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HOMEOWNERS PAYING THOUSANDS A YEAR TOO MUCH BY STICKING WITH A STANDARD VARIABLE RATE MORTGAGE

HSBC lowers mortgage rates, making borrowing cheaper

Homeowners on a lender's Standard Variable Rate (SVR) mortgage could be paying over **£4,100*** a year – or over £340 a month - more than they need compared to what they'd pay if they fixed their mortgage now, according to new research from HSBC. This research comes at a time when the bank has lowered the interest rate on a number of fixed rate deals.

While the average SVR rate among lenders is 3.74%, a two year fixed rate mortgage can be over 2% lower.

If borrowers want a quick fix, based on the average UK house price of £220,000** borrowers could save up to £148 a month or **£3,541** over the course of a 2 year term with no upfront fees. Alternatively, a two year fixed rate mortgage at the new lower rate of 1.14% (with £999 fee) for a mortgage of £180k, would see a saving of £235 in their monthly payment, or **£4,632** over the fixed rate term taking into account a £999 product fee.

The research also showed that if homeowners desired even more certainty, they could still:

- Make a total saving of **£20,839** by taking out a 10 year fixed rate mortgage, currently at 2.64% with no fee, on a £300k mortgage.
- Save **£9,788** across the full product term, or £1,958 annually, with a 5 year fixed rate mortgage for £180k. This saving takes into account the product fee of £999.

Commenting on the findings, Tracie Pearce, HSBC UK's Head of Mortgages said: "Thanks to a low interest rate environment, and favorable cost of funding for many firms, interest rates for fixed term mortgages have been at record lows, dipping below 1% for a short time. During this period of economic and financial uncertainty, many people would welcome the peace of mind as well as the immediate financial boost provided by fixing their mortgage and significantly lowering their costs."

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“In addition to having certainty on how much money is being paid out each month, those coming off their lender’s SVR could see savings of thousands of pounds a year, in some cases more than £20,000 over the fixed term period. Taking a small amount of time to review your current plan now could result in a significant financial reward.”

Type of mortgage	Interest rate	Booking fee	House Price	Size of Mortgage (60% LTV)	Monthly repayment	Monthly payment saving	Annual saving (inc. product fee)	Total saving (inc. product fee)
Typical industry SVR	3.74%	n/a	£220,000	£132,000	£678		-	
			£300,000	£180,000	£924			
			£500,000	£300,000	£1,541			
2 year fixed	1.54%	£0	£220,000	£132,000	£530	£148	£1,770	£3,541
	1.14%	£999	£300,000	£180,000	£690	£235	£2,316	£4,632
			£500,000	£300,000	£1,150	£391	£4,193	£8,386
5 year fixed	1.79%	£999	£220,000	£132,000	£546	£132	£1,382	£6,912
			£300,000	£180,000	£745	£180	£1,958	£9,788
			£500,000	£300,000	£1,241	£300	£3,396	£16,980
10 year fixed	2.64%	£0	£220,000	£132,000	£602	£76	£917	£9,169
			£300,000	£180,000	£820	£104	£1,250	£12,504
			£500,000	£300,000	£1,367	£174	£2,084	£20,839

While savings can be made by switching from SVR to a fixed rate deal, HSBC is making borrowing cheaper for those looking to get on or climb the property ladder, by lowering interest rate on over a dozen mortgages across 2 and 5 year deals.

Tracie Pearce added: “We are committed to offering good value to customers whether they have a large or smaller deposit. These new lower rates will make buying a property or remortgaging cheaper, providing more food for thought for those on their lender’s SVR.”

2 year fixed

- 60% LTV reduced to 1.14% (with £999 fee), a reduction of 0.1%.
- 70% and 75% LTV reduced to 1.19% from 1.24% (with £999 fee).
- 80% LTV reduced to 1.74%, down by 0.1% (with no fee)
- 85% LTV reduced to 1.89%, lowered from 1.94% (with no fee).

5 year fixed

- 70% and 75% LTV reduced to 1.94% (with £999 fee).

- ENDS -

Methodology

* Based on a £300,000 mortgage on a £500,000 house with a 60% LTV 2 year fixed rate mortgage at 1.14%, with a £999 fee – annual savings of £4,193 (including £999 booking fee); monthly payment savings of £391

** Based on the latest ONS Statistical bulletin: House Price Index, UK: Dec 2016.

Calculations based on a 25 year repayment term



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