

Fixed-rate deals have risen sharply, best buys are short-lived and it is likely that there is more pain on the way, writes Francesca Steele

If you found a deal online two days ago, the chances are that it won't even be available any more

Brokers and borrowers expressed alarm this week as fixed rates rose to their highest level in six months and best-buy deals were withdrawn. A typical five-year fixed-rate mortgage is now 5.45 per cent, according to Moneyfacts.co.uk, the price comparison website, and HSBC and the Royal Bank of Scotland put up the cost of their five-year fixes by up to 0.3 percentage points. What's more, brokers say that the best-buy deals advertised in shop windows are now typically withdrawn after a week or less.



The best rates available now

Best-buy fixes			
First Direct	2.89%	Two-year fix	65% ltv £1,499 fee*
Mansfield BS	3.09%	Two-year fix	75% ltv £999 fee
ING Direct	3.69%	Two-year fix	80% ltv £945 fee
The Mortgage Works	3.24%	Three-year fix	70% ltv 2% fee
Mansfield BS	3.59%	Three-year fix	75% ltv £999 fee
ING Direct	4.14%	Three-year fix	80% ltv £195 fee
Cumberland BS	3.99%	Four-year fix	60% ltv £599 fee
Santander	3.99%	Four-year fix	70% ltv £1,495 fee
Principality BS	4.89%	Four-year fix	85% ltv £999 fee
Yorkshire BS	4.29%	Five-year fix	60% ltv £995 fee
Santander	4.35%	Five-year fix	70% ltv £995 fee**
Nottingham BS	4.69%	Five-year fix	80% ltv £995 fee
Best-buy trackers			
First Direct	1.99%	Two-year tracker	65% ltv £999 fee*
HSBC	2.49%	Term tracker	70% ltv £599 fee
Bank of China	2.30%	Term tracker	80% ltv £1,295 fee*
Best buy-to-let rates			
Coventry BS	4.35%	Two-year fix	65% ltv £1,249 fee
Birmingham Midshires	4.80%	Two-year fix	75% ltv 2.5% fee
Kensington	5.99%	Two-year fix	85% ltv 2.5% fee

*Available on repayment only **Purchase only

Contact list	
First Direct	0800 482448
Mansfield BS	01623 676300
ING Direct	0800 0328822
The Mortgage Works	Via brokers only
Cumberland BS	0845 6018396
Santander	0800 0232761
Principality BS	0800 6781000
Yorkshire BS	0845 1200100
Nottingham BS	0115 948 1444
HSBC	0800 1696333
Bank of China	020-7282 8888
Coventry BS	0845 7665522
Birmingham Midshires	Via brokers only
Kensington	Via brokers only

Source: Trinity Financial Group 020 7520 1427

Although the Bank of England decided again this week to keep base rates at 0.5 per cent, the expectation that it will raise them in the next few months has already caused swap rates — the main driver for fixed-rate increases — to soar. Is now the time to fix before rates climb even higher? Or is a tracker still the best option until the fate of the base rate becomes clearer?

Can I still find a good fixed rate? Aaron Strutt, a broker at the Trinity Financial Group, says that fixed-rate increases are likely to continue, so if you want some mortgage security now is as cheap as you're going to get. "Five-year fixes are quite expensive now but there are still some really good four-year fixes." Santander has a four-year fix at 3.99 per cent for those with a 30 per cent deposit and the £1,495 fee.

What have lenders done already? Many, including NatWest and HSBC, have raised their best-buy deals by almost half a point since Christmas. ING Direct completely withdrew its five-year fix at 4.49 per cent this week. Britannia, RBS and Coventry have also all upped or withdrawn rates this week. Strutt says: "If you find a good deal online, the chances are it won't be there two days later."

Why have swap rates risen so much? Two-year swaps have risen by 47 per cent since November. This is based on the expectation that base rates will increase soon because of soaring inflation, which is running at 3.7 per cent.

Is this expected to change? Some economists still expect base rates not to move until the final months of this year and say that mortgage rates will fall as lenders are forced to justify increases. However, lenders tend to improve rates much less quickly than they raise them.

Any good news? The number of prime residential mortgages has doubled in the past two years, rising from 1,097 available products in February 2009 to 2,447 today. Deals for people with smaller deposits have also grown, with the number available to people with a 20 per cent deposit more than tripling in the past two years. However, brokers warn that many such loans are approved only for a small number of applicants.

So should I choose a tracker? Melanie Bien, of Private Finance, the broker, says that those who can cope with a few rate rises should consider a tracker that can be switched to a fix at any time. HSBC offers a lifetime tracker with no early redemption charges. But Bien adds: "Remember that fixes will be even more expensive once interest rates start rising."

Can I get a buy-to-let mortgage? Buy-to-let loans are the most improved sector of the market. This week Kensington Mortgages raised its maximum loan-to-value (LTV) ratio to 85 per cent, the highest available for landlords, and reduced the proportion by which rent must exceed mortgage costs. Fixed rates for this deal start at 5.99 per cent. Elsewhere, the best LTV is 80 per cent, from The Mortgage Works, part of Nationwide. Santander and Yorkshire Building Society are both expected to offer loans to investors this year.