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CHEAP HOME LOANS ON WAY



Home buyers were given a major boost yesterday with a new round of [cheap mortgage deals](#)

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By Sarah O'Grady

HOMEOWNERS were given a major boost yesterday with a new round of cheap [mortgage](#) deals as the 90 per cent loan returns to the market.

In a bid to become one of Britain's biggest lenders, the Post Office has slashed its [interest rates](#) by up to 1.24 per cent.

Yesterday it unveiled its largest rate cut, from 5.99 per cent to 4.75, where buyers need just a 10 per cent deposit to secure a three-year fixed rate deal. It is also offering a 4.99 per cent rate fixed for five years.

Since the credit crunch, lenders axed many low-deposit deals and buyers have often had to find up to 25 per cent of the property's value from their savings to get a mortgage. Experts now say the market is likely to remain competitive for some time yet with base interest rates at a record low of 0.5 per cent. Fears of a hike in rates have receded as the Bank of England continues to battle the [financial](#) crisis.

And in more good news, it was revealed yesterday that mortgage borrowing rose 10 per cent on a year ago to £13.4billion, the highest since July 2009, according to the Council of Mortgage Lenders.

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The Post Office move follows the launch of a number of cheap home loans by competitors. Britain's biggest building society Nationwide, HSBC, Leeds Building Society and the Chelsea have all cut their rates this month as they fight for a bigger market share.

The new 90 per cent loan is part of a revamped range of mortgages from the Post Office which started lending in 2007 on a trial basis but now seems committed to the mortgage market.

Aaron Strutt, of the Trinity Financial, said: "Banks and building societies are trying to increase demand for their services and mortgages continue to get slightly lower every few days. But they will not stay this low for ever.

"If you have moved home for the last time or you want financial stability, long-term fixes are cheap and offer great value for money. In a few years' time, some borrowers may wish that they had snapped one up."

Nicholas Leeming, of online property company Zoopla, said lenders are now battling it out to attract borrowers who no longer feel pressured to refinance. "Buyers are in a great position at the moment and this is good news for the wider property market," he said.

"Competition creates cheaper loans and fuels demand. As long this is the start of a long-term trend of competition among lenders, the property market will reap the rewards."

Brian Murphy, of mortgage broker, Mortgage Advice Bureau, said the market was really opening up for first-time buyers with more attractive rates and lower deposits. "The fact that lenders are offering such competitive rates at higher loan-to-value ratios tells us that they are confident that interest rates will stay at their current level for some time," he said.

"It also suggests they believe the property market may have bottomed out or is certainly close to its bottom."

Stuart Law, chief executive of property investment firm Assetz, advised home buyers to opt for fixed-rate mortgages while they are so low. "The Bank of England's refusal to raise interest rates so far this year means fixed-rate deals are at all-time low," he said.

But urging caution Samantha Baden, property analyst at FindaProperty.com, said: "The Post Office announcement is a crucial step forward for first-time buyers.

"However, with the average asking price of a home in the UK now £219,513, a 10 per cent deposit still adds up to substantial £22,000, which will no doubt keep many first-time buyers renting rather than buying," she said.