

10 August 2009

Fixing the problem?

Borrowers need to find three times more for a deposit, compared with two years ago when the credit crunch began.

The average LTV has fallen from 91% in August 2007, to 74% today. As a result the average deposit required on a £150,000 mortgage has increased from £13,500 to £39,000.

Borrowers looking for fixed rate mortgage deals have seen an 83% drop in the number of deals available to those with just a 10% deposit. By comparison, the number of deals for those with a 40% deposit has increased by a staggering 2244%.

	August 2007	August 2009	% Change
Fixed Rate Mortgages			
100% LTV	163	6	-96%
95% LTV	585	9	-98%
90% LTV	455	77	-83%
85% LTV	109	165	+44%
75% LTV	252	342	+35%
60% LTV	9	211	+2244%
Variable Rate Mortgages			
100% LTV	75	2	-97%
95% LTV	397	0	-100%
90% LTV	371	19	-95%
85% LTV	98	22	-76%
75% LTV	182	150	-18%
60% LTV	13	103	+692%
Source: Moneyfacts.co.uk 10.8.09			

Michelle Slade, spokesperson for Moneyfacts.co.uk commented:

“A threefold increase in the size of the average deposit is likely to hit first time buyers the hardest. Unless they can get help from the bank of mum and dad, many may have to defer their dreams of owning their own home for a number of years until they have saved more.

“While the number of fixed rate deals slowly increases, the number of variable deals remains low.

“Lenders are worried about the rising risk of customers defaulting on variable rate deals when base rate starts to rise.

“On a £150,000 mortgage, borrowers with a tracker deal will see their monthly repayments increase by over £300 if base rate returns to 4%, an increase that may be a step too far for many borrowers.

“94% of variable deals come with tie-ins of around 3% of the mortgage, meaning many will be unable to afford to escape to a more manageable deal elsewhere.

“Although fixed rates are more expensive at present, they are likely to be a better option for those on a budget.

“If the Bank of England raises base rate sharply, those fixing now are likely to be better off in the long run than those locked into variable rate deals”.

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Our increasingly popular consumer website www.moneyfacts.co.uk **helps customers make better financial decisions** and gives them the ability to check the latest best buy products and to search the **whole market** for products that suit their individual circumstances.

Moneyfacts.co.uk also supplies best buy charts to many of the UK national and regional newspapers, with a total weekly readership in excess of 22,000,000. Moneyfacts.co.uk also provides the personal finance data that powers many UK online comparison websites.

Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at www.moneyfactsgroup.co.uk.

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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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