



Get to know what FTBs really want

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MANAGING DIRECTOR
LEADBAY

First-time buyers are a hot topic at the moment, with much talk of how we can encourage them into the market. So it's interesting to look at just who are first-time buyers, what do they want and how has this changed over the last six months.

The number of first-timers seeking brokers has risen by 50% from last July to this January, based on a sample of about 40,000 enquiries coming through Leadbay.

The average age of first-time buyers has also fallen by almost a year, dropping from 30 years and 10 months to 29 years and seven months.

The male/female ratio has changed from 57% male and 43% female to 61% male and 39% female.

The biggest change has been the effect of lower house prices on LTV

ratios and the difference in the amount borrowers have saved before asking for advice. Last July, the average deposit was £31,501 and the average property price buyers were looking at was £163,771, which was an average LTV of 81%.

This has changed significantly. Now the average deposit has risen £35,590, while the average price has dropped by £2,700 to £161,092, resulting in average LTVs of 78%.

None of this indicates how easy or hard it is to get a mortgage, but lead generators act as the litmus test for borrower expectations.

We receive enquiries when consumers are first looking for mortgages or other financial products and so set an expectation of what may be reflected by Halifax, Nationwide and the Council of Mortgage Lenders.



High LTV loans may re-energise market

PAUL BROADHEAD
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It's official – the UK is in recession. The news came in a week that began with the Prime Minister and chancellor holding a joint press conference to announce the latest fiscal stimulus to increase lending to consumers and business.

This came hot on the heels of the mortgage rescue scheme that will see housing associations enter shared ownership or sale-and-rent-back agreements, with vulnerable households struggling to pay their mortgage.

Further development of the Homeowner Mortgage Support Scheme is also underway. It aims to give relief to households suffering a temporary reduction in income.

And the mortgage industry is playing its part too. Attractive mortgage deals are creeping back

into the market, albeit typically available to clients needing less than 60% LTV.

A number of brokers have commented on the need for a return to 90% LTV or even 95% LTV lending to re-energise the housing market and bring back confidence to the industry.

But those calling for further interest rate cuts are misguided as such action will not help borrowers. We are yet to see the full impact of the recent cuts and any more will potentially reduce the incentive to save and so reduce mortgage funding.

Something the government appears to have forgotten is that it does not matter how cheap you make money if there isn't enough to service the demand in the first place.



MIG scheme will encourage lenders

NICK BAXTER
DIRECTOR
MORTGAGE PROMOTIONS

Whatever your political persuasion on how to maintain stability in our financial markets, the government has tried to stay ahead of the crisis with a wide range of initiatives.

Some of us might have done things in a different order, but at least the government is trying.

However, we are still not seeing any noticeable increase in residential mortgage lending.

Two things need to happen. The bad bank facility will only work if lenders analyse and understand their existing portfolio.

With complicated purchasing arrangements – where some lenders agreed to buy mortgage

portfolios before the loans had been underwritten – many lenders don't know the risks in their balance sheets.

It is likely that independent analysis will be required for lenders to understand the

problems. Having lost the toxic liabilities, we need to see LTVs increase.

It was great to see Nationwide launch a broker-only 95% LTV deal, albeit for existing borrowers, but more deals are needed.

To encourage lenders further, I would like to see a government-backed mortgage indemnity guarantee scheme. If structured correctly, taxpayers could even make money out of such a facility.



True cost of keeping lending wheels oiled

CHRISTOPHER TAYLOR
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The Bank of England's base rate cut to just 1.5% is a clear indication that the economy is running out of options.

But who is the rate cut aimed at? Cutting the base rate won't help the lack of credit – 40% of savings accounts now pay just 1% or less, while 7.5% now offer only 0.1%.

In the mortgage market, while some lenders are passing on the cuts to borrowers, on the whole home buyers aren't seeing the benefits either. Those on tracker or discount mortgages won't see a cut below the level of their collars.

If the rate hasn't benefited savers and has not helped existing mortgage borrowers, how about first-time buyers?

Lenders rates might be low and mortgages cheap compared to six months ago, but 60% of deals

require a deposit of 25% or more and those with the most attractive interest rates ask for a 40% deposit.

That's out of the reach of most first-time buyers. What's more, while the base rate might be low, LIBOR is much higher and many lenders can't afford to pass on the rate cuts in full and stay profitable.

It's a dire situation for brokers too. They want to offer clients the best deals, but with lenders struggling to keep their books profitable, it's no wonder they are taking their best products direct and cutting proc fees.

The government's latest scheme is a taxpayer-backed facility to underwrite loans in the hope of oiling the wheels of lending, but at what cost? Is this a well thought out policy with substance or just another blind attempt to lift us out of recession? I fear it's the latter.