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Move now on a mortgage if you want to unlock the best deals



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31 Jan 2012

Brokers are warning any Britons who are thinking of buying their first home or moving house this year to secure mortgage agreements from banks now to avoid being hit by rising rates later in the year.

There are still exceptional deals: the Chelsea today launched Britain's cheapest five-year mortgage at 3.19%.

However, in recent weeks, the Woolwich and Nationwide have pushed up their rates by up to 0.2%, and NatWest, Santander and Halifax have all lifted their interest rates too, according to broker Trinity Financial.

Back in July, the cheapest lifetime tracker from ING Direct charged interest at base rate plus 1.89%. Now the cheapest equivalent deal on the market is from HSBC, charging interest at base rate plus 1.99%.

"It is unusual for so many lenders to make changes to their mortgage rates in such a short space of time. But if one of bigger banks increases its rates by a substantial margin, the others follow," says Aaron Strutt of Trinity Financial.

Although economists expect the Bank of England base rate to remain at its record low 0.5% for at least another two years, the eurozone crisis is pushing up swap rates - the price at which banks lend to one another - and that is expected to continue.

Fees are also soaring. In the past year, banks' extra charges for setting up a mortgage have risen by 69%, with the average arrangement fee presently standing at £1498.

That is why anyone considering buying a property this year could benefit from starting their search for finance now. Mortgage offers are generally valid for up to six months. If a better one arises during the length of a property search, it is easy to swap. However, if rates continue to rise as expected, securing an offer in principle now could save thousands.

"Although there is little to no expectation of Bank rate rising in the near term, there are question marks over the cost of funding for mortgage lenders," says David Hollingworth at London & Country Mortgages.

"The trend for rising rates is likely to continue.

Mortgage borrowers who are coming to the end of their current deal can shop around in advance to secure a rate now - however, they need to check how long the mortgage offer will remain valid."

Wannabe first-time buyers can still apply for a mortgage in principle for a particular level of loan, even without somewhere specific in mind, although if the ultimate property find varies drastically from that outlined when applying for the mortgage the offer will not be valid.

Watch out for the small print: borrowers often stipulate deadlines by which time the mortgage must be completed or the rate will be lost. "Look at the end date of a deal, too, as if the borrower holds off from completion for six months, the product may only have 18 months to run rather than two years," adds Hollingworth. If a lender demands an up-front fee to reserve a rate, that will only be worth it for a buyer who is certain to take the deal up - probably not for first-time buyers.

Watch out, too, for those extra fees. "In the excitement of buying a house, it is easy to ignore arrangement fees but this could be a costly mistake," says Sylvia Waycot of Moneyfacts.

"Researching the best mortgage deal should not just include the headline rate but also set-up charges and free legal fees. Ask for a 'true cost' projection which takes into account all payments over the life of the mortgage."