

26 February 2009

## First time buyers offered little incentive to join the property ladder

Fixed rate mortgages equate to three quarters of the deals on offer to first time buyers, but with rates as much as seven times base rate, there is little incentive for new borrowers to get on the first rung of the ladder.

While the rates on variable rate mortgages have fared slightly better, first time buyers still need to pay around 3.00% above base rate.

### Fixed Rate Mortgages

LTV Band	Pre Credit Crunch (July 2007 – Base Rate 5.50%)		A Year Ago (February 2008 – Base Rate 5.25%)		Today (February 2009 – Base Rate 1.00%)	
	Number of deals available	Average rate	Number of deals available	Average rate	Number of deals available	Average rate
60% to 64%	0	N/A	0	N/A	127	4.84%
75% to 79%	122	6.13%	236	6.19%	223	5.19%
90% to 94%	317	6.16%	352	5.97%	58	6.31%
95% to 99%	511	6.34%	366	6.24%	3	7.02%

Source: Moneyfacts.co.uk 26.2.09

### Variable Rate Mortgages

LTV Band	Pre Credit Crunch (July 2007 – Base Rate 5.50%)		A Year Ago (February 2008 – Base Rate 5.25%)		Today (February 2009 – Base Rate 1.00%)	
	Number of deals available	Average rate	Number of deals available	Average rate	Number of deals available	Average rate
60% to 64%	3	5.67%	2	5.98%	52	4.11%
75% to 79%	112	5.88%	117	6.38%	70	4.19%
90% to 94%	278	5.88%	343	6.11%	13	4.03%
95% to 99%	355	6.05%	243	6.32%	0	N/A

Source: Moneyfacts.co.uk 26.2.09

**Michelle Slade**, analyst at **Moneyfacts.co.uk**, commented:

“First time buyers are meant to be the life blood of the property market, but with the average rate as high as 7.02%, there is little incentive for them to step onto the first rung of the ladder.

“Prior to the credit crunch, the difference in the average rate on fixed rate mortgages for those with a 5% deposit and a 35% deposit was just 0.30%. Today the gap is 2.18%.

“The risk of customers buying a property and falling straight into negative equity is much higher than a year and a half ago. Even as much as a year ago, asking a first time buyer to commit to a 40% deposit was virtually unheard of. Now it’s more the norm.

“Even if you have found a property at a bargain price, if you don’t have at least a 25% deposit, you will be paying a heavy premium and for many it just not a price they are prepared to pay. On a £225,000 property, that equates to a deposit of £56,250 and for the average person this will take some time to save, particularly at the moment with savings rates so low.

“Prior to the credit crunch, competition was the driving force behind the best buy rates on offer, which were largely for those with a 5% deposit. If lenders want to bring new money in via first time buyers, they need to offer deals at competitive rates for those with a smaller deposit.

“Northern Rock is expected to re-enter the 90% LTV arena in the near future, so, let’s hope the nationalised lender sets an example to the rest of the market, offering rates to encourage lending at this end of the market once more.”

Note to Editors:

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Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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