

While it is only a matter of time before mortgage rates started rising, it's always difficult to spot the bottom of the cycle

It may still be some time before the Bank of England see the need to raise interest rates, but with the cost of funding fixed rates pre-empting any change in bank rate, there are already signs that fixed rates could cost more.



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The cost to lenders to fund some [fixed rates](#) is now higher than earlier this month despite the introduction of quantitative easing measures, which it was hoped would help reduce borrowing costs, and this has already had some knock on effects. Less than two weeks ago, the cheapest 5 year fixed rate was a fantastic 3.95%, one of the lowest 5 year fixed rate mortgages seen in the UK. However, today, the best you can achieve is 4.24%, still attractive but an increase that will cost a borrower with a £200,000 interest only mortgage an extra £2,900 over 5 yrs.

These headline grabbing rates are also usually reserved for borrowers who have at least 25%, and often 40% equity in their homes, and as house prices continue to fall, fewer homeowners will qualify.

Those borrowers that don't qualify for the lowest rates face a very difficult decision. Do they take what is historically still a competitive fixed rate, or do they save money now and stay on their lenders standard variable rate (svr). If they opt for the svr they are likely to see their equity eroded further, and run the risk that fixed rates in the future could be considerably higher.

Many lenders will not lend to borrowers with less than a 15% stake in their home, so fixed rates are harder to find. Richard Morea from [London & country Mortgages](#) advises, 'Whilst it's unlikely that rates will climb steeply in the near future, a combination of any rise, and the continued erosion of equity mean that whichever rate you qualify for, now is the time to consider a fixed deal, and take action to secure it!'

For more information and no-fee advice, borrowers should call free on 0800 373300.

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Notes to Editor:
London & Country (L&C) is the UK's leading no-fee mortgage broker. Based in Bath, it provides whole of market advice via telephone and post to clients nationwide. As well as residential mortgages, it also specialises in the Buy-to-Let and adverse-credit sectors.

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