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Barclays offers 90 per cent mortgages

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Barclays is poised to make life easier for first time buyers by reducing the minimum deposit required on a number of fixed rate deals to 10 per cent.

Its Woolwich mortgage arm is now offering loans of up to 90 per cent of a property's value on its three-year fixed rate of 4.99 per cent. An added attraction is that there are no arrangement fees to pay.

A typical first-time buyer purchasing a £150,000 property would be able to obtain a £135,000 mortgage and would pay £788 a month on the three-year deal.

Woolwich is also offering 90 per cent loans to value (LTVs) on its five-year fixed-rate mortgages charging 5.49 per cent. There is no application fee for those who qualify for a Barclays Loyalty mortgage and a comparatively low fee of £499 for all other borrowers. The deals may also be helpful for existing homeowners who have at least 10 per cent equity in their property and are currently stuck on their lender's standard variable rate (SVR).

Andy Gray, head of mortgages for Barclays, said: "As one of the UK's largest lenders we recognise the importance of supporting the first-time buyer market which is why we've committed today to extend our lending to 90 per cent."

A spokeswoman for Moneysupermarket.com, the price comparison website, said: "The only deal that offers a better rate and is available to all at a 90% LTV is the Post Office's 4.75% three year fixed rate. However this has a fee of £995. If you look at the true cost

over 3 years the Woolwich deal is more value for money for mortgages up to around £199,000. Anything over that then the Post Office deal would be better.”

The Barclays’ initiative is one of a number of moves by mortgage lenders to ease borrowers’ struggle to find the necessary deposit. Coventry Building Society has introduced a new range of mortgages with LTVs of up to 85 per cent and reasonably competitive rates. In addition many of the new deals have no early redemption charges, which gives borrowers the flexibility to switch to another lender at any time without a redemption penalty. The Coventry also has an existing five-year fixed rate deal at 5.99 per cent with a 90 per cent LTV.

Precise Mortgages, which caters for people with impaired credit records, has also extended the maximum LTV on its near-prime range to 85 per cent. Among the deals it is offering is a two-year fixed rate at 6.04 per cent where would-be borrowers are permitted one default and one County Court Judgement against them in the past two years.

Aaron Strutt, of Trinity Financial Group, a mortgage broker, says: “The Woolwich move is quite significant. It pulled out of the high loan-to-value area several years ago and is now going back in. The three-year deal, in particular, looks quite attractive, with a good rate, a high LTV and no fees. There are now a number of lenders on the market offering 90 per cent LTVs.”

Meanwhile a couple of the biggest lenders in the UK are edging up the price of their tracker mortgages. Nationwide said that from today its two-year tracker rate with an LTV of 70 per cent will be increased by 0.10 percentage points, while the five-year tracker will be increased by 0.14 percentage points. At the same time it is cutting rates on some fixed rate products by between 0.1 and 0.2 percentage points.

Meanwhile Halifax has said that from tomorrow it will be increasing the rates on two of its tracker loans. Its two-year deal for home movers and first-time buyers will go up from a current figure of 2.79 per cent (base rate plus 2.29 per cent) to 2.94 per cent - a rise of 0.15 percentage points. This product has a maximum LTV of 75 per cent and comes with a £999 product fee.

The rate on a similar tracker deal with no product fee rises by a similar amount from 3.19 per cent (base rate plus 2.69 per cent) to 3.34 per cent.