

# Lenders slash rates in battle for borrowers

**Leah Milner** - Last updated August 31 2011 9:00PM

Competition in the mortgage market intensified yesterday when another lender slashed the cost of fixed-rate home loans and new deals emerged for first-time buyers.

Nationwide Building Society cut the cost of its five-year fixed-rate deals by 0.1 percentage points and the lender is now offering a rate of 3.69 per cent to borrowers with a 30 per cent deposit.

The reduction is not quite enough to better the rates offered by Chelsea Building Society, part of Yorkshire Building Society, which made even more aggressive cuts last week.

Chelsea launched the cheapest ever ten-year fixed rate — 3.99 per cent — and cut its five-year fixed rate to 3.29 per cent. The lender also has the cheapest two-year fixed rate on the market at 2.39 per cent. All three deals are available to borrowers with a 30 per cent deposit, paying a £1,495 fee.

HSBC has today launched a new five-year fixed rate to rival Chelsea's. It has a slightly higher rate of 3.34 per cent and requires a larger deposit of 40 per cent, but because the fee is lower at £999, it will work out as a cheaper option for anyone borrowing £150,000 or less.

Fixed-rate mortgage costs have been falling since the beginning of the year, at which time economists were predicting an increase in the Bank of England base rate by the summer. The markets now believe that the interest rate will not rise until the middle of 2013.

Leeds Building Society has cut the cost of both buy-to-let and residential fixed-rate mortgages this week by up to 0.91 per cent. It now has a marketleading two-year fixed rate at 3.14 per cent for borrowers with a 20 per cent deposit, paying a £999 fee.

The number of mortgages available to borrowers with a 5 per cent deposit has also increased from the start of the year, jumping from 24 in January to 34 in August.

Principality Building Society has launched a 95 per cent loan-to-value mortgage this week, but, like many of the other products for borrowers with small deposits, it requires a family member to set aside savings adding up to 25 per cent of the property's value, on which a legal charge is placed. It has a rate of 4.49 per cent with a £499 fee, fixed for four years.

“Lenders have continued to lower their rates as they look to offer cheaper deals than competitors,” Aaron Strutt, of the mortgage broker Trinity Financial Group, said. “But best-buy rates cannot continue to fall on this scale: they will reach a point where they will not get any lower.”

Meanwhile, homeowners who are deemed to be at risk of falling behind with their mortgage payments will be warned to make sure they prioritise their home loan over less essential bills, such as gym membership. More than 30,000 Bradford & Bingley and Northern Rock customers will be contacted by UK Asset Resolution, the body that manages the Government-owned mortgage books, to warn them of the danger of losing their homes. UKAR is identifying customers at risk by carrying out credit checks to see whether they are struggling with bills.