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To fix or not to fix?

By Irish Mortgage Brokers, in association with the Marian Finucane Show, 31st January 2010

Permanent TSB just increased the price they are charging 70,000 of their customers who are on their standard variable rate, raising it 50 basis points or 0.5% to 3.69%, this move is independent of any change in price by the European Central Bank (ECB) who set the 'base rate' or foundation cost of money in the Eurozone.

There are c. 350,000 standard variable rate mortgage holders out of a total pool of 791,000 residential mortgages in the country, that's about 45% of the mortgages in existence at present. If you are amongst the 280,000 mortgage holders on a standard variable rate who have not been affected by the margin increase by Permanent TSB but are worried that because you have a variable rate mortgage that your bank might increase your mortgage interest rate then there are few ways you can protect yourself.

- 1. Redeem or repay your mortgage:** If your balance is quite low you could pay off your loan providing you have the savings to do so, your bank cannot penalize you for doing this if your mortgage is on a variable rate, you have certain rights and protection under the Consumer Credit Act of 1995, however, in order to opt for this method you would have to have sufficient savings to clear your mortgage in full.
- 2. Talk to your lender about a fixed rate:** Banks are odd in that they generally don't offer the cheapest products to their loyal customers. If you call your bank and ask for a fixed rate on your mortgage you will be offered the 'existing business' rates (there are examples below). Often the *best* fixed rate can be obtained by moving lender or 'switching' but to do this incurs legal costs and some other expenses (for instance valuations) and for that reason you should do the calculations, or have your adviser do them for you, before deciding whether to move your loan.
- 3. Switch lender for a 'new business' fixed rate:** Perhaps the most obvious solution is to move your mortgage away from your bank if you think they will increase your rate or if you can get a better fixed rate price by moving to a new provider. To do this you will need to have equity in your home, that means the value of your home must be significantly higher than the mortgage secured upon it, negative equity will mean that many borrowers will be stuck with their current provider. Before you decide to do this you should seek advice and also ensure that you have done your sums to determine how much it will cost in total. Cost comparisons are below.

Comparisons by institution

In our comparisons we look at the cost implication of money borrowed over 25 years. To work out your precise figures you can multiply the cost per thousand (000') by your mortgage amount



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For instance: If your mortgage is €247,000 then multiply 247 by the cost per thousand [a cost per thousand of €5.51 would be 247 x 5.51 = €1,361 per month].

AIB	Rate	APR	Cost per 000'
Existing variable rate:	2.25%	2.28%	€4.36
Existing Business 2yr fixed rate:	2.80%	2.39%	€4.64
Existing Business 5yr fixed rate:	3.86%	3.04%	€5.20
Bank of Ireland / ICS	Rate	APR	Cost per 000'
Existing variable rate:	2.35%	2.40%	€4.41
Existing Business 2yr fixed rate:	2.99%	2.70%	€4.74
Existing Business 5yr fixed rate:	4.25%	3.50%	€5.42
KBC (formerly IIB)	Rate	APR	Cost per 000'
Existing variable rate:	2.45%	2.53%	€4.46
Existing Business 2yr fixed rate:	3.29%	3.10%	€4.89
Existing Business 5yr fixed rate:	n/a	n/a	n/a
EBS / Haven	Rate	APR	Cost per 000'
Existing variable rate:	2.65%	2.80%	€4.56
Existing Business 2yr fixed rate:	3.64%	2.90%	€5.08
Existing Business 5yr fixed rate:	4.29%	3.50%	€5.44
Permanent TSB	Rate	APR	Cost per 000'
Existing variable rate:	3.69%	3.80%	€5.11
Existing Business 2yr fixed rate:	5.25%	4.10%	€5.99
Existing Business 5yr fixed rate:	5.75%	4.80%	€6.29
Irish Nationwide	Rate	APR	Cost per 000'
Existing variable rate:	2.74%%	2.77%	€4.61
Ulsterbank	Rate	APR	Cost per 000'
Existing variable rate:	3.75%	3.80%	€5.14
Existing Business 5yr fixed rate:	4.95%	4.50%	€5.82
Bank of Scotland / Halifax	Rate	APR	Cost per 000'
Existing Business 5yr fixed rate:	7.75%%	7.12%	€7.55
Best switching rates on the market	Rate	APR	Cost per 000'
New Business 2yr fixed rate AIB	2.80%	2.39%	€4.64
New Business 5yr fixed rate Ptsb	3.70%	4.00%	€5.11

If you have any questions you can call Irish Mortgage Brokers on 01 679 0990. Interest rates were correct at time of publication and are subject to change.