



Woolwich Lowers Mortgage Rate

The Woolwich today became the second lender in two weeks to launch a mortgage with a rate of less than 2 per cent.

Sept. 17, 2009 - [PRLog](#) -- The group, which is part of Barclays, will offer a step tracker with a starting rate of 1.98 per cent for one year for people with a 40 per cent deposit from tomorrow.

It is also reducing rates on two of its fixed rate loans, cutting the cost of a two-year deal for people with a 30 per cent deposit by 0.1 per cent to 3.99 per cent, while its three-year fixed rate loan is being cut by 0.4 per cent to 4.49 per cent.

The move is a further sign that competition is slowly beginning to return to the mortgage market, after HSBC launched a new discount mortgage with a starting rate of 1.99 per cent, earlier this month.

The Woolwich's step tracker has a rate of 1.48 per cent above the Bank of England base rate for the first year, giving a current rate of 1.98 per cent, after which it reverts to a lifetime rate of base rate plus 2.49 per cent, giving a rate of 2.99 per cent if the base rate stays at 0.5 per cent.

Borrowers have to pay a £999 arrangement fee to take it out, and they face early redemption charges of 2 per cent of the balance repaid for the first three years. It is also only available to people borrowing at least £200,000.

Ray Boulger, senior technical manager at John Charcol, said taken over three years the product had an average rate of 2.65 per cent, assuming the base rate did not rise, which was a "reasonable but not fantastic rate".

But he said people taking out tracker deals at the moment should avoid mortgages that locked them in, as they were likely to want to remortgage to a fixed rate deal within the next two to three years.

Woolwich is the latest of a number of major lenders to cut their mortgage rates this month, although other groups have continued to hike them, with Royal Bank of Scotland last week increasing the cost of its fixed rate deals by up to 0.7 per cent.

Research from financial information group Moneyfacts also showed that average margins on fixed rate deals had hit a new high, after lenders failed to pass on reductions in wholesale funding costs.

The group said margins on five-year fixed-rate mortgages had increased by 0.9 per cent since the beginning of the month to 2.95 per cent, while the differential on two-year fixed-rate mortgages above two-year swap rates has also risen by 0.6 per cent to 3.27 per cent.

Source: The Independent

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