Mortgages Jul 4 2023

Average 5-year fix hits 6% for first time since ‘mini’ Budget

(Ian Forsyth/Bloomberg)

By Jane Matthews

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The average interest rate paid on a five-year fixed rate mortgage has risen above 6 per cent today as brokers warn that rates still have not hit their peak.

According to Moneyfacts the last time the average five-year fixed rate was higher than 6 per cent was November last year in the wake of Liz Truss’ “mini” Budget.

Today the average interest rate on a five-year fixed mortgage hit 6.01 per cent, up from 5.97 per cent yesterday.

The average rate for a five-year fix has tracked behind the average rate for a two-year fix in recent weeks, which passed the 6 per cent threshold in mid-June following weeks of mortgage market movement.

Brokers have flagged however that borrowers need not pay too much heed to average rate figures, as many deals below the average rate are still available.

“The current range of five-year fixed rates excluding direct-to-consumer products and most specialist lenders is between 5.19 and 7.47 per cent, spanning the entire loan-to-value spectrum,” Lewis Shaw, the owner of Shaw Financial Services pointed out.

“So whilst Moneyfacts are right about the averages, it's vital that consumers understand there is a large range of options, many of which are below 6 per cent if they have a good deposit or chunk of equity in their property,” he added.

Other mortgage brokers echoed Shaw’s point but said homeowners need to be conscious of the fact that the trends being seen in the market currently are “worrying”.

“Anyone with six months left on their current deal should start reviewing their options now and look to secure a deal. The mortgage market is moving fast,” mortgage broker and director of Harmony Financial Services, Imran Hussain said.

EHF Mortgages founder, Justin Moy added: “The trend is worrying, and quick action to secure a new deal is essential. With more lenders offering an option up to six months before the expiry of their current deal, it is so important to engage with a mortgage broker to see what is available, and to be ready to make a quick decision.”

Moy noted that a number of loyalty deals are available on the market for product transfers with much cheaper rates than the average.

“For example, Nationwide are offering existing clients 5.14 per cent fixed for five years with a £999 Fee, subject to loan-to-value,” Moy said.

Lenders are continuing to raise rates in response to market volatility and the Bank of England’s recent base rate increase, which now sits at 5 per cent.

Just yesterday, Coventry Building Society announced further rate increases, this followed on from hikes by NatWest, Barclays and Virgin Money last week.

Further hikes forecast

Brokers were not optimistic that rates will begin to edge downwards anytime soon, with some predicting that they will hit 7 per cent before the end of the summer.

Paul Welch, the chief executive of LargeMortgageLoans.com explained that as long as swap rates remain high, then fixed-mortgage rates will continue to rise.

“If core inflation doesn't come down significantly this month, or God forbid rises, then interest rates and swap rates will continue to go up and up.

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"It gives me no pleasure to say that we could realistically see some fixed rates reach 7 per cent before the summer is out," Welch said.

Likewise, Peter Dockar, the chief commercial officer of residential mortgage lender Gen H said "things may still get worse before they get better".

"This is a very unusual time. This volatility is difficult for us to manage as a lender, because it is completely outside our control, and we see the negative impact this is having on homeowners and aspiring buyers alike. As fixed rates go up, so too do variable rates and SVRs.

He added: “ We’re doing everything we can to support our mortgage customers – as all lenders should – but homeowners and homebuyers also need and deserve better support from the government."

jane.matthews@ft.com