# Latest Reserve Bank figures show fixed mortgage rates are in, with two year rates surging in popularity, but three year rates falling out of vogue again

4th Sep 23, *by* David Hargreaves


Everybody wants to be in a fix - or at least a fixed rate mortgage.

According to the latest monthly figures in the Reserve Bank's recently introduced data set on **new lending fully secured by residential mortgages**, July saw the percentage of new mortgage money taken up on floating rates dropped to a record low.

It fell to just 18.3% of the total from 20.4% in June.

In July there was $5.157 billion worth of mortgage money advanced, of which $4.213 billion was on fixed term rates, while $944 million was on floating.

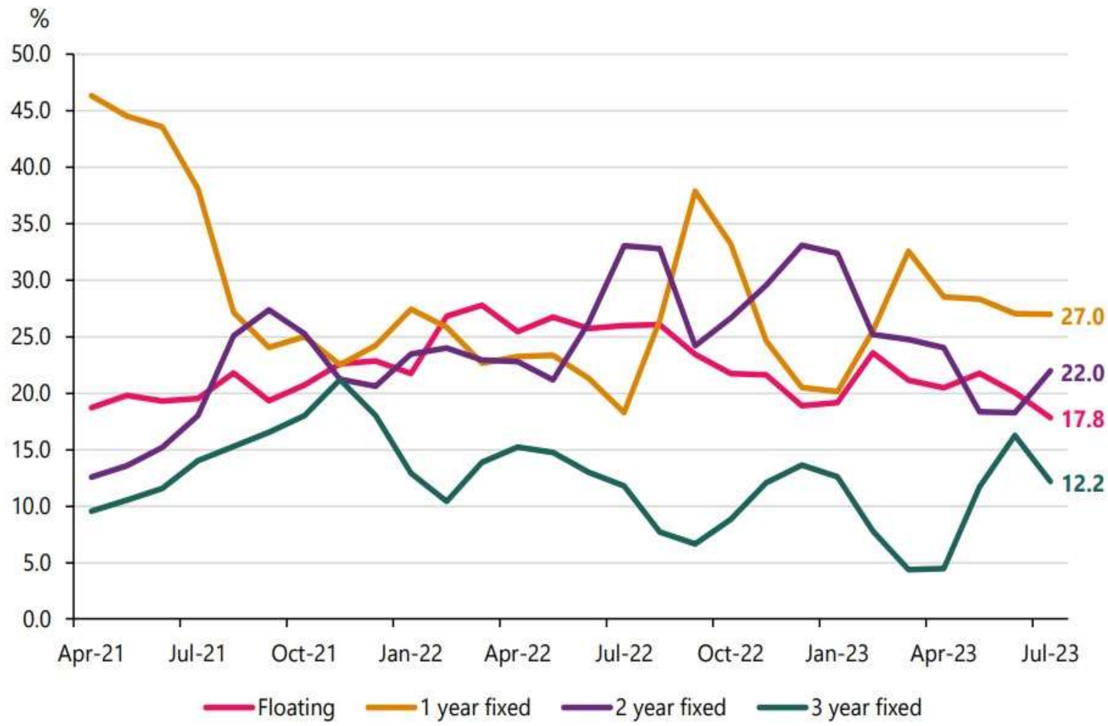
This particular data series, only introduced four months ago, covers new lending or facilities loaded in the reporting month. This is different **to other RBNZ series on mortgage lending**, which report new mortgages on the basis of when they have been committed to, rather than when they've actually been taken up.

The total monthly new residential lending figure was down 16.9% from $6.209 billion in June 2023.

In terms of owner-occupiers in July 2023, the amount advanced was $3.916 billion.

**The RBNZ said** the most popular interest rate term for new owner occupier mortgage lending was again one-year fixed, with this term accounting for 27.0% of all new lending, a small fall from 27.1% in June.

