

New players raise hopes of mortgage rate Competition

Brokers have welcomed new deals, although banks continue to impose tighter lending criteria

James Charles

New entrants into the mortgage market are expected to release details of new home loans this week, raising hopes of increased competition in the UK market.

GE Money Home Lending, which was one of the largest lenders of sub-prime mortgages at the height of the housing boom, has announced plans to begin offering purchase deals again after exiting the market last year.

It is introducing a one-year discount deal with an interest rate of 4.99 per cent with a £995 fee, worth up to 70 per cent of a property's value.

The lender will also offer a two-year fix at 5.59 per cent and a three-year fix at 6.04 per cent with fees up to £1,995. The loans are only available on properties worth up to £500,000.

Tuita, a short-term lender, is also expected to announce plans to introduce new mortgage deals this week at a industry event in London. Brokers welcomed GE Money's entry to the market but expressed disappointment that the rates were less than competitive.

Aaron Strutt, of Trinity Financial Group, a broker, said: "It is good to see lenders coming back in to the market as this can only put more pressure on the high street banks to lower rates. Not everyone has the luxury of getting a market-leading rate. It is only going to be the very prime business that lenders are fighting for at the moment."

There are currently 2,302 deals available in the market, according to new figures from Moneysupermarket.com, the price comparison website, up from 2,229 in September but still down 20 per cent on November last year.

The choice available to borrowers also remains at a fraction of precredit crunch levels. In July 2007, there were just under 28,000 mortgage deals on offer.

Demand for tracker deals jumped by 10 per cent in October, according to new figures from Countrywide Mortgage Services, a broker.

It attributed the rise to a series of competitive new tracker deals unveiled in the last month by a number of lenders, including Northern Rock, the state-owned bank.