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Fix mortgage rates now, say experts

By Tanya Powley



Homeowners should consider locking into record low fixed-rate mortgage deals now, as industry experts warn that with US quantitative easing likely to wind down, UK rates are unlikely to get cheaper.

Mortgage rates have been on a downward trend over the past year as banks and building societies passed on cuts in the cost of funding.

This resulted in homeowners enjoying access to some of the cheapest-ever fixed-rate deals. On Friday, Yorkshire Building Society launched a ten-year fix at 3.89 per cent, and a five-year fix at 2.44 per cent. However, several mortgage brokers believe the steady fall in fixed-rate deals might be coming to an end after banks saw a jump in their funding costs this week.

On Friday, five-year interest-rate swaps – which are typically used by lenders to price the cost of fixed-rate deals – rose from 1.35 per cent to 1.57 per cent, following signals from the US Federal Reserve that it will start to reduce the amount of support it gives to mortgage bond markets.

Over the past month, UK five-year swap rates have increased by about 50 basis points.

Ray Boulger of John Charcol, the mortgage broker, said this higher cost of funding for banks could see mortgage rates start to edge up. “I think we may have reached the bottom for how low fixed-rate deals will go,” he said.

Nigel Bedford of Largemortgageloans, the mortgage broker, agreed that rates are unlikely to go any lower. “Whether banks and building societies will start to increase the cost of mortgage deals will depend where they are getting their funding from: the markets or through the government’s Funding for Lending Scheme.”

The recent downward trend in fixed-rate deals has seen a growing number of homeowners choose to fix their home loan in recent months.

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