Fig-3 The share of owner occupier mortgage lending values for selected interest rate terms



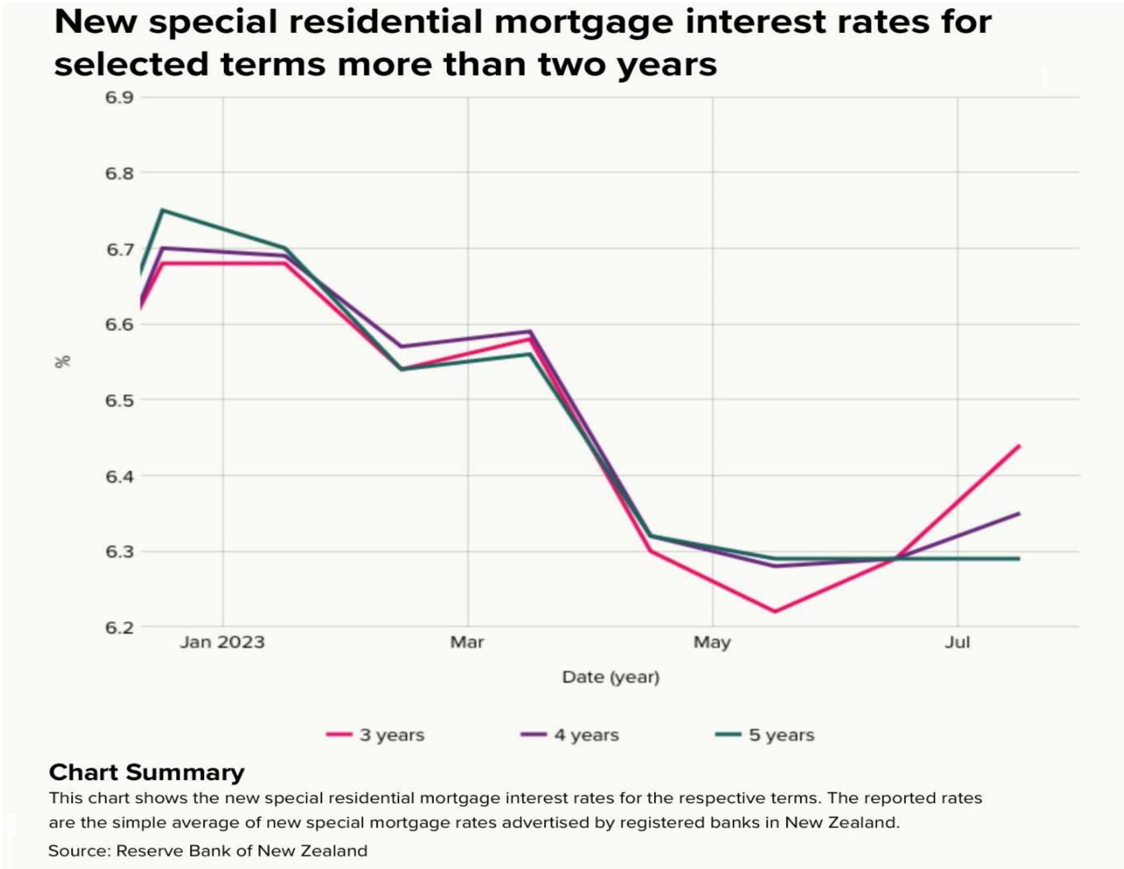

These latest figures again demonstrate the mortgage borrowers are very sensitive to getting what they see as the best rate and are prepared to go longer or shorter depending on how the rate looks.

Lending on two-year fixed terms rose notably to 22.0% of total new owner occupier mortgage lending, up from 18.3% in June.

However, moving very much in the other direction, was the popularity - or sudden lack thereof - of the three year rates.

The three-year term had surged in popularity in the last two months.

A few months back, some banks were offering **quite a discount on the rate** for three-year terms compared with both shorter time periods, and indeed four and five year terms, but **more recently those discounts** have become less significant against the shorter terms and have been reversed with the four and five year rates, with the longer rates now being lower.




And the mortgage borrowers have noticed. In July, the amount taken up by owner-occupiers on three-year terms fell sharply to 12.2% of the total from 16.3% in June 2023. In terms of new residential investor mortgage lending, the RBNZ said this fell to $1.2 billion in July. One-year fixed terms were the most popular, making up 31.8% of new lending.

The RBNZ said lending to residential investors showed similar trends as owner occupiers. In particular, there was an increase in the share of new lending on two-year fixed terms and a decrease in the share of lending on three-year fixed terms.

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