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## **Mortgage rates drop, but look out for the fees**

By [DAILY MAIL REPORTER](#)

Last updated at 1:07 AM on 22nd June 2011

Lenders engaged in a rate-cutting frenzy this week as they tried to lure customers into remortgaging.

But with arrangement fees ranging from zero to £1,995, experts say it is vital to work out the total cost — monthly repayments, plus fees over the mortgage term — to decide which really is the cheapest deal.

First Direct launched a fee-free two-year fixed-rate at 3.89 per cent for those with 35 per cent deposit, which also comes with free valuation and legal work for those remortgaging.



*Cheapest deal: Borrowers are advised to do their sums carefully*

Monthly repayments on a £150,000 mortgage would be £783 and the total cost over two years would be £18,792.

However, those who can afford a £499 fee can get a slightly lower rate with First Direct at 3.29 per cent, which works out cheaper in the long term. Monthly repayments would be £734 on a £150,000 loan making the total cost £18,115.

Meanwhile, Santander launched more deals through brokers that expire at midnight tomorrow, including a best-buy two-year fixed-rate at 2.89 per cent with a £995 fee for borrowers with 40 per cent deposit. Monthly repayments would be £703 on a £150,000 loan and total cost £17,867.

Santander has an even cheaper rate at 2.79 per cent, but it comes with a whopping £1,995 fee, giving monthly payments of £695 but a total cost of £18,675.

Aaron Strutt, of broker Trinity Financial, says: 'Banks are limiting the availability of cheap mortgages in the hope borrowers will take action.'

'There are some great rates at the moment but homeowners need to do their sums carefully.'