

## High Loan-to-Value mortgage rates still much higher

Borrowers with small deposits are paying substantially more for mortgages according to latest figures from independent financial research company Defaqto.

David Black, Banking Specialist at Defaqto said: “Three years ago there was little difference in the interest rates charged whether you had a 10% deposit or a 25% deposit. Since the credit crunch the situation has changed significantly and those seeking a higher Loan-to-Value (LTV) mortgage have to pay significantly more.”

He added: “The keenest rates are for those seeking a mortgage of less than 75% LTV. Mortgages permitting 90% LTV are significantly more expensive. First time buyers are particularly hard hit as they need a substantial deposit merely to get on the housing ladder and a significantly larger deposit to access the best rates.”

The example below outlines the different interest rates faced by two people both seeking a £150,000 mortgage but with 75% and 90% LTV borrowing requirements respectively:

	Mr Smith	Mr Jones
Property purchase value	£200,000	£166,667
Mortgage required	£150,000	£150,000
Deposit	25%	10%
LTV being requested	75% LTV	90% LTV

The following table shows the average interest rates and the annual interest payable for five different types of mortgages for these two borrowers on an interest only basis:

Type of mortgage	75% LTV interest only mortgage		90% LTV interest only mortgage		Difference in cost between the two mortgages	
	Initial interest rate payable	Annual cost for £150,000 mortgage	Initial interest rate payable	Annual cost for £150,000 mortgage	Increase in interest rate for the 90% LTV mortgage	Increase in annual interest for the 90% LTV mortgage
Average 2 year fixed rate	4.22%	£6,330	6.12%	£9,180	1.90%	£2,850
Average 5 year fixed rate	5.50%	£8,250	6.75%	£10,125	1.25%	£1,875
Average 2 year base rate tracker	3.35%	£5,025	5.51%	£8,265	2.16%	£3,240
Average term base rate tracker	3.53%	£5,295	5.60%	£8,400	2.07%	£3,105

Defaqto provides whole of market best buy tables which are updated daily via <http://www.defaqto.com/best-buy-tables>

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#### **Notes to Editors:**

David Black is a Banking Specialist at Defaqto

David joined Defaqto in May 2004 when Defaqto acquired the financial research company of Blay's Guides where he had 16 years of banking research experience for the majority of which he was a director. Previously he was a political risk underwriter in the City. David is Defaqto's Banking Specialist and specialises in credit cards, current accounts, equity release, mortgages, savings and unsecured loans. He was the Banking Analyst in Defaqto's Insight team until July 2010 when he switched to dealing with the press on all aspects of banking. He is a frequent commentator in both the printed and the broadcast media in his areas of expertise. He is ACII, CeMAP and CeRER qualified, as well as holding an Honours degree from Exeter University.

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Since 1994, Defaqto has built the largest, whole of market, financial product database and become one of the leading providers of financial product data in the UK. We now cover over 30,000 products across banking, life, pensions, investments and general insurance.

Our experts validate and analyse the data to provide insight and consultancy to all layers of the financial services sector including IFAs, mortgage and general insurance brokers, providers, web aggregators and the public sector.

Our products and services include the following:

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