

# Fixed-rate mortgage deals just keep getting cheaper

Rates are already at record lows, and some experts predict that borrowers can expect further falls, writes **James Charles**

**BORROWERS** wanting a fixed-rate deal have been told to wait for rates to fall over the coming months.

A survey from the Bank of England released last week found that banks are expected to cut rates over the summer as competition between rival lenders intensifies. Banks are keen to persuade borrowers to remortgage after the number of existing homeowners taking out new deals was flat last month.

Average mortgage rates are already at the lowest level on record, according to Moneyfacts, the data firm. It said that the average two-year fix was 4.32%, while the average five-year deal was 5.29%.

However, swap rates, the wholesale figures that dictate the cost of fixes, have fallen even further. Five-year swaps have dropped to 2.49% from 3.19% in February, while two-year swaps have fallen to 1.43% from 1.98% over the same period.

Ian Gray of largemortgageloans.com,

the broker, said: "Those who can afford to wait should sit back and let rates fall further before making a decision about whether to remortgage.

"All the evidence suggests that mortgages are set to get even cheaper in the coming months. We think lenders will swallow cuts to their margins for the sake of boosting lending throughout the rest of this year."

Some lenders had already started cutting rates last week.

Nationwide building society introduced the best-buy five-year fix at 3.89% for those with a 30% deposit. It has a £999 fee, reduced to £499 for first-time buyers. Yorkshire building society has a similar deal at 3.99% for those with a 25% deposit.

Melanie Bien, director of Private Finance, the broker, said: "Fixed rates are looking extremely competitive with more lenders reducing their pricing.

"Falling swap rates mean that lenders

can cut their fixes a little more, but with rates this low, it's unlikely to get a lot better than this."

Aaron Strutt at Trinity Financial Group, the broker, said: "If you're confident that you'll be staying in your property for five years, then taking a five-year deal below 4% is a good deal."

Meanwhile, borrowers who are nervous about locking into a costly fix while Bank rate is low could be attracted to one of the hybrid deals that were introduced last week.

First Direct introduced a three-year capped tracker at 2.18 points above Bank rate, so 2.68%, with a cap at 3.98%, and a fee of £999, for those with a 35% deposit.

John Charcol, the broker, also introduced an exclusive new five-year deal that moves from a low tracker rate to the security of a fix after the first two years.

The rate is initially pegged at 1.79 points above Bank rate, so 2.29%, before switching to a fixed rate for the remaining three years at 3.99%, for borrowers with a 25% deposit. It has a £1,999 fee on mortgages up to £750,000.

However, borrowers who are confident that Bank rate is unlikely to rise for the foreseeable future could be more tempted by a standard tracker deal.

Last week, Abbey for Intermediaries, which is available through brokers, reintroduced a best-buy two-year deal at 1.49 points above Bank rate, so 1.99%, for those with a 30% deposit.

HSBC is still offering the best-buy lifetime tracker at 2.09 points above Bank rate, so 2.59%, with no fee, for borrowers with a 40% deposit. It also has a best-buy tracker for those with a 10% deposit at 4.19 points above Bank rate, so 4.69%, with a £99 fee.

And borrowers considering an even longer-term deal could opt for a new 10-year deal from the Co-operative bank. It introduced a 10-year deal at 5.29% with a £999 fee for those with a 25% deposit.

However, although rates are falling steadily, brokers warn that the loan criteria enforced by banks and building societies remain tight.

Strutt said: "Lenders are having to cut rates because they are competing for such a small pool of near-perfect borrowers. There are many customers who would like to get a deal who are being rejected."

Nationwide introduced tougher rules for its self-employed borrowers last week — bringing it into line with other big lenders. From Friday, it began basing the amount that it will lend on the previous year's earnings or the average of earnings over the past two years, whichever is the lower.



## Different track

David Brown, 27, a council officer, and his wife Natalie, also 27, a doctor, from Southampton, have just opted for a two-year tracker at 2.89 points above Bank rate, so 3.39%, from

Yorkshire building society. The couple had a 15% deposit. "Bank rate isn't likely to rise until next year and it would have to increase a long way to make a fix worthwhile", said David.

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