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Fixed-rate deals improve for first-time buyers

Recent house price data encourages lenders to broaden range of higher loan-to-value deals

James Charles

Mortgage brokers have welcomed signs that mortgage lenders are ready to broaden their range of deals for first-time buyers amid growing confidence in the housing market.

Lloyds TSB, owned by the Lloyds Banking Group which controls a third of the mortgage market, is expected to announce a number of new deals for borrowers with only a 10 per cent deposit tomorrow, including three-year fixed-rate deals.

Meanwhile Coventry Building Society has cut the interest rate on its first-time buyer mortgage, available to borrowers with a 15 per cent deposit, from 5.99 per cent to 4.99 per cent.

The previous rate was fixed for five years, while the new deal is a variable rate which is guaranteed to be no more than 1 percentage point above its standard variable rate, currently 4.74 per cent.

The first-time buyer deal has a £499 fee and no early repayment charge, allowing borrowers to switch to the security of a fix if interest rates begin to rise.

Aaron Strutt, of Trinity Financial Group, a broker, said: "It is good news that we starting to see more higher loan-to-value deals on the market and the Coventry deal will be extremely attractive to first-time buyers hoping to get on the housing ladder.

"However, to get a mortgage at the moment buyers will still need to have to have a spotless credit record and meet strict affordability criteria."

Lenders said that the introduction of a wider range of deals for borrowers with smaller deposits has been prompted by the latest house price data, which shows that property values are stabilising after substantial falls over the last two years.

The Halifax house price index showed that house prices rose in July by 1.1 per cent, the second consecutive month of average price rises and the third increase since the beginning of the year.

There was further evidence that the mortgage freeze was easing today as the Council of Mortgage Lender released figures showing lending rose by 23 per cent in June to an eleven-month high of 45,000, from 36,500 in May. The value of loans made surged 26 per cent on May, to £5.9 billion.

However, mortgage experts have warned that banks and building societies remain cautious about new lending and the availability of new home loans remains historically low.

A number of lenders have recently hit homeowners with higher rates, partly to manage the flow of new applications.

Abbey is increasing the cost of its five-year fixed rate deal for borrowers with a 25 per cent deposit tomorrow, from 5.89 per cent to 5.99 per cent.

Yorkshire and Chelsea building societies, and Woolwich, owned by Barclays, have also increased rates in recent days by up to 0.4 percentage points.

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