

Mortgages

Borrower blues: Average two-year fixed-rate mortgage breaches 6% but brokers urge calm



Written By: **Mortgage brokers have said borrowers should**

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This is the highest the average two-year fix has been since December 2022, when they started to steadily fall as the impact of the mini Budget eased, according to Moneyfacts.

The average two-year fixed rate increased from 5.98% on Friday to 6.01% today, while the average five-year fixed rate increased from 5.62% to 5.67%.

Rates started to rise again in April when it was revealed that inflation was not falling as quickly as initially thought and swap rates began to increase.

Meanwhile, the mortgage product count dropped from 4,923 on Friday to 4,683 this morning.

AVERAGE RATES ARE UNHELPFUL

Mortgage brokers said it was not necessarily useful to focus on average rates as it overshadowed the fact that lower rates were still available on the market.

Lewis Shaw, founder and mortgage expert at Shaw Financial Services, said: "The talk of average mortgage rates is unhelpful as no one has an average rate. The range across all loan to values (LTVs) for a two-year fixed rate for a standard residential purchase or remortgage with good credit is between 5.05% with a 40% deposit or equity and up to 6.99% with a 5% deposit."

Hannah Bashford, director at Model Financial Solutions, said: "An average two-year fixed rate of 6% sounds scary and will certainly grab headlines but in reality, there are still plenty of rates available just above five per cent."

"Irresponsible scaremongering" Jonathan Burrridge, founding adviser at We Are Money, said it was "irresponsible scaremongering" to headline average rates as there were still cheaper options available.

He added: "All this sensationalism simply causes panic and instability. We need to keep calm. Rates have returned to 'average' levels if you look at the last 40 years or so. It is going to be painful for many and they need to speak with balanced professionals who can assist rather than be scared to hell by headline-grabbing stories."

INFLATION AND BASE RATE ANTICIPATION

Other brokers said they were waiting for the next inflation data and the subsequent Bank of England base rate decision, as this could have an additional impact on the direction of mortgage rates.

Gary Bush, financial adviser at MortgageShop.com, said SONIA swap rates were currently 5.435% and mortgage lenders were in "overreaction mode".

He added: "We simply can't get to Wednesday's inflation figure announcement fast enough."

Graham Cox, founder at SelfEmployedMortgageHub.com, said: "Let's just pray the inflation figures on Wednesday are better than expected. If they are, rates may fall as quickly as they've risen over the past couple of weeks. If they're worse, hold onto your hats."

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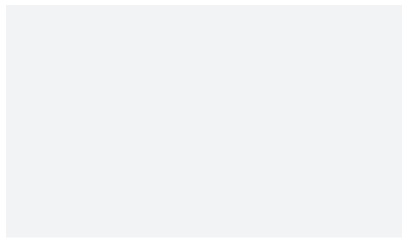
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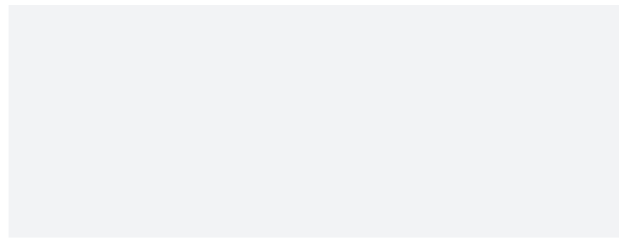
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