

Graduate Mortgages: are there better deals to be found?

Julia Harris, mortgage analyst at moneyfacts.co.uk comments:

“It is the time of year when university students have completed their final exams and are entering the ‘real world’ of finding a job and thinking about their future. Many may be starting to think whether they want to continue renting or make their first step onto the property ladder.

“But that initial step can often be a struggle for any first time buyer, especially for graduates, who often have the burden of large student loans, overdraft and credit card balances to address first.

“With the aim of helping graduates buy their first property, a handful of mortgage lenders have launched mortgages products with terms exclusively available to graduates. These offer terms to suit the financial situation many graduates find themselves in, namely young people who are likely to be high earners in the future, but with little or no savings for a deposit or set-up fees.

“Generally graduate mortgages require no deposit, offer 100% LTV, have relatively low set up fees, offer good income multiples and often will have flexible features.

“But are these mortgages giving graduates the best deal or should they also be looking elsewhere?”

Graduate 100% Fixed Rate Mortgages

Provider	Rate	Fee	Incentives for FTB	Income Multiples	Flexible features
Scottish Widows Bank	5.79% to 31/07/2008	£395	Refund valuation, £150 towards costs, no HLC	4.00 x 1st, 1 x 2nd, 3.00 x joint	Overpayments only
Co-operative Bank	5.34% to 31/08/2009	£399	Free valuation, no HLC	Ability to pay	Yes
HSBC	5.49% to 31/08/2009	£599	No HLC	Ability to pay	No

Source: moneyfacts.co.uk

Standard 100% Fixed Rate Mortgages

Provider	Rate	Fee	Incentives for FTB	Income Multiples	Flexible features
Portman BS	5.49% to 30/06/2008	£299	Free valuation, no HLC	4.00 x 1st, 1 x 2nd, 3.00 x joint	Overpayments only
Standard Life	5.3% to 11/08/2009	£299	No HLC	Ability to pay	Overpayments only
Bank of Ireland	5.79% to 31/07/2009	£499	No HLC	4.00 x 1st, 1 x 2nd, 3.25 x joint **	Overpayments only

** Min income £20K

Source: moneyfacts.co.uk

Press Release

“As the table above shows, equally competitive and suitable deals can be found from other providers, designing products to meet a much wider and still-demanding first time buyer market, in many instances requiring similar features to graduates.

“Other lenders have launched mortgages allowing borrowers to pay interest only for a certain length of time or allow partial repayments to free up cash in the initial years, when salaries may be low and expenditures high. The HSBC Home start mortgage for example allows interest only payments for the first three years, thereafter reverting to capital repayment.

“However, first time buyers and even graduates should not fall into the trap of borrowing beyond their means. Lifestyle changes in the future can have a huge impact on affordability. Graduate salaries are expected rise at an above average rate, but this is not always the case, so borrowing based on expectation for the future can be dangerous.

“For those graduates who qualify as ‘professionals’ several other lenders offer preferential terms, mainly in the form of enhanced income multiples. Lenders include NatWest Mortgage Services, Scottish Widows and The One account.

“It is clear that there are many alternatives open to first time buyers earning a reasonable salary, and for those who need support there are options as well, including guarantor mortgages and shared ownership. Graduates should not fall in to the trap of going for a mortgage just because it is aimed at them: the mortgage market has become increasingly competitive and more aware of individual needs, so it is always a good idea to shop around and get the best deal for your circumstances.”

NOTES TO EDITORS:

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