MoneyMarketing

Missing a trick

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A lack of higher LTV is delaying a full housing market recovery, say Nicola York and Christopher Jarvis

Nationwide and Northern Rock are among a number of lenders that have recently repriced some of their mortgage deals.

While brokers think this could signal an upturn in the fortunes of the mortgage market, with higher loan-to-value products still in short supply, it is too soon to expect a full recovery.

London & Country head of communications David Hollingworth says that although the "flurry of repricing" has mainly been occurring at the lower end of the LTV spectrum, it is still a positive indication of market recovery.

"Northern Rock has come back in with much better rates and has been open in stating that it intends to be active in the market. We would expect that to be the case because they are state-owned - it has a bit more appetite to lend," he says.

Northern Rock, Abbey, Nationwide and Woolwich have all improved their rates across fixed and tracker products in recent weeks.

Hollingworth adds: "We have not seen this tit-for-tat repricing for a while, which does indicate more appetite. But these are small steps."

Brentchase Financial Planning managing director Mike Fitzgerald says he has seen slightly better rates coming in this month and also a few LTVs increasing.

He says: "Nationwide in particular has stretched its LTVs out a little. We are seeing pent-up demand from the public as the appetite for houses picks up.

"There are 1,578 products on Trigold now. While this is a bit better than a few months back, obviously we are still a long way off the 21,000 we had a year or so ago."

Fitzgerald believes the demand for property is being driven partly by low interest rates, and says there have been suggestions the base rate could go even lower in the next few months, which will only add to this demand.

He says: "We are still bouncing on the bottom but things are slowly picking up and we are more optimistic. We now need other lenders to follow. Fixed rates are still far too high. Nobody has really stuck their head above the parapet."

CBK Colchester adviser Peter Wright says lenders have been "licking their wounds" in recent months but are now more willing to lend.

However, he says there is a danger that clients will become complacent and stay on standard variable rates when their current deal ends.

He says: "Clients are being lulled into a false security. They might be OK for six months on standard variables but as soon as the interest rate rises it will hit them, at which point the good fixed-rate deals may have disappeared."

He thinks lenders should be focusing on offering deals in the 70-80 per cent LTV market and says they are "missing a trick" by not going after this business.