

22/02/2014

## Fixed mortgage rates at historic low – but remortgage activity remains static

Despite the fact that fixed rate mortgages are at their lowest rates in recent years, the number of homeowners remortgaging onto these products remains low.

While fixed rates offer homeowners the stability of a guaranteed rate for a set term, making it easier to plan mortgage costs into a monthly budget, analysis by Halifax has found that a consistent number of homeowners are choosing to remain on Standard Variable Rate mortgages.

Since September 2012 fixed rates have fallen for 16 consecutive months, during which time they have, on average, been below Standard Variable Rate (SVR) mortgages by 83 basis points (Fixed Rates 3.52%; SVR 4.36%).

Although the financial incentive to remortgage has improved in this time, activity in this market has barely changed, with an average 31,650 remortgage transactions per month (30% of all home loans).

In September 2012 the average monthly payment of a homeowner who took out a 2-year fixed rate in would have been £534; at the same time the payment on an SVR mortgage would have been £544. Compare this to the average fixed rate deal in December 2013, with a monthly payment of £476, and those who had chosen to fix would now be saving £75 a month compared to those on the average variable rate (£551).

Since the start of the year there has been increasing consensus amongst mortgage commentators that mortgage rates are likely to increase, having remained consistently low in more recent years.

### **Craig McKinlay, Mortgages Director at Halifax said;**

“As Standard Variable Rates remain at historically low levels, which may have reduced current borrowers' incentive to move onto a fixed rate, you would still expect to see remortgaging activity respond more significantly to the reduction in fixed rates also.

“With recent reassurances from the Bank of England that interest rates are unlikely to increase in the very near future, borrowers now appear more willing to bide their time on a standard variable rate until there are stronger signs of base rate changing although it is important to remember that this is not the only factor that influences mortgage rates.”

### **For further information please contact:**

#### **Halifax Press Team:**

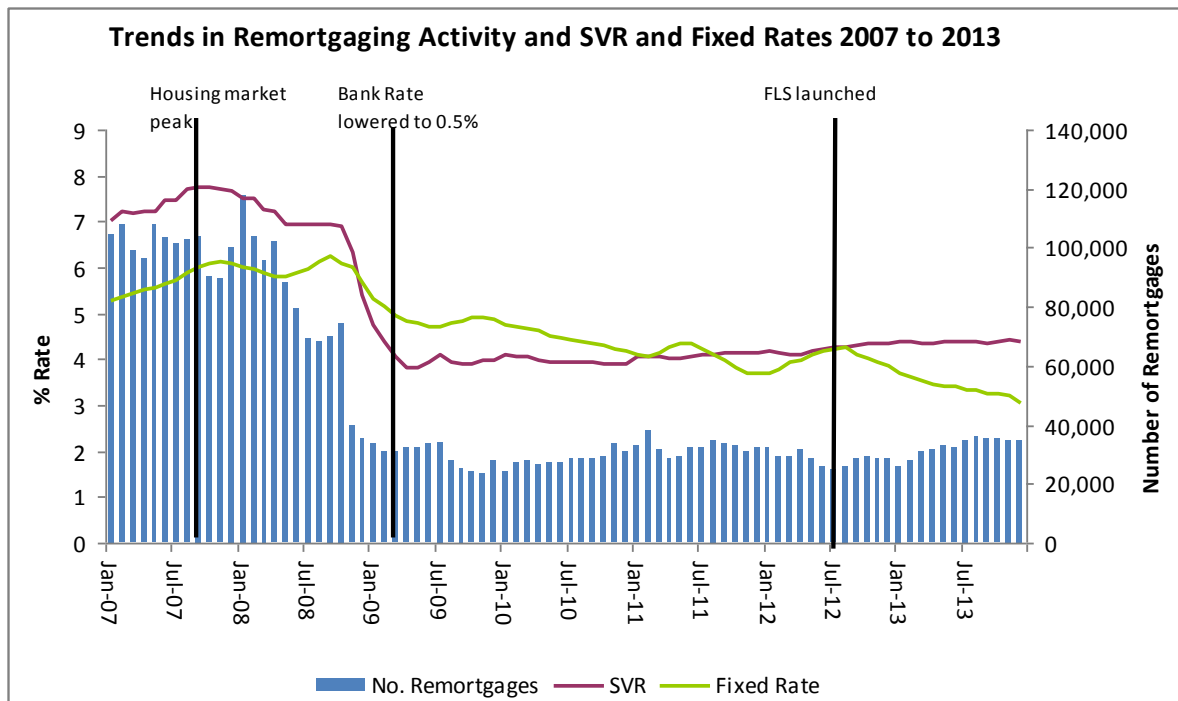
Clare Mortimer: 0207 574 8648 / 7768541555 [claremortimer@halifax.co.uk](mailto:claremortimer@halifax.co.uk)

Shella Ali: 0207 356 2017 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)

Lauren Jones: 0207 4404 579 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Ben Marquand: 020 7356 1838 / 07881311199 [ben.marquand@halifax.co.uk](mailto:ben.marquand@halifax.co.uk)

Chart 1 – Trends in Remortgaging Activity and SVR/Fixed Rates 2007-2013



Source: Bank of England and the CML

Looking back over the last five years, figures show that although fixed rate mortgages have fallen by 320 basis points since reaching a recent peak of 6.23% in September 2008; activity in the remortgage market of borrowers moving onto these products continues to remain low, averaging 31,750 per month compared to over 100,000 per month in the previous five years.

**Editors' Notes**

<sup>1</sup> Fixed rate series is a weighted average of all reported rates. - CML

<sup>2</sup> All transactions – housing purchases, remortgages and other loans

**Data Sources:**

Bank of England for SVR and housing transactions; CML for fixed rates, and mortgage data.

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. "

**For further information please contact:**

**Halifax Press Team:**

Clare Mortimer: 0207 574 8648 / 7768541555 [claremortimer@halifax.co.uk](mailto:claremortimer@halifax.co.uk)

Shella Ali: 0207 356 2017 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)

Lauren Jones: 0207 4404 579 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Ben Marquand: 020 7356 1838 / 07881311199 [ben.marquand@halifax.co.uk](mailto:ben.marquand@halifax.co.uk)