

Longer-term fixes reach record high

- Rising interest rates is causing fixed rate products to grow in popularity
- Almost 90% of all mortgages cases are fixed rate products
- The amount of five year products reached an all-time high, at 39% of all mortgages written

Paragon Mortgages' latest Financial Advisors Confidence Tracking (FACT) Index report, based on interviews with 199 mortgage intermediaries, shows longer term fixed rate mortgages continue to grow in popularity with homeowners opting for five-year products to benefit from better rates.

The popularity of fixed rate mortgages has been rising steadily since 2011, and now accounts for almost 90% of all products, which has increased from 87% in the same quarter last year. Two year fixed products remain stable, making up 47% of all mortgages in Q3 and are still the most popular product on the market despite the continuing popularity of longer terms.

In Q3, longer term fixes also continued in an upward trend, with five-year products now making up 39% of all mortgage products – an all-time high. Although two-year products remain the most popular, making up 47% of all cases, the rate of growth in these has eased, and people seem to be gradually prioritising low rates over the length of term.

Interestingly, despite remortgages still being the most popular, figures have decreased from 39% in Q2 to 36% in Q3 with first time buyers and buy-to-let mortgages now taking a higher percentage of the market. Buy-to-let mortgages now make up 17% of all mortgage cases.

The distribution of mortgages based on type of repayment has remained consistent since 2008, with capital repayments continuing an upward trend and now representing 82% of the market. Interest only repayments make up the remaining 18% of mortgages, and are gradually becoming less popular, following a steady downward trend.

John Heron, Managing Director, Paragon Mortgages, said: "With interest rates gradually increasing, after a long period of historic lows, it is not surprising that homeowners are racing to fix the cost of their mortgage for longer terms. Over the coming months, it is likely that we will see a further surge of borrowers locking in to fixed rates before they climb higher.

"It is positive for the buy-to-let market to see application numbers increase after weaker numbers in the previous three quarters. Hopefully this will be a sign of things to come for the buy-to-let market after a period of uncertainty following regulatory changes, reduced tax relief and the uncertainty around Brexit."

Ends

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Notes to editors:

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Paragon lends to private individuals and limited companies and has mortgages suitable for single, self-contained properties, as well as HMOs and multi-unit blocks. Paragon can accommodate higher aggregate lending limits and more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon introduced its first product aimed at the professional property investor in 1995 and is a member of UK Finance, the Intermediary Mortgage Lenders Association (IMLA), National Landlords Association (NLA) and the Association of Residential Letting Agents (ARLA).

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