



Could falling fixed rates help prospective buyers?

In July, both two and five-year fixed-rate deals dropped by 0.02% for the first time since May. Although the forecast for further changes is uncertain, the initial drop in rates is promising and could lead to a more favourable environment for prospective buyers if rates continue to fall in 2023.

How does this impact me?

Despite a small fall in rates, it's a promising sign for the future with further rates potentially falling. With reduced borrowing costs, the barriers to homeownership diminish, allowing aspiring buyers to afford a home loan and lock in lower monthly mortgage payments.

Falling rates can also be advantageous for existing homeowners looking to upgrade to a more desirable property. Current homeowners are able to sell their homes more easily, as potential buyers look to enter the market with affordable financing.

The main benefit of lower rates is the opportunity to refinance existing mortgages. If you're on a fixed-rate mortgage, you may choose to refinance your loan and secure a cheaper rate to reduce monthly payments or shorten the term. Despite the current rates falling by only a small amount, the results can be significant with an increase to long-term savings and financial flexibility.

However, it is important to speak with your adviser before making any decision, as it may be that to exit your current fixed rate product incurs Early Repayment Charges (ERCs) which would make switching not worth it.

Approach with caution

Being cautious around interest rates, even if they come down further, is crucial. If interest rates are on a downward trend they can shoot back up again without warning, especially during a period of economic instability. Homeowners could continue to face higher monthly repayments until we see a significant decline in interest rates, continuing to limit the ability to save or invest in other areas.

Fluctuations in rates could lead to uncertainty for both current and potential mortgage holders. To navigate the complexities of the mortgage market, you should remain cautious, seeking professional financial advice. A thorough understanding of how the interest rates impact mortgages will allow you to make informed decisions during changing economic conditions.

For more information, contact your adviser who can support you and discuss the options available to you.



If you'd like to discuss the options available to you, contact your adviser today.

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