

Interest Rates Held Steady

What the stagnant Base Rate means for you and your mortgage

The Bank of England has just announced that interest rates will be held at 0.5%.

This is the seventh month in a row the Bank has opted to maintain the Base Rate at 0.5 per cent. A year ago, the Base Rate sat at 4.5 per cent and the year before that as the credit crunch was beginning to bite, it was 5.75 per cent.

The decision to keep interest rates steady was largely expected, with interest rates predicted by economists to remain unchanged until the beginning of next year, when the economy is expected to slowly recover from the recession.

So what does this announcement mean for home-owners and would-be buyers?

The property market and more importantly the stagnant [mortgage market](#) has been a hot topic for many months now.

Since the onset of the credit crunch, many people have been prevented from getting on the property ladder, whilst others have been unable to sell their property as a result of the restricted mortgage market.

Over the period, we've seen mortgage lenders tighten their lending criteria and wipe out the 100 per cent mortgage, making it near impossible for first-time-buyers to buy a home, unless of course they were lucky enough to have a 40 per cent deposit.

We've also seen the Base Rate fall dramatically, but mortgage rates fail to follow suit as lenders tried to make as much profit as possible in a bid to shore up their balance sheets.

Added to this of course, has been falling property prices with some parts of the UK shedding as much as 12.7 per cent of the value of their property over the last 12 months, according to latest official [Land Registry data](#).

Is the mortgage market beginning to recover?

But despite all the doom and gloom, there now appears to be light at the end of the tunnel, with many commentators and economists predicting that the worst really is over for the UK economy.

The recent upward movement in house prices certainly seems to back this up with the Nationwide reporting that house prices have risen for five consecutive months, and by 0.9 per cent in September.

According to the monthly Halifax survey, house prices increased by 1.6 per cent in September, marking what it says is the third monthly rise in a row. And if this isn't enough to put a smile on your face, we now also have mortgage lenders coming out with increasingly competitive mortgage offers in a bid to tempt you back into the market.

One such lender is HSBC, who this week said it is making an additional £500m of mortgage funding available to home buyers with deposits of just 10 per cent.

The Mansfield Building Society also recently launched a 100 per cent mortgage for first time buyers as part of its shared ownership initiative, but the deal has conditions attached.

What else is on offer for first time buyers?

For first time buyers, there are still a number of other mortgage deals on offer. For example, Royal Bank of Scotland is offering an initial rate of 2.99 per cent for loans up to 80 per cent of the property value which comes with a £799 fee.

HSBC is also offering a discounted rate of 3.89 per cent for two years on mortgages with a loan-to-value of up to 90 per cent, although it does have a booking fee of £1,199 attached.

What if I want to remortgage?

If you need to remortgage, then Royal Bank of Scotland has a two-year mortgage rate of 3.29 per cent, a fee of £799, as well as free valuation and legal work for loans of up to 80 per cent of the value of the property.

But if you prefer to lock into a longer term deal, then the Co-op is pushing an initial rate of 6.09 per cent until 2014, alongside a fee of £995 and free basic valuation and legal work for a maximum loan-to-value of 85 per cent.

Paul Chohan, head of mortgages and life insurance at Confused.com, said we can be "cautiously optimistic" that the worst of the economic turmoil may be over.

He said: "As lenders have become more confident and products more competitive, borrowers have been able to secure better deals underpinning recent house price rises. This can only be good news for homeowners."

About the Author

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