

First-timers targeted by banks

JIM WILEMAN

Lenders offer new deals but rates remain high, writes Elizabeth Colman

MORTGAGE lenders introduced competitive rates to help first-time buyers on to the property ladder last week, but deals remain costly and difficult to obtain.

Estate agents reported that parents are raiding their pensions to help their children buy homes during the mortgage squeeze.

First-time buyers in London must find deposits of almost £50,000 to get on the ladder, based on the typical 20% deposit on a property worth £240,768 — the average price of a first-time buyer home in the capital according to Bank of Scotland.

Estate agents in the city said that parents were using tax-free lump sums that can be taken from pensions after the age of 55 to fund the deposits on their children's first homes.

Ed Mead of Douglas & Gordon, the estate agent, said: "We are still seeing a steady stream of first-time buyers, but they are all getting help from their parents with finding deposits. In some cases, parents have told us they take cash from their pensions."

Coventry building society, the third-largest mutual, cut interest rates by 0.4 points to 5.49% last week on its five-year fixed deal for those with a 10%



Parent power

John Collar, 26, an architectural assistant, and his wife, Li, 28, a co-ordinator at Exeter University, have been able to buy their first home thanks to help from parents.

The couple, from Cullompton, Devon, used a 10% deposit to secure a two-year fix

from Halifax at 5.99% through L&C Mortgages, the broker. They kept some of the funds in reserve to spend on home improvements. John said: "We were given a deposit by my wife's mum — we couldn't have done it without that."

deposit, reducing repayments on a £200,000 loan by almost £600 a year. The mortgage has a £499 fee, though borrowers receive £500 of Ikea vouchers.

Halifax, the UK's largest mortgage lender, scrapped fees on its two-year fix for borrowers with a 10% deposit.

The rate remains uncompetitive at 5.99%,

though Halifax gives £500 cashback upfront and £150 on completion.

At the end of 2011, Leeds building society became the latest lender to offer loans to borrowers with only a 5% deposit. It is charging 5.99% for a five-year fix with a £199 fee.

Nottingham building society has the best-buy

three-year fix at 5.79% for borrowers with deposits of 5%, and offers a free valuation. The maximum loan available is £150,000, which would have monthly repayments of £947.

For those with a 10% deposit, Chelsea building society offers a two-year fix at 4.54% with a £1,495 fee.

Repayments on a £150,000 loan

on this deal would be £1,116.

However, for a 40% deposit, the best-buy two-year fix is only 2.28% from HSBC, with a £1,999 fee. It would have repayments of only £656.

Brokers also said that borrowers with small deposits must have a perfect credit score to secure a deal.

The latest credit conditions survey from the Bank of England suggests that although lenders plan to introduce more deals to help those with small deposits in the next three months, credit scoring criteria will get tougher, limiting the number of borrowers able to secure loans.

First-time buyers also face another year of plunging house prices. Prices fell 0.9% last month, according to Halifax and are down 1.3% over the past year. Some experts have forecast falls of at least 5% over the following 12 months.

The tough conditions mean that only 23% of home buyers over the next 12 months will be first-timers, according to estimates from Rightmove, the property listings site, down from 40% before the credit crunch.

We ask the experts about the prospects for first-timers in the next 12 months.

How easy will it be to get a mortgage?

The Bank of England last week reported that mortgage approvals on house purchases had edged up to a 23-month high of 52,854 in November, from 52,786 in October.

New figures from Woolwich, the lending arm of Barclays, show that home loans are at their most affordable for a decade, with average repayments equivalent

to 15.2% of monthly income or £488, because of low house prices and mortgage rates.

However, brokers warn that first-time buyer mortgages could be harder to find in the coming months if the eurozone crisis worsens.

Ray Boulger of John Charcol, the broker, predicted that deals on small deposits will be withdrawn and rates will rise if the currency crisis sparks a second credit crunch.

Ian Gray of the broker largemortgageloans.com said: "The market eased last year, but there are fears that lenders will tighten up again in the spring."

What will happen to house prices?

Simon Rubinsohn, chief economist at the Royal Institution of Chartered Surveyors, has forecast a 3% fall in house prices in 2012. Capital Economics and IHS Global Insight, the analysts, expect prices to fall 5% by mid-2012. Nationwide expects them to remain flat.

Is there still time to qualify for the stamp duty holiday?

Mead at Douglas & Gordon said it will be difficult for first-time buyers to complete in time to take advantage of the stamp duty holiday. It may, though, be possible if they move fast.

It applies to property purchases up to £250,000 and will expire on March 24. After that, the rate will revert to 1%.

MAGNIFICENT SEVEN ►►

The best areas to look for bargains in 2012

HOME, P6