

19 May 2009

Lenders increase margins on short term fixed

The cost of the average fixed rate mortgage has risen in the last month, with borrowers looking for longer term mortgages being hardest hit.

	1 Month Ago	Today	Change
Average 2 Year Fixed	4.61%	4.64%	+0.03%
Average 5 Year Fixed	5.54%	5.55%	+0.01%
Average 10 Year Fixed	5.74%	5.78%	+0.04%

Source: Moneyfacts.co.uk 18.5.09

It takes a number of increases to move the market average and it seems we are seeing a worrying trend of rate increases. In the last few weeks the following providers have all increased rates.

- Barnsley BS
- Britannia BS
- Coventry BS
- Halifax
- Newbury BS
- Principality BS
- Royal Bank of Scotland (Intermediary mortgages)
- Woolwich
- Yorkshire BS

Borrowers with no more than a 15% deposit have been hardest hit, with rate increases of up 0.20% since this time last month.

	1 Month Ago	Today	Change
10 Year Fixed			
90% LTV	N/A	N/A	N/A
85% LTV	6.55%	6.75%	+0.20%
75% LTV	5.59%	5.61%	+0.02%
60% LTV	5.19%	5.27%	+0.08%
5 Year Fixed			
90% LTV	6.48%	6.55%	+0.07%
85% LTV	6.20%	6.19%	-0.01%
75% LTV	5.15%	5.16%	+0.01%
60% LTV	4.96%	4.99%	+0.03%
2 Year Fixed			
90% LTV	5.97%	6.09%	+0.12%
85% LTV	5.92%	5.97%	+0.05%
75% LTV	4.18%	4.16%	-0.02%
60% LTV	4.06%	4.13%	+0.07%

Source: Moneyfacts.co.uk 18.5.09

Michelle Slade, analyst at **Moneyfacts.co.uk**, commented:

“Borrowers hoping to take advantage of this period of low interest rates and lock into a long term fixed are going to be disappointed.

“In the last few weeks, swap rates for longer term deals have increased and this is being passed on through higher mortgage rates.

“Two year swap rates have continued their downward trend, but this is not being reflected in new mortgage rates. Lenders are in effect taking bigger margins from the more popular shorter term fixed deals.

“The best deals are still to be found for borrowers with a 40% deposit, but even these have not been immune from the increase in rates, even though the risk of foreclosure on such loans is minimal.”

Note to Editors:

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