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## Mortgage market

# boosted by rate reductions in battle for customers

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By SHÂN ROSS

THE UK mortgage market was given a boost yesterday after three major mortgage lenders reduced their rates in a competition for customers.

Barclays lending arm the Woolwich, HSBC and Cheltenham & Gloucester all announced they were either trimming their rates or launching new products.

HSBC, which was the largest lender in the UK in the first half of this year, launched a new discount  
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deal with a starting rate of 1.99 per cent, taking it to the top of the best-buy tables, although the mortgage is only available to people with at least a 40 per cent deposit, and has a £1,199 arrangement fee. Its deal is seen as 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 credit crunch has also increased the cost of funding mortgages, as less money is raised through the wholesale money markets, with more coming from savings.

Andrew Hagger, of [Money.net.co.uk](http://Money.net.co.uk), said: "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.

"If there's a flood of applicants chasing the headline 1.99 per cent 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."

Aaron Strutt, of mortgage brokers Trinity Financial Group, said HSBC's latest deal would have a high profile in the mortgage market. "This is a remarkably low rate of interest if you have a 40 per cent deposit. It will be interesting to see if this prompts other lenders into launching their own discounted variable rates."

The Woolwich reduced its two-year fixed-rate mortgage for people with a 30 per cent deposit who pay a £999 fee by 0.2 per cent to 4.09 per cent, and launched a new deal at 4.19 per cent with a lower fee of £499.

Cheltenham & Gloucester, part of the Lloyds Banking Group, reduced the cost of two and three-year fixed-rate mortgages available through intermediaries by between 0.1 per cent and 0.2 per cent, leaving a two-year deal at a 60 per cent loan to value ratio at 4.19 per cent. It also introduced a new fee-free range.

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

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

The price cuts have been triggered by recent steep falls in banks' wholesale funding costs. The inter-bank lending rate, three-month sterling Libor (London Inter Bank Offer Rate), upon which variable-rate deals are based, has reduced to 0.68 per cent, putting it back into pre-credit crunch range of between 0.15 per cent and 0.2 per cent above Bank of England base.

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