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## Tumbling mortgage rates are still no incentive to borrowers

Mortgage rates are being cut, lending criteria is steadily being loosened and product availability is improving. It appears to be a perfect platform to host a resurgence in a struggling mortgage market, but it looks as if there is still little incentive for borrowers to commit to a new deal.

Since the Bank base rate hit 0.50% nearly fifteen months ago, many existing borrowers have seen their interest rate fall and a wise move would have been to overpay their mortgage with any gains. Some borrowers are doing more by off-loading their savings pot into their mortgage as well.

The average two year fixed mortgage rate has fallen to 4.61%, its lowest level in 15 months. The average three and five year fixed rates are also on the decline, at 5.30% and 5.74% respectively.

Mortgage	Average rate at peak (since base rate been at 0.50%)	Average rate today	Reduction in monthly mortgage payment*
2 Year Fixed	5.21%	4.61%	£52pm
3 Year Fixed	5.61%	5.30%	£28pm
5 Year Fixed	6.24%	5.74%	£46pm

\* Figures based on £150,000 repayment mortgage  
**Source: Moneyfacts.co.uk 27.05.10**

The average two year fixed mortgage rate in May 2008 was 6.59%. Reverting to the current average standard variable rate of 4.66% on a £150,000 mortgage would save homeowners £164.38 per month. Those fortunate enough to revert to a low standard variable rate of 2.50% would save £330.18 per month

**Darren Cook**, spokesperson for [Moneyfacts.co.uk](http://Moneyfacts.co.uk) commented:

“Lenders are easing their criteria and competition is returning to the market, which should be a perfect platform for a resurgent mortgage market.

“Lenders are competing for a reducing amount of business and there is little incentive for borrowers to remortgage to another mortgage deal.

“Mortgage revert rates as low as 2.50% have meant borrowers should have taken the wise decision to overpay their mortgage.

“Borrowers who have gained from a mortgage interest windfall and absorbed their savings into their monthly expenses may need to start preparing if interest rates go up as quickly as they came down.

“A spiralling inflation rate, which could be aggravated by the predicted rise in VAT, can only point towards a Bank base rate increase sooner rather than later.

“A bank base rate increase would not be the best news for borrowers, but an imminent rise should stop savers finding other uses for their hard earned savings pots”

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Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at [www.moneyfactsgroup.co.uk](http://www.moneyfactsgroup.co.uk).

## Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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