

Trump is raising your mortgage, and what can be done ab..

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Most British mortgage holders live with uncertainty. They always face the risk of higher repayment costs through no fault of their own. A change in interest rates, a financial crisis, a war started by Donald Trump, or turmoil in global markets can suddenly increase the cost of keeping a roof over their heads.

But it does not have to be this way.

In the United States, millions of homeowners have fixed-rate mortgages that last for the entire life of their loan. They know what they will be paying not just next year, but potentially for the next 20 or 30 years. And, if interest rates fall, they can usually refinance and benefit from lower rates, whilst if rates rise, they are protected. The world's risks are not dumped on households as they are in Britain.

In this video, I explain how the American mortgage system works and why it delivers a level of security that most British homeowners can only dream of. I look at the role of Fannie Mae and Freddie Mac, the government-backed institutions that help underpin much of the US mortgage market, and explain how their guarantees make long-term fixed-rate lending possible.

I also explore why mortgage rates in the UK are rising again and why global instability, including Donald Trump's actions in the Middle East, is feeding directly into the costs that British households now face. Financial markets price risk, and when uncertainty rises, homeowners are often the people forced to pay the bill.

The consequences are not limited to individual families. When households have to spend hundreds of pounds more each month on mortgage payments, that money is no longer available to support local businesses and communities. Consumer spending falls, economic growth weakens, and the wider economy suffers.

That then means I ask a deeper question. Why has Britain chosen a mortgage system that places so much risk on ordinary households when alternative models clearly exist? Why is it that the UK housing finance system overwhelmingly serves the interests of

banks and financial markets rather than those of homeowners?

This video examines what a different approach could look like, why it could provide greater economic stability and growth, and why politicians such as Rachel Reeves should be paying much more attention to mortgage reform than they currently do.

If you have a mortgage, are planning to buy a home, or simply want to understand why housing costs remain one of the biggest pressures facing millions of people across the UK, this video explains both the problem and a possible solution.

https://www.youtube.com/watch?v=8k3XG3ZL5OU?si=S1oE-hf-c_dQ5Mg4

This is the audio version:

https://www.podbean.com/player-v2/?i=98xj4-1aded0c-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

The Debate Ammunition for this video is available here.

This is the transcript:

If you've got a mortgage in the UK right now, Donald Trump is making your life very much harder, and if he hasn't already, he's going to.

UK mortgage rates are going up, and that is all his fault. And there are things that we could do about it, so hang on in this video because I'm going to suggest a way in which you could have a fixed-rate mortgage for life, if that's what you want.

Renewal rates at the moment are rising sharply compared to a year ago. We know we have a mortgage crisis in this country. Some reports are suggesting that the average household is now facing paying £231 more per month on a new five-year mortgage deal than they were paying when renewing a year ago. That means that people renewing might pay £13,860 more over the next five years than somebody who renewed last year.

Others suggest that the increase could be bigger still. I've seen reports that that

increase could be up to £300 a month, and this is not an abstract economic risk. It is happening right now, and UK households are paying that price.

This chart on the screen now is showing UK average mortgage rates over the last five years or so. You can see what happened. Once Putin went to war in Ukraine, interest rates started to rise. They reached a peak, and then they flattened. There's been a relatively flat period of around 5% for a couple of years or so, and then Donald Trump went to war. If Putin going to war wasn't bad enough, now Donald Trump is disrupting the market again.

I've highlighted Donald Trump's war era at the right-hand side of the chart. And let's be clear, some of this data is very provisional, but what it shows is that real rates have risen again, and they might actually, at this moment, be higher than the chart now shows. They're well above 5% already, and they might be going higher still, and this is a record over the period that we are looking at.

The fact is that what we are seeing is that the market is pricing risk. And Trump has created enormous new risk in the economic marketplace. The markets for mortgages know, unlike the general financial market, that we are facing an economic meltdown.

They know that households are going to be under stress.

They know that some people won't be able to pay their mortgages back over the next five years.

They know that they've got to recover that cost, so they're pushing up the price as a result.

