



# VIEWPOINT

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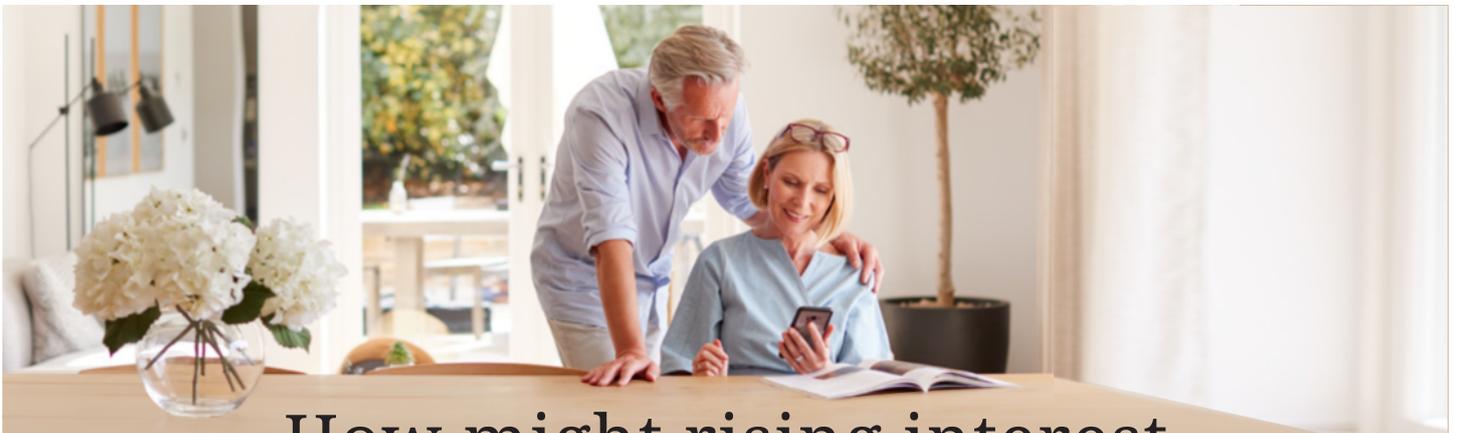
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# How might rising interest rates affect your mortgage?

The Bank of England has raised interest rates and warned further hikes are likely in the coming months.

This will mean bigger bills for some homeowners.

On 3 November 2022, the Bank of England raised interest rates from 2.25% to 3% - the eighth hike since December 2021 - in a bid to combat soaring inflation. And, the Bank's Governor, Andrew Bailey, has warned people to expect further rises in the coming months.

It is now widely anticipated that rates will rise to over 5% by Spring next year. This has had a huge impact on the mortgage market - with some lenders pulling deals altogether and others replacing their offerings with more expensive alternatives.

## What does a rise in interest rates mean for your mortgage?

If you don't have a fixed-rate mortgage, you're likely to see your borrowing costs rise, although how they are affected will depend on the type of product you have. Your adviser can help you assess your mortgage deal and figure out ways to make savings.

- Only borrowers with a mortgage that moves up or down with the base rate will be immediately affected by the interest rate change.
- This includes tracker mortgages and standard variable rate mortgages (which you revert to when a mortgage deal ends).

## Fixed-rate mortgages

If you're on a fixed-rate mortgage deal, you won't see any change in your monthly payments. This is because the interest rate you pay stays the same for the length of your mortgage deal.

But with further interest rate rises expected, if you're close to the end of your current term, it may make sense to look for a new deal sooner rather than later. You can generally lock in a new mortgage deal three to six months before an existing deal comes to an end.

If you've got more than six months to the end of your current deal, you'll either need to wait for a while or pay the early exit fee (A fee you may have to pay your current lender if you end your mortgage deal prior to the 'official end date') We can advise you on the best way forward.

## Standard variable rate mortgages

You end up on a standard variable rate (SVR) when a tracker or fixed-rate mortgage deal ends, and you don't remortgage.

If you're currently on your lender's SVR, you may well see your monthly payments increase following the rise in the base rate. You may not be hit with the full increase though, as these rates go up at a lender's discretion.

## Tracker mortgages

Tracker mortgages follow the Bank of England's interest rate. So, payments on your tracker mortgage will rise as a direct result of any increase in the base rate. Exactly when this happens will depend on your lender.

As a rule, tracker mortgages do not exactly match the base rate but are set at a level just above it. For example, if your lender's rate is the base rate +1%, the interest you'll pay in total on your loan will be 3.25 % (based on the base rate of 2.25% - 5 October 2022).

Whatever type of mortgage you have, we can advise you about how the interest rate rise might affect you and address any questions or concerns you have.

## How to save on your mortgage costs

The best thing you can do is to speak to your financial adviser. If you're on a tracker mortgage, they'll be able to advise whether changing to a fixed-rate deal to protect yourself from any further rises is a good idea. They'll also let you know about the fees involved when making changes to your mortgage. If you're on an SVR, the interest rate you will switch to when your initial mortgage deal ends, you can switch to a new mortgage deal at any time. With interest rates rising, your adviser can help you look at available fixed-rate deals.

If you're already on a fixed-rate deal, your mortgage payments won't increase until your current term ends. With many lenders letting you lock into a new deal six months before your existing one finishes, it's a good idea to plan ahead.

*Whether you're looking to remortgage or are a first-time buyer, we can help you find the most suitable deal for your circumstances and help keep your costs down.*

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS  
ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT**