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Fixed mortgage rates fall further in 2015 Potential savings increase by 50% in past two years

Fixed rate mortgages fell to their lowest levels in 2015, whilst the standard variable rate remained static, meaning the potential savings for borrowers improved significantly over the course of the past two years, according to the latest research from Halifax.

The average interest rate on a new fixed rate mortgage fell a further 0.59¹ over the past 12 months, whilst there was no change in the standard variable rate over the same period. This means that the average fixed rate now stands at 2.66% compared with the average standard variable rate of 4.49%, with the gap between the two widening by 1.81 percentage points since August 2012².

Potential savings for homeowners increase by 50%

As a result the amount homeowners could be saving by switching to a fixed rate deal has increased by 50% in the past two years.

In November 2013, the average monthly payment of a homeowner who took out a two-year fixed rate on a £100,000 mortgage would have been £485. At the same time, the payment on a standard variable rate mortgage would have been £551 – a monthly saving of £66. A borrower taking out a fixed rate in November 2015 would be paying £457 a month on a £100,000 loan compared with £555 on the average standard variable rate – a saving of £99 a month; 50% higher than two years' earlier.

Craig McKinlay, Mortgages Director at Halifax said;

"With base rate remaining at record low levels for another year, fixed rate mortgages fell further in 2015. Over the past three years average rates have fallen sharply, significantly widening the gap between them and standard variable rates. As a result, borrowers have been able to make considerable savings.

"Whilst remortgaging activity has picked up in the last year, this is only in line with new loans. As a result, remortgage activity's share of all lending has remained relatively subdued, especially when compared to its strength in 2008. Without the concern of a base rate rise in the immediate future it seems borrowers' appetite to remortgage has been dulled, meaning that some could be missing out on significant savings."

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PRESS RELEASE

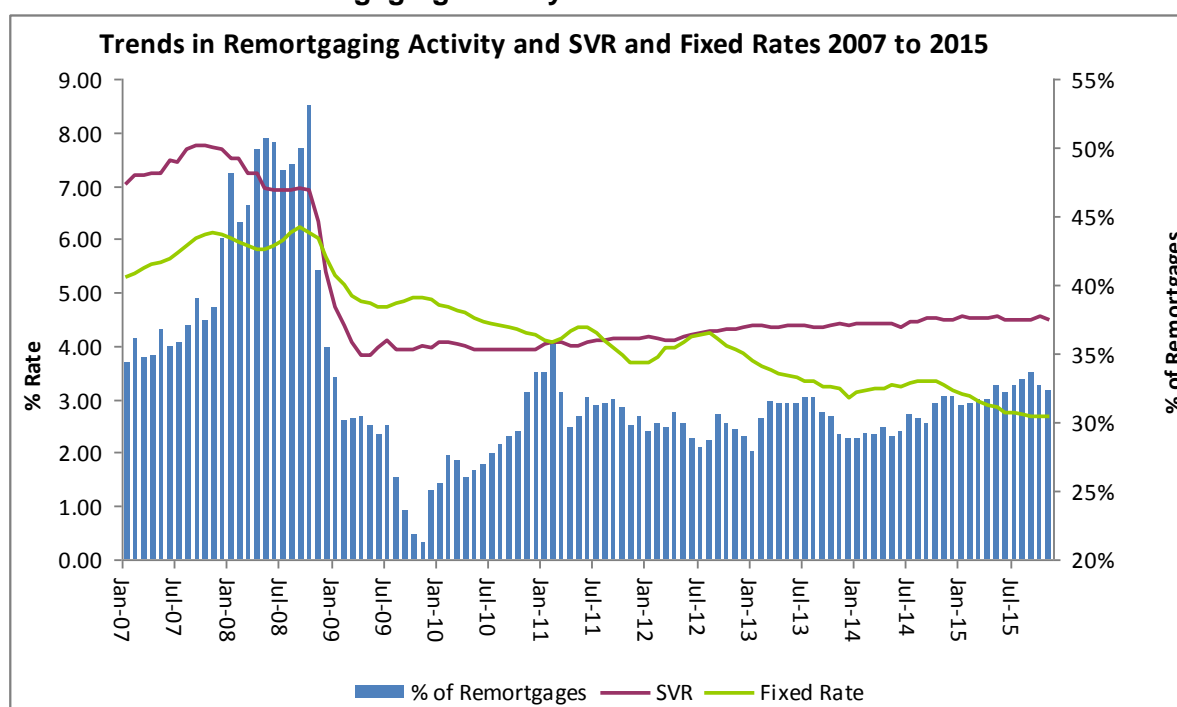


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Remortgage activity remains well below 2008 peak

