

To fix or not to fix?

Mortgage Interest Rates: Catch 22



The big question facing people looking to review their current mortgage or arranging a new one at the moment is to fix or not to fix?

Rates are still as historically low as they have ever been. The Bank of England has carried out a programme of Quantitative Easing which has so far added £200 billion into the economy, the effects of which we are still waiting to see. Add to that the General Election which has to happen during the summer and you can see why people are confused about mortgage rates.

Rates will almost certainly increase back to the levels we saw 2 years ago. Remember the Bank of England Base rate was actually at 5.5% only 24 months ago. Therefore the logic would be to fix your mortgage rate...but when?

The general consensus is that interest rates will remain low for the foreseeable future. How long is the foreseeable future you may ask? I would refer you to the length of a piece of string as an answer.

Seriously though the banks are continually changing the rates that they offer and deciding when to take a fixed rate is tricky. Many of our clients have taken the decision that rates are definitely going up so it is best to take a fixed rate now before they do. There is certainly some merit in this as when indications suggest an increase in rates the banks tend to pre-empt and re-position upwards.

We saw this last year with a hike in the fixed rates available from the lenders. Recently we have seen a reverse of this position with better fixed deals becoming available with some excellent benefit packages (rates from 3.49% fixed for 2 years*).

I believe that we will continue to see this re-positioning from the banks as funds become either more available or more restricted depending on the markets. Until the Bank of England gets a strong indication that their strategy is working or not I think rates will remain low but as mentioned, how long is a piece of string?

I would suggest if you are on a decent variable rate to hold tight for now. If you are taking a new mortgage consider the range of fixed deals and maybe for a longer period than the standard 2 years. Whatever your situation I would speak to a financial adviser to find out the best deals available – Call Paul or Cathy on **612611** or e-mail: advice@financialoptions.co.im for all the options!

Financial Options

Concerned about mortgage interest rates?

Try this two year fixed rate:
75% Loan to value, No booking fee,
free valuation and a £250 refund
and only

3.89%*

Available to all borrowers
Call Paul or Cathy on

612611

* Rate correct at 18/01/10. Terms & conditions apply



68 Athol Street, Douglas
or 37 New Road, Laxey

Email: advice@financialoptions.co.im
Web: www.financialoptions.co.im



Chase Financial Services Limited, registered in the Isle of Man No. 264233C. Financial Options, Relocation Options and Corporate Options are trading names of Chase Financial Services Limited. Licensed by the Isle of Man Financial Supervision Commission to carry on investment business and provide corporate services. Registered with the Isle of Man Insurance and Pensions Authority in respect of general business.