



MORTGAGE NEWS AUGUST 2009

Is it time to Fix?

In the current economic climate with Bank of England Base at a historic low of 0.5% it can be difficult to decide what options to take with your mortgage so lets look at them:

What are the benefits of fixing?

Fixing your mortgage gives you financial stability as you know that your payments will not change during the deal term and there is no risk of a sudden increase. This is ideal for those who wish to stick to a monthly budget and want to know exactly what is payable each month.

The fixed rate mortgage offers you [protection against rate rises](#). Rates are at an all time low but are likely to rise as the economy starts to improve, meaning people on trackers or variable rates could have significant payment increases as rates rise.

By fixing now you are protecting yourself against future rate increases whilst rates are still low.

What are the drawbacks of Fixing?

The main potential drawback is that if rates stay low at 0.5% whilst you are in a fixed term, for say 2 years at 5%, this could be extremely frustrating. However if base rate increases to more than 5% the fixed rate achievable at that point would be significantly higher, but you would have already locked into a lower 5% fixed.

You therefore have to decide whether you will take the risk of staying on a variable rate and be [vulnerable to potential increases](#) or secure yourself a fixed rate now.

Does it cost more to fix?

The simple answer is yes, there is no argument that the initial cost of a fixed is more than a variable rate. The lenders fees are more and you are likely to pay more per month than a variable rate.

IS THE MARKET RECOVERY BEGINNING?:

The question is what is happening with house prices and as a buyer or seller what does this point in time mean to you.

Not afraid of criticism here but for the purpose of this read we want to give you the facts so you can make your own mind up.

There are two main national house price indices and the figures here are derived from the 'Nationwide'.

The typical house price [rose for the fourth consecutive](#) month this year. In July there was a 1.4% increase and in August there was a 1.6% increase.

The average price of a typical UK property now stands at [£160,224](#), slightly lower than 12 months ago but increasing.

Taking into account seasonal adjustment we have seen the [highest level of rise since February 2007](#).

Over the first eight months of 2009, taking into account adjustments, the index of house prices has [risen by 3.2%](#).

According to some, the reason for these increases is the combination of low interest rates and foreign [buyers snapping up bargain investment properties](#) whilst they still can.

Is the time right to buy whilst rates are still relatively low, do you wait until prices increase and interest rates rise? This is a

But you are effectively paying for [piece of mind](#) and the certainty that your payments on your main commitment will stay the same whilst others such as utilities and council tax will no doubt increase!

What happens when the fixed term ends?

Fixed rate mortgages are commonly for 2, 3 or 5 years and when this period ends the mortgage would naturally revert to the lenders standard variable rate. At this point it would be usual for tie ins and penalties to end.

Most lenders nowadays will offer you a new fixed rate and it would be down to you to select from their existing borrower products. Alternatively we will look at what else is available on the rest of the market thus allowing you to [make an informed choice](#).

For more information on what fixed rates are available today please call our mortgage team on 0800 3283684 or send through an enquiry via our website at www.metrofinance.co.uk

For a positive outlook on your mortgage visit us online at www.metrofinance.co.uk or call us on freephone 0800 3283684.

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