

# Mortgages – First Time Buyers

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For the last eight months or so first time buyers have effectively been squeezed out of the property market due to loan-to-value lending restrictions, lack of available credit in the markets and lenders being unwilling to lend on what they perceive as a high risk area. On the flip side of this, many first time buyers who purchased their properties in the last two or three years have become victims of repossession, having stretched themselves too far financially in the first instance.

So what does the immediate future hold for the first time property purchaser?

It is widely expected that one of the UK's biggest mortgage lenders will re-introduce a 90% loan-to-value mortgage specifically for first time buyers in the next few weeks and this should aid those who have had the foresight to save a deposit in recent months and years.

Guarantor mortgages are still available; where a parent or close relative is party to the mortgage to help overcome shortfalls in income of the younger applicant. A guarantor mortgage can be of specific use where a first time buyer has either been gifted or inherited sufficient deposit funds, but their income is too low to secure a mortgage on their own.

A growing number of housing associations around the country are offering housing for sale under a shared ownership scheme. This type of property is aimed at anyone who wants to get a foot on the housing ladder, but who may not have the necessary income yet for a full mortgage and who does not want to use the guarantor route.

Under shared ownership, you own a percentage of the property and the housing association owns the rest. You raise a mortgage for (let's say) 60% of the property value and you pay rent, at market value, to the housing association for the rest. With this type of purchase there is usually an option for the owner to buy further tranches of the property at specified future times, if they want to.

There is also a new initiative recently launched called 'HomeBuy Direct'. This is similar to shared ownership however no deposit is required from the purchaser. The minimum share purchase is 70% of the property value and the remaining 30% is jointly funded from the Government and the builder/developer.

After six years the initial 30% funded via the Government and developer is charged at 1.75% of the initial market value of the property and the charge will increase annually at retail price index (RPI) plus 1%. The scheme is designed to assist first time buyers or those who have previously owned property but who are no longer able to buy unassisted; for example in the case of a relationship breakdown. The scheme has also been developed to help builders sell properties that are currently standing empty.

Although not without it's potential problems, there are still many paths open to the first time buyer and with property prices having fallen over the last 10 months it would seem that now is the ideal time to purchase your first home.

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