

**Mortgage brokers: [www.trinityfinancialgroup.co.uk](http://www.trinityfinancialgroup.co.uk) - 020 7520 9427**

# Buyers beware in lenders' race for the bottom line

As Europe grapples with an economic crisis and consumer confidence flatlines, the race to the bottom in the mortgage industry has hit a new low.

Leeds Building Society launched a mortgage yesterday fixed at 1.99 per cent for two years — thought to be the lowest fixed-rate deal offered in the home loans industry.

It comes with a catch, though, that will put it beyond the reach of most first-time buyers. The loan carries an arrangement fee of £1,999 and borrowers will have to stump up a deposit of at least 25 per cent of the value of the property they are buying.

The offering comes as mortgage providers perform ever more exotic financial contortions to persuade reluctant buyers into the stagnant property market. In August, Chelsea Building Society shook up the market with a ten-year fixed mortgage pitched at 3.99 per cent.

The low-rate environment appears to be here to stay — the Bank of England base rate has remained at 0.5 per cent since March 2009 and is considered unlikely to change until next year at the earliest.

The announcement by Leeds took industry experts by surprise because the eurozone crisis has made many lenders nervous. Aaron Strutt, of Trinity Financial Group, the mortgage broker, said:

"This is certainly the lowest fixed rate that I can remember."

While rates have been falling, so-called arrangement fees have been creeping up. One comparison website, Moneysupermarket.com, said that the average fee had risen by 6.4 per cent over the summer to £1,253, with most lenders adding the sum to the loan.

Michelle Slade, of Moneyfacts.co.uk, a similar site, said: "Lenders are launching record low rates to attract borrowers, but these are being offset by higher fees."

Indeed, the Leeds deal has the lowest headline rate but the Yorkshire Building Society's 2.49 per cent two-year deal works out cheaper for people who want to borrow less than £164,000, thanks to its £995 fee.