That risk is being passed on to every ordinary UK householder who has a mortgage. And if you're not renewing at this moment, this risk might be coming your way down the line as things progress. This war is not going away.

When a man like Trump goes to war, people far from the frontline suffer. That's my point.

And let's put this in context. Most mortgage holders typically have very little spare financial capacity. The biggest mortgage holders, in proportion to income, tend to be the youngest people in the economy. They often have children and, apart from employer pensions, most of them have very few savings at all to fall back on. This means that almost everything that they earn is spent either on the mortgage or on other items. And the fact is that if we take £3,000 a year out of that spending power, which is what may happen as a consequence of this change in mortgage rates now, that is going to create very real economic damage in their households, but also in the economy as a whole, because that money is not going to be spent and therefore no one is going to receive it. And therefore, there's going to be a knock-on effect. There's a

multiplier effect in this. That lost £3,000 will have a really big consequence for economic activity in general, and ultimately for government revenue as well. This is money lost to families and lost to the economy.

And the fact is that extra mortgage cost does not vanish; it is redirected. Most of it flows into the financial services sector, and from there it tends to end up with those who are already wealthy, and they save it. The families paying see no return on that transfer. The wider economy loses overall spending power that would otherwise have driven growth.

If external events can impose this kind of cost on households, what can the government do? That is my question from here on in. In this video we are not moaning; we are looking at possibilities, so stick with me because there are very real and quite radical possibilities for change here.

You are bearing a very real financial consequence of risk created through no fault of your own at present. The mortgage market, as it is currently structured, transmits that risk directly from Trump's frontline to you. There is no protection built into the system, and my point is that there could be.

In the US, things are done very differently when it comes to mortgages, and they're getting it right where we are getting it wrong. The biggest supplier of mortgages in the USA is the US government. And most people will be somewhat surprised about that because, in the UK, that simply does not happen. But in the USA, roughly 50% of all mortgages are guaranteed by two organisations, which are popularly known as Fannie Mae and Freddie Mac. The first is the Federal National Mortgage Association, and the second is the Federal Home Loan Mortgage Corporation. Why they need those names, I don't know. I haven't asked.

And the fact is that these two companies do not lend directly to the public, but they do guarantee to buy mortgages which are provided by banks and other providers. And as a consequence, they and other federal bodies, including the Department of Veterans Affairs, do underpin the whole US mortgage market, and around 70% of all US mortgages do, as a consequence, carry some form of US government guarantee.

What that guarantee means in practice is that once a US mortgage is issued, its rate is fixed. It stays fixed for the whole life of the loan. Take out a 5% mortgage in 2026 on a 30-year term, and that rate will hold until 2056 if you are alive for that long and still living in the same house.

But, and this is an important caveat, if the rate falls after 2026, you are allowed to refinance downwards. So if the rate falls to 3%, you can pay off your 5% loan and get a new 3% loan. But the financiers cannot impose a higher interest rate on you.

So you are in a position of considerable financial strength here. You know what your

cost is going to be for life, and you know it can only get better. The risk of the mortgage market sits with the government and not with the household, and you can be sure that there is just one of those two parties that is able to bear this risk best. That, of course, is the government.

They can afford this risk; you can't. They can afford the risk of Donald Trump's war. You can't. So this is fair.

And what do Fannie Mae and Freddie Mac then do with these mortgages that they have bought? They repackage them as mortgage-backed securities. Now, these got a bad name in 2008, but the market still wants to buy them because, overall, they are as secure as government debt. In fact, in the US they are equivalent to government debt because the government provides a guarantee against default on the mortgages. This makes them particularly attractive to pension funds seeking stable long-term returns. The result is a form of government debt, and the market, as we know, actively wants this because these securities are the basis for long-term security. This model survived 2008, with some reforms, and it continues to function.

But the UK does nothing like this. It did at one time. I should stress that. At one time, UK local authorities provided mortgages, and they were not wholly unlike the US model, but Margaret Thatcher ended all that. She wanted to incapacitate local authorities and their financial role in society, and, as a consequence, that type of mortgage disappeared. Now the UK government has retreated almost entirely from the mortgage market.

