four years to save for their deposit, with those in France taking longest to save up (7 years). By comparison, those in the U.K. took only 3 years to save for their down payment.

“Despite affordability challenges and the prospect of rising interest rates, many people are willing to stretch themselves to some extent financially to afford a better home,” said Raman Muralidharan, Head of Mortgage for HSBC’s U.S. Retail Banking and Wealth Management business. “At HSBC we’ve made substantial investments into our mortgage business that are aimed to offer clients a world class experience with highly competitive rates. For our existing mortgage customers facing the prospect of increasing rates, we offer a highly convenient, low cost and fast rate modification process to lock in today’s rate on their loan ahead of future rate increases.”

The survey found that more than half (52%) of home owners in the U.S. have switched providers, while nearly half (46%) have investigated getting a better deal by switching their mortgage. The appetite to switch provider is primarily driven by a desire to get a better deal or because of interest rate increases, with 53% (vs. 55% globally) of U.S. mortgage holders citing this as the reason for their switch. Other reasons home owners switched included: 19% (vs. 22% globally) because they moved or bought a new property and 12% (vs. 24% globally) because their existing mortgage deal expired.

The Value of Home is the second survey in the Beyond the Bricks series of global research studies into home ownership from HSBC.

Note to editors
Beyond the Bricks is an independent consumer research study into global home ownership, commissioned by HSBC. It provides authoritative insights into peoples’ attitudes and behavior towards home buying, renting and funding around the world. The value of home survey represents the views of 10,005 people in 10 countries: Australia, Canada, China, France, Malaysia, Mexico, Singapore, Taiwan, UK and USA. The findings are based on a survey of current and prospective home owners aged 21 or older from a nationally representative online sample in each country. The research was conducted by Kantar TNS in September and October 2017.

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