

Mortgage rates drop to lowest level in years – but warning variable rate customers now in ‘last-chance saloon’

MORTGAGE rates have fallen to their lowest level in years. This has prompted warnings to people on expensive variables to grab their last opportunity to get a cheaper fixed rate.

Note : Below are extracts from an article published by The Irish Independent (9th November 2022) as referenced below.

Weston(2022) starts by outlining how Ireland has been a relatively high mortgage rate market in comparison to other Eurozone countries:

Home-loan rates in this country are now the eighth lowest in the Eurozone, having been the highest just a few months ago. This is in contrast to the rest of the Eurozone where rates have risen dramatically over the past six months.

New figures from the Central Bank of Ireland show that the average new mortgage rate in this country was 2.58pc in September. This is down from 2.64pc in August. The Eurozone average is 2.40pc, its highest level since at least August 2017, and over double the rate this time last year.

Ireland was also the only country to see its average rate fall in September compared to the previous month. Head of communications at Bonkers.ie Daragh Cassidy said: “While rates have begun to shoot up elsewhere in Europe they’ve remained remarkably steady here for now.

“However, we need to remember that rates in Ireland were comparatively high to begin with. Especially variable rates. Still, the slowness of the main lenders in passing on recent rate increases from the European Central Bank is obviously welcome.”

(Weston 2022)

According to Weston(2022) variable and tracker mortgage customers have little time left to avail of the low fixed rate options on the market, with switching not ideal given lengthy application processing currently. Broker Michael Dowling expresses his views:

Bank of Ireland and Permanent TSB have yet to pass on any of the 2 percentage points rate increase from the ECB to their non-tracker customers. AIB has only increased its fixed rates by 0.50 of a percentage point. This increase only came into effect for new applications in the middle of October.

Broker Michael Dowling said there was still time for people on variable rates, and those whose fixed rates were coming to an end, to either seek a new fixed rate from their lender or to switch to another provider. He said there have been three ECB rate rises, with more jumbo hikes to come by next summer. Those on very high margin trackers should seek advice if they are considering ditching the tracker for a fixed rate, he said.

As many as 200,000 homeowners are on variable rates. There are 250,000 on trackers, which rise or fall when the ECB rate changes. These people are in the “last-chance saloon” when it comes to availing of some of the lowest fixed rates seen in years. Mr Dowling said the first thing for those seeking a fix to do is to ask their own lender what options are on offer.

There may be still time to effect a mortgage switch despite the fact that some lenders are taking more than six weeks to process a switch. He said Permanent TSB is offering a four-year fixed rate of 2.05pc, for those with a loan to value of less than 80pc.

(Weston 2022)

Weston(2022) emphasizes how mortgages sold to vulture funds have fewer options open to them and will be penalized most:

But the people being hit hardest by the ECB rates-raising frenzy are those whose mortgages have been sold to vulture funds as the entities servicing these loans do not offer fixed rates. Thousands of borrowers are being impacted after their mortgages were sold by the likes of Permanent TSB, and are now managed by Start Mortgages, Pepper and Cabot.

Many have been told their variable rates are now going to 5.1pc, with others reporting that they are being hit with rates as high as 5.8pc. This is despite the fact that they were told by the Central Bank and the Government they would not lose out when their mortgages were sold.

Mr Dowling said the credit servicing firms do not offer fixed rates, with the borrowers being exposed to the full extent the ECB rate rises.

(Weston 2022)

References

Weston, C. (2022) ‘Mortgage rates drop to lowest level in years – but warning variable rate customers now in ‘last-chance saloon’, *Irish Independent*, 09 November. Available at : <https://www.independent.ie/business/personal-finance/property-mortgages/mortgage-rates-drop-to-lowest-level-in-years-but-warning-variable-rate-customers-now-in-last-chance-saloon-42130677.html>. (Accessed 10 November 2022).