

## HSBC launches 1.99% mortgage deal

**The HSBC bank is trying to gain an even larger share of the mortgage market by launching a new deal at just 1.99% for borrowers with a 40% deposit.**

The low rate lasts for two years and is set at a 1.95% discount to the bank's standard variable rate of 3.94%.

HSBC was the largest lender in the UK in the first half of this year.

Its deal is a sign of the continued easing of the mortgage market which currently has 1,676 deals available, more than at any time this year.

The deposit required to buy a home has increased sharply over the past year as lenders have rationed their funds.

The financial information service Moneyfacts says 27% of new mortgage deals require a deposit of 40%. A year ago that figure was just 7%.

"There has been a slight increase in the 10% deposit tier, which is encouraging news for first-time buyers who seem to be propping up the mortgage market at the moment," said Darren Cook of Moneyfacts.

Both property sales and prices have picked up this year, after the credit crunch and the recession caused an unprecedentedly sharp slump from the autumn of 2007 to the end of 2008.

### Cheap mortgage?

Aaron Strutt of mortgage brokers Trinity Financial Group said the new HSBC deal stood out from the rest of the mortgage market.

**" it will be interesting to see if HSBC can manage demand or whether the offer gets oversubscribed and then pulled within a couple of weeks "**

Andrew Hagger, Moneynet

"This is a remarkably low rate of interest if you have a 40% deposit," he said.

"It will be interesting to see if this prompts other lenders into launching their own discounted variable rates."

Andrew Hagger of the financial website Moneynet said the deal would attract a lot of interest.

"It's an aggressive move from HSBC and may shake up what has become a rather stagnant mortgage market - we'll be watching closely to see how other lenders respond," he said.

"If there's a flood of applicants chasing the headline 1.99% deal, it will be interesting to see if HSBC can manage demand or whether the offer gets oversubscribed and then pulled within

a couple of weeks."

HSBC's deal comes with an arrangement fee of £1,199.

The bank's interest rate is higher at 2.49% for those with a 25% deposit, and is 3.89% for those who have only a 10% deposit.

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