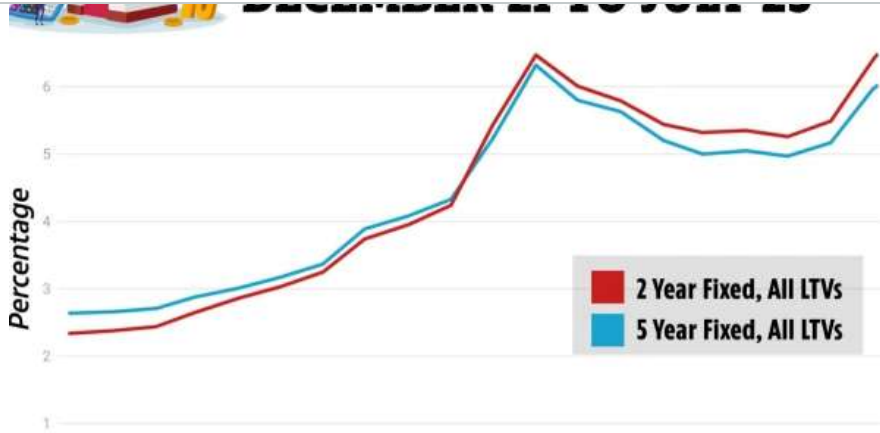




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MORTGAGE MISERY Urgent warning for homeowners as mortgage rates soar over 6% for five-year fix

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HOMEOWNERS face more mortgage misery as interest rates soared over 6% for the first time this year.

The average interest rate on a five-year fixed rate [mortgage](#) ticked up from 5.97% to 6.01% overnight, data site Moneyfacts said.

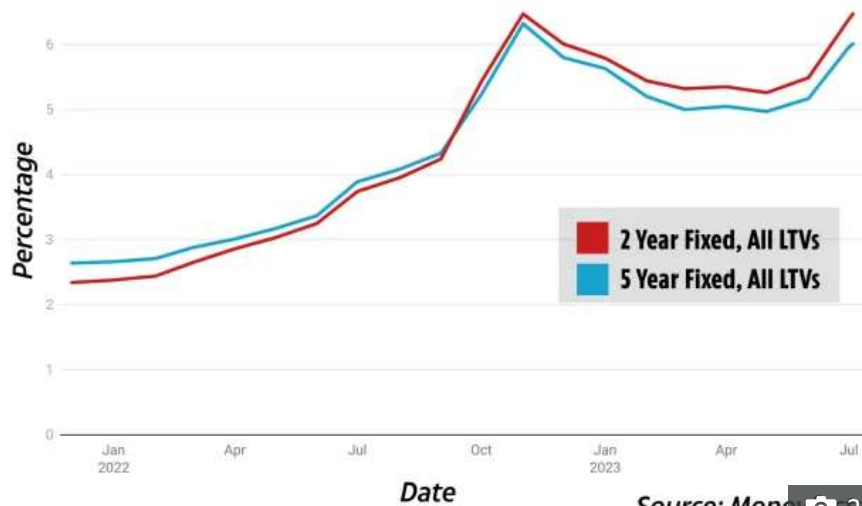


Homeowners have been issued with an urgent warning as mortgage rates top 6%

Credit: EPA



AVERAGE MORTGAGE RATES 2+5 YEAR FIXED FROM DECEMBER 21 TO JULY 23



Average mortgage rates for two and five-year fixes from December 2021 to July 2023

It comes hot on the heels of [two-year fixed deals hitting 6.01%](#) two weeks ago.

And the rates for shorter term [deals](#) have risen further since then and now stand at 6.47%.

It's the first time this year that the average rate for five-year fixes has gone over 6%.

Rates have been on the rise again amid expectations that interest rates will need to stay higher for longer as the [Bank of England](#) tries to tackle stubbornly high [inflation](#).

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The [central bank increased rates from 4.5% in May to 5% in June](#), the highest in just under 15 years since September 2008.

Mortgage rates last shot past 6% in October amid market volatility following the [mini-budget](#) last autumn.

The latest increases to rising rates brings more misery for mortgage holders.

