

Banks fight over long term fixed mortgages

by **Lauren Thompson**

HOMEOWNERS are being offered an unprecedented opportunity to fix their mortgage for ten years at under 4pc.

Building societies have launched a flurry of cheap long-term deals, although experts warn they are not suitable for everyone. Five lenders offer ten-year deals, including Leeds BS and Britannia, but Chelsea BS has

MORTGAGES are more affordable than at any time in the past 12 years. The average borrower's repayments today take up just 28pc of their take-home pay — the lowest level since 1999, according to Halifax.

By contrast, in 2007 mortgage repayments ate up

the lowest rate at 3.99pc, with a fee of £1,495. It is only available for those with a 30pc deposit. Monthly

49pc of earnings. Average mortgage rates have fallen to 3.85pc from 5.84pc in 2007

But Nigel Stockton, from broker Countrywide, says: "It is the level of mortgage deposit that consumers are expected to find which remains the critical issue — not affordability."

repayments on a £150,000 mortgage would be £791. The previous best ten-year fix was 4.89pc from Chelsea.

But homeowners are being warned they face hefty exit fees of up to 7pc of the mortgage if they need to leave the deal early.

Chelsea says homeowners will be able to transfer their mortgage to a new property without facing penalty fees — but only if borrowers pass lending checks.

With mortgage lenders becoming increasingly picky when choosing customers, homeowners could effectively be held captive in their existing house if they take a drop in salary or miss loan repayments, for example.

Someone with a £150,000 mortgage would have to pay an early repayment

charge of £10,500 if they had to redeem the mortgage in the first three years. The penalty is gradually reduced so that someone leaving in the final year would pay £1,500. Seven or five-year deals are also available.

Skipton BS has a seven-year fixed rate at 4.89pc with no fee for those with 25pc equity. Monthly repayments would be £867 on a £150,000 loan.

This has an early repayment charge of up to 6pc — meaning someone would pay £9,000 if they left the deal in the first two years.

Like Chelsea, Skipton BS says people can transfer the mortgage to a new home — known as porting — if they meet lending criteria at the time.

Some lenders are becoming more flexible on early repayment charges on their five-year deals.

For example, Coventry BS has a five-year fixed rate at 4.6pc with no early repayment charge. This means you can remortgage on to another deal at any time and not pay a penalty.

It is available to those with 20pc equity and comes with a £999 fee. Monthly repayments would be £842 and total cost over five years would be £51,519 based on a £150,000 mortgage.

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