The reason given is fear of expanding the public balance sheet, but the provision of a loan, a mortgage, does not, in a real sense, expand the negative side of the government balance sheet. It's actually fiscally neutral. There is an asset to back up the liability. Sure, the government has got a liability, which it has guaranteed to those who have bought the debt. But at the same time, it's got a real asset: the money that is owed by all those mortgage holders, and that in turn is backed up by the charge over their properties, because nobody gets a mortgage without providing the security of their property to back up their ability to repay.

This is not, then, deficit spending in the conventional sense; it's neutral in that sense. There is always asset backing for this operation, for public benefit. And the state can then afford to underwrite the risk because it has the capacity to do so, backed by solid collateral.

Expanding the balance sheet in this way is fundamentally different from borrowing to spend. The neoliberal objection to doing this does not hold up under scrutiny because it is what is already happening in the economy right now in the private sector. The twist we are proposing is that the government is taking the risk, and the government can afford to take that risk. That is the point I'm making.

What a UK model of this sort would achieve would be significant.

Households would be protected from exactly the kind of rate shock we are seeing now. UK household confidence would increase as a result, and so would growth as a consequence. Certainty always delivers growth; that's inevitable, and this whole arrangement is designed to provide UK households with certainty. This must be one of the most valuable things that a government could do. It can deliver freedom from fear, something that I talk about often.

At the same time, UK banks that are currently dependent upon mortgage lending for most of their business would have to redirect their funds elsewhere. Where does that mean they will put their money? Most of it would be pushed towards productive business lending, and that investment finance, which is chronically scarce in the UK at present, would mean that there would be greater growth in the UK economy. The economy as a whole would benefit then, and not just individual homeowners.

This is what Rachel Reeves should be doing. She's playing, at the moment, at the peripheries of the market, doing silly things like trying to break down the ringfence around investment banking inside the UK economy to increase bank lending by £1.6 billion, supposedly to the small business sector. But the reality is that that is probably not going to happen.

Something of the sort I'm suggesting here would provide the radical release of funds that is required to fund investment. It would transform the banking model of the UK and make it something socially useful as well.

Banks should not be in the mortgage market. Banks should be in the business of funding business, and that's what we need; the government can handle the issue of funding mortgages. The US government proves that.

Rachel Reeves is trying, as ever, to solve the wrong problem with the financial reform she's proposing at present; she should be looking at mortgages.

So why isn't something like this happening? The answer to that is, of course, straightforward. The City of London benefits from the existing arrangement. It has the risk transferred from its balance sheets onto those of households. It can make money, come what may, out of the mortgage security that is supplied by the current arrangements. It is living on a gravy train as a consequence.

Mortgage lending is enormously profitable for UK banks, and a government mortgage guarantee scheme of the sort that I'm talking about here would shrink that profit pool significantly. In the UK, policy consistently bends to the preferences of the City. We want something else.

That is what we need to change. We need to change our mortgage market, and Trump's

war is showing why. It should not be the case that a war in Iran chosen by Trump, a madman, supported by Netanyahu, another madman, should have such a massive impact on the households of the UK. This market is wrongly structured as a consequence.

This market should be bearing the risk itself; it should not be passing it to households. And the only party able to bear that risk is the government, so it should be providing mortgages in the way the USA does. And the precedent of the USA proves that this can work.

We could have the mortgage certainty in the UK that every household I know craves. It's entirely possible to have a fixed-rate mortgage for life, a mortgage that you know you can afford. But the political will to do this is absent because the City opposes it. And if we do not get change of this sort in the coming crisis, and a coming crisis we're going to have, especially if interest rates rise again, then you'll know in precisely whose interests Rachel Reeves is acting. They're not yours.

Rachel Reeves is not your friend if you've got a mortgage. That's what I think. What do you think? There's a poll down below. Please let us have your comments. Please do share this video. Please do like it if that's what you do. And please buy us a coffee if you're so inclined. We like making these videos, but there is a cost, and if you would help, that would be great.

Poll

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