

3 December 2009

## Lenders target short term deals

Lenders have become accustomed to the post banking crisis world: indeed, the signs from the mortgage market indicate that credit conditions are easing and that lenders are more willing to lend.

In the last eight months, whilst bank base rate has been kept on hold, the total number of residential mortgages available has increased from 1,209 to 1,624, the majority of which being two year fixed rate deals.

Type of deal	Number of deals April 2009	Number of deals December 2009	% increase
<b>2 Year fixed</b>	250	405	38%
<b>3 Year fixed</b>	274	352	22%
<b>5 Year fixed</b>	259	297	12%
<b>Source: Moneyfacts.co.uk 3.12.09</b>			

Average rates on two year fixed deals continue to see significant falls, standing at 4.93% today.

Rates remain less favourable on longer term deals, where the average five year fixed stands at 6.15%. The average three year rate continues to increase, standing today at 5.60%.

**Michelle Slade**, spokesperson for [Moneyfacts.co.uk](http://Moneyfacts.co.uk), commented:

“In such uncertain times, borrowers and lenders alike seem to prefer shorter term deals, where changes can be made relatively quickly if market conditions change dramatically.

“If lenders maintain the increased margins they have placed on mortgage deals, this short term view is likely to prove more expensive for borrowers in the long run.

“Increased competition in the two year market has increased the competitiveness of the deals available, but at £928, the average arrangement fee remains more than £100 higher than on longer deals.

“Borrowers’ love affair with shorter term deals means lenders benefit from the increased frequency with which arrangement fees become payable.

“Lenders appear to be discouraging borrowers from taking medium to longer term deals by charging higher rates, as extended periods of repayment, together with uncertainty over the economy in the medium term, bring a higher risk of default.

“By opting for a five year deal, borrowers are likely to benefit from a more stable mortgage market when they come to remortgage. Increased equity in their homes from rising property prices will increase their chances of being eligible for a more competitive deal at a lower LTV band.”

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Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at [www.moneyfactsgroup.co.uk](http://www.moneyfactsgroup.co.uk).

## Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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