Around 2.4 million fixed-rate deals are due to end between now and the end of 2024, according to figures from UK Finance.

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They face far higher rates than when they last fixed when interest rates were at historic lows.

And first-time buyers hoping to get on the property ladder are having to budget for higher monthly repayments, or reduce their borrowing.

David Hollingworth from broker L&C Mortgages said its likely that lenders will continue to make "quickfire changes" for the foreseeable future as they try to keep up with the fast-moving market.

He said: "Although two-year rates rose the fastest, five-year deals have not been far behind although still remain available at lower rates than their shorter term counterparts.

"We're still seeing borrowers opt for shorter term deals in the hope that rates will fall back, but there's obviously no guarantee that will be the case.

"Rates may be higher for longer before easing, so a five-year deal could still have merit given the level of uncertainty."

While Paul Welch, chief executive of London-based LargeMortgageLoans.com, said that we could "realistically see some fixed rates reach 7% before the summer is out".

But it's not all doom and gloom, as Lewis Shaw, founder of Shaw Financial Services, said customers can still get a "large range of options" below 6% if they have a good deposit.

This was echoed by Justin Moy, founder of mortgage broker [EHE Mortgages](#), but people need to act fast.

He said: "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."

If you're coming to the end of a fix, he added that it could be worth looking at a product transfer, rather than just remortgaging.

He said: "We are seeing a number of loyalty deals for Product Transfers much cheaper than average rates.

"Use the experience of a mortgage broker to get the right product for you, and to keep watching for any improvements - they will look to switch you to a cheaper deal if one comes along."

New help for struggling homeowner has been introduced after fears that the latest rate movements could push millions into falling behind on repayments, or lose their homes.

A new [mortgage charter](#) has been agreed by lenders representing around 85% of the mortgage market.

Under the charter, lenders will allow customers who are up to date with their payments to switch to interest-only payments for six months, or extend their mortgage term to reduce their monthly payments.

They can do this without having to do a new affordability assessment and it won't affect credit scores.

Borrowers will have the option to revert to their original term within six months by contacting their lender.

A borrower will not be forced to leave their home without their consent, unless in exceptional circumstances, in less than a year from their first missed payment.

How to get the best deal on your mortgage

If you're looking for a traditional type of mortgage, getting the best rates depends entirely on what's [available](#) at any given time.

But there are several ways to land the best deal.

Usually the [larger the deposit](#) you have the lower the rate you can get.

If you're remortgaging and your loan-to-value ratio has changed this could also give you access to better rates than before.

A change to your credit score or a better salary could also help you access better rates.

If you have a fixed rate, you could see higher rates when you come to the end of the current term after thirteen Bank rate rises since December 2021.

And if you're nearing the end of a fixed deal in the next six months it's worth contacting your broker now to lock in a rate.

If they come down between now and the end of your deal, you can always apply for another rate before you remortgage.

Leaving a fixed deal early will usually come with an early exit fee, so you want to avoid this extra cost.

But depending on the cost and how much you could save by switching versus sticking, it could be worth paying to leave the deal - but compare the costs first.

To find the best deal use a [mortgage comparison tool](#) to see what's available.

You can also go to a mortgage broker who can compare for you, with most offering free advice to secure you the best deal for you.

Some brokers charge for advice, so ask them first.

It could cost a couple of hundred pounds but it might save you thousands on your mortgage overall.

You'll also need to factor in fees for the mortgage, though some have no fees at all, or you can add it to the cost of the mortgage, but beware that means you'll pay interest on it and so will cost more in the long term.

You can [use a mortgage calculator](#) to see how much you could borrow.

Remember, if you decide to remortgage to a new lender you'll have to pass the lender's strict eligibility criteria too, which will include affordability checks, and looking at your credit file.

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You may also need to provide documents such as utility bills, proof of benefits, your last three month's payslips, passports and bank statements.

It's possible to avoid new affordability checks by remortgaging to a new deal with your existing lender, providing you don't want to borrow more or extend your term.

Do you have a money problem that needs sorting? Get in touch by emailing money-sm@news.co.uk.

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