

Northern Rock returns to 90% mortgages

Northern Rock clock



- **Leah Milner**

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Northern Rock has launched a range of mortgages for borrowers with a 10 per cent deposit for the first time in more than two years.

The taxpayer-owned bank is not the only lender offering home loans at 90 per cent loan-to-value (LTV) and the new deals are not priced at market-leading rates, but the move has been welcomed as a sign of competition returning for borrowers with a small deposit.

After the run on the bank in 2007, Northern Rock became notorious for having been one of those that lent up to 125 per cent LTV at the peak of the market, but it pulled back from risky lending in 2008. Since it was bailed-out by the Government, Northern Rock would only lend to borrowers with a 15 per cent deposit.

The bank is offering a two-year fixed rate deal at 5.99 per cent, a three-year fixed rate at 6.49 per cent and a five-year fixed rate at 6.59 per cent, none of which come with a fee.

However, according to Moneysupermarket.com, the best-buy mortgage deals for borrowers with a 10 per cent deposit are currently 5.15 per cent for a two-year fixed rate from Newcastle Building Society with an £894 fee or 5.89 per cent for a five-year fixed rate from Britannia or the Co-operative Bank with a £999 fee.

Andy Tate, customer and commercial director at Northern Rock, said: "Our new products, which will be offered within our prudent risk appetite and only to customers with good affordability, should appeal to those who have lower deposits and first-time buyers."

Aaron Strutt, of mortgage brokers Trinity Financial, said: “It is good to see Northern Rock coming back into the 90 per cent LTV market again as it has been out of it for so long.

“But we are still waiting for its deals to be cheaper. Hopefully, the more competition there is at higher LTVs, the better the rates will be.

“While most lenders have been increasing the price of their fixed rate deals, there is the potential that lenders may not increase their highest LTV deals by as much because they are already taking high margins on mortgages for borrowers with the smallest deposits.”