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Fixed mortgage rates at all-time low



Building society launches rock bottom mortgage rate, but mind the fee. Ben Gurr for The Times

Leah Milner

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Leeds Building Society has launched what is thought to be the lowest ever two-year fixed rate mortgage at 1.99 per cent, but it comes with a high fee that means it will not be the cheapest deal for everyone.

The deal, which comes with a £1,999 fee, is available to borrowers with a deposit of at least 25 per cent.

This means that a borrower taking out a typical £200,000 repayment mortgage would pay £847 per month.

However, Yorkshire Building Society has a rival two-year fixed rate at 2.49 per cent, which will actually work out cheaper for people borrowing up to £164,350, due to its lower fee of £995.

However the new mortgage is the cheapest deal that Leeds has offered in its 136-year history and experts say it is probably the lowest ever fixed rate in the market.

Mortgages above £500,000 will incur a higher fee of 1 per cent of the loan amount and borrowers applying through a mortgage broker will need a slightly higher deposit of 30 per cent.

There is normally a significant gap between the cost of fixed rate mortgages and the cost of trackers, because locking into to a set rate offers greater security, but the gap between the cheapest deals has narrowed.

Borrowers have been warned that the cheapest home loan rates are often withdrawn quite quickly by lenders, if they see a sudden flood of demand, so it is important to act quickly if you spot a deal that is right for you.

Leeds has already said its funding for this deal is limited so this offer is likely to have a short shelf life.

Aaron Strutt, of Trinity Financial Group, the mortgage broker, said: "This is certainly the lowest fixed rate that I can remember."

Mr Strutt added that the narrowing in the price gap between fixed rates and trackers means that securing a stable rate is better value than ever.

The lowest tracker mortgage is 1.95 per cent from Santander, with a £1,995 fee for borrowers with a 40 per cent deposit, but the rate would increase if the Bank of England were to raise the base rate.

Clare Francis, of Moneysupermarket.com, the price comparison website, said the Leeds mortgage will work out as the cheapest for some borrowers, but added: "It really shows the importance of factoring in the impact of the fee. People should not be blinded by the headline rate."

Not all lenders have been cutting rates. Some tracker mortgages have been increasing in cost and other fixed rate deals have been hiked.

Ms Francis said it was a surprise move by the building society as there has been talk of lenders increasing rates over recent weeks due to the uncertainty created by the eurozone crisis and increases in the cost of mortgage funding.

She added that there may be more volatility in mortgage rates due to ongoing instability in Europe and also mortgage lenders trying to take on more or less business in the run up to the year end to keep in line with their annual targets.