The widening gap between fixed rates and standard variable rates appears to have helped improve remortgaging's share of all new mortgage lending² from 29% in August 2012 to 32% in November 2015. However, this growth is far slower than that seen in the gap between fixed and variable rates, and demonstrates that remortgaging remains considerably below the peaks of 50% that it reached in 2008.

Chart 1 Trends in Remortgaging Activity and SVR/Fixed Rates 2007-2015



Source: Bank of England and the Council of Mortgage Lenders

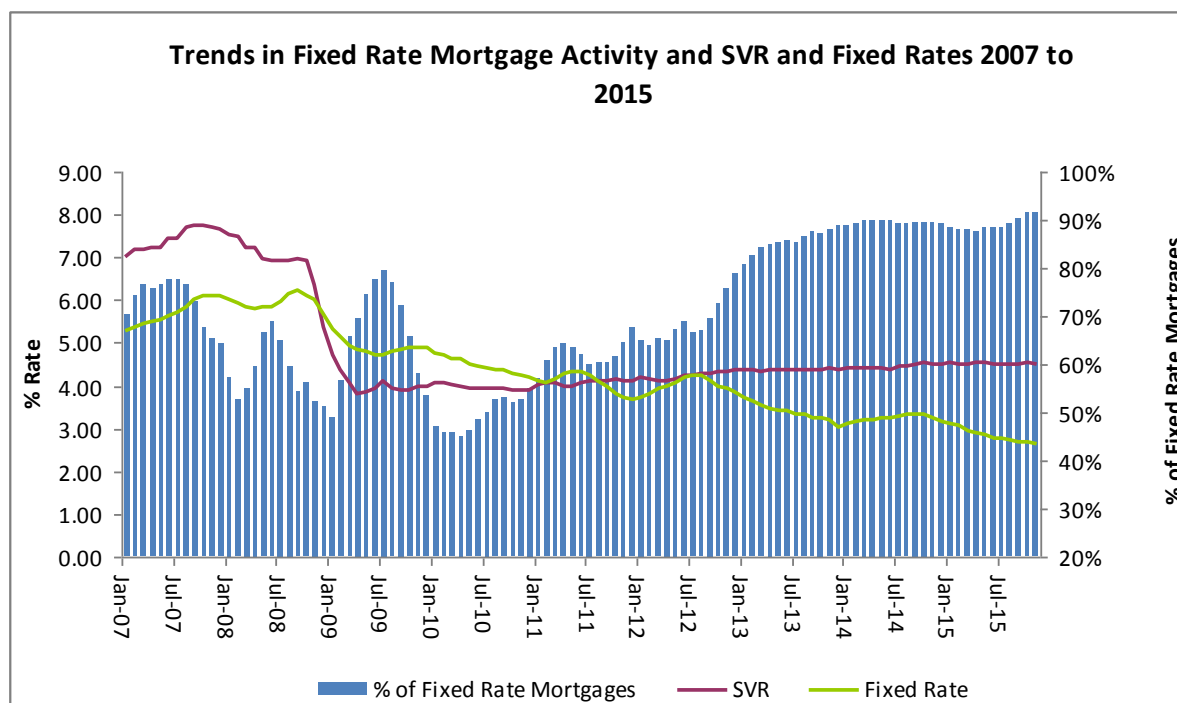
Chart 2 Trends in Fixed Rate Mortgage Activity and SVR/Fixed Rates 2007-2015

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Source: Bank of England and the Council of Mortgage Lenders

Editors' Notes

- ¹ Fixed rate series is a weighted average of all reported rates. - CML
- ² Average fixed rates have fallen by 1.59 percentage points from the most recent peak of 4.25% in August 2012. Over the same 40 months, the average standard variable rate (SVR) has increased by 0.22 percentage points.
- ³ All transactions – housing purchases, remortgages and other loans

Data Sources:

Bank of England for SVR and housing transactions; CML for fixed rates, and mortgage data.

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