

# Rates cut on trackers and fixed deals

By Tanya Powley

Published: August 20 2010 17:56 | Last updated: August 20 2010 17:56

Mortgage lenders have continued to cut both tracker and fixed rates this week, as well as extending the offer periods for their best deals, as competition increases for both low and high loan-to-value products.

On Monday, HSBC said it was extending the deadline for applying for its market- leading lifetime tracker – which charges Bank of England base rate plus 1.69 per centage points, giving a current “pay rate” of 2.19 per cent – until September 5. It has a low fixed fee of £99 and is available at up to 60 per cent loan-to-value.

At the same time, lenders have cut rates for borrowers with smaller deposits. Northern Rock, the Post Office and Yorkshire Building Society have all reduced the cost of mortgages with loan-to-values of above 80 per cent over the past week.

Yorkshire has a three-year fixed-rate deal at 4.59 per cent up to 85 per cent loan-to-value, for a £495 fee. Meanwhile, the Post Office has cut its lifetime tracker by 0.5 per cent to 5.49 per cent – 4.99 per cent plus bank base rate – available at up to 90 per cent loan-to-value. Its fee is £995.

“Mortgage lenders have been pretty competitive around the lower loan-to-values for a while now,” said David Hollingworth of London & Country. “As a consequence, lenders are looking towards the higher loan-to-values where it hasn’t been as competitive.”

Aaron Strutt of Trinity Financial Group, the mortgage brokers, said many of the best high loan-to-value mortgages are now offered by the building societies.

Hanley Economic Building Society this week launched a three-year fix at 3.99 per cent, available up to 80 per cent loan-to-value with a £799 fee. This deal is only available through selected brokers.

HSBC has the lowest five-year fixed rate at 3.95 per cent but this is only available up to 60 per cent loan-to-value. Yorkshire Building Society has a five-year fix at 3.99 per cent available up to 75 per cent loan-to-value, while Norwich & Peterborough Building Society is offering 4.99 per cent for those with deposits of just 15 per cent.

More competitive deals are now available at 90 per cent loan-to-value, too, thanks to the Post Office’s rate cuts. However, brokers warn that borrowers need a good credit history to be eligible for these deals. The Post Office states that if a borrower has missed two consecutive credit card payments or mortgage/rent payments, they cannot apply for a mortgage with it for three years.

Similarly, the best deals are still reserved for borrowers who have a deposit – or equity – of 25 per cent or more. These borrowers will be able to access rates of below 3 per cent for two-year fixed rates and lifetime trackers, says Strutt.

Brokers report that wealthy borrowers are increasingly fixing a portion of their mortgages on a five-year fixed rate, in order to seek some security against interest rates rises.

Melanie Bien, director of Private Finance, says the most popular proposition at the moment is a five-year fix combined with a two-year tracker. She said borrowers aim to pay off the amount on the tracker at the end of the two years.

However, there are restrictions. Borrowers need to buy both products from the same lender and most will not allow mixing a fixed rate with an offset product. “Many borrowers will also take part interest-only, part repayment,” Bien says. “Private banks tend to be more flexible than high street banks, although the latter will also do mix and match.”

She cites a recent deal arranged via a private bank, involving a £1m loan split 50:50 between a two-year tracker at 2.19 per cent – 1.69 per cent plus bank base rate – and a five-year fix at 4.49 per cent.