# An important message for first-time buyers from JP Mortgages

# Flexibility remains the key to a strong first-time buyer market

Largely unaffordable homes across the UK has created a culture of diversity when it comes to buying a first home. Whether this is taking advantage of the latest governmental scheme, knocking on the door of the Bank of Mum and Dad, or looking at other methods such as Rent to Buy and Shared Ownership, thousands of young people are looking to their adviser for the advice and guidance hat will help them reach their home-owning goal.

## The generation game

Research has shown that parents are predicted to lend more than £6.5bn in 2017 to their children, to help them onto the property ladder. This would be an increase of 30% from 2016, and means that parents will be in some way involved in over a quarter of UK property transactions.

The research goes on to suggest that parental support will ultimately help fund property purchases worth approximately £75bn, which when including deposits covers nearly 298,00 mortgages. Traditionally millennials and younger people would be considered the obvious recipients of these deposits, but 21% is actually predicted to go to first-time buyers over the age of 30.

But these gifted deposits are not the only way that parents are helping their children, they are also taking advantage of other routes. Equity charge for example is where a parent puts a collateral charge on the family home instead of the child paying a deposit, although not all lenders allow this in their criteria.

Guarantor mortgages are also an option, where a charge is placed against the parents’ home and the amount the child can borrow is based upon a combination of their own and the child’s income and assets.

There are of course associated risks, as the parent would be guaranteeing hat the repayments are made, which means the guarantor’s home could be at risk in the event the child failed to make the repayments.

## Low deposits

By far the most common theme among first-time buyers is the need for high LTV mortgages. With the end of the Help to Buy: Mortgage Guarantee Scheme last year, many looked to the industry to fill the gap and offer more 95% mortgages to young people.

Encouragingly, there has been general rise in the number of lenders able to offer LTV’s of 95% since the scheme did end, but there is still a call for further lenders to support this space.

According o one report, the amount of time that it takes to save for a deposit has been helped by an increase in the availability of high LTV loans. The proportion of loans made at a 90% or more LTV ratio 5% in 2016, up from 3.8% in 2015.

## Schemes available

During a continuing period of affordability issues, supporting first-time buyers has become the focus of successive governments as they look to provide the step-up that young people need. The desire to own a home is still driving demand in the market, with many parents understandably not always able to provide the much needed deposit for their children.

Fortunately, there are still several schemes available for first-time buyers. The most famous of these is the government’s Help to Buy schemes. Although Help to Buy 2 has ended, the Help to Buy: Equity Loan scheme is still helping plenty of young people. The scheme lends 20% of the purchase price on “new build” properties up to the value of £600,000, as long as the buyer has 5% of their own savings to put down. The Help to Buy ISA has also supported them with saving for a deposit by offering a 25% top up on a certain level of cash savings.

Other schemes such as Right to Buy are helping young tenants who qualify, to buy their home at a discount from their local council. Shared Ownership is also available, where somebody will buy a share of a home from the landlord, often the council or a housing association, and then rent the remaining share.

The government has also rolled out the Starter Home scheme, which is a new plan where 200,000 new build homes are available to first-time buyers under 40, offering at least 20% off of the market price.

## Self-employed

With the number of self-employed workers increasing in the UK, they no doubt reflect a certain portion of UK first-time buyers. Figures show that 15% of the UK workforce are now self-employed, with one in five being either self-employed or contractor. Although getting a mortgage in recent years as a self-employed person has been a challenge, the wind is changing. In fact, according to the CML, there was an 11% increase in loans to the self-employed in 2016 compared to 2015.

Many lenders are looking at their current lending criteria and making some key changes to support the number of first-time buyers in the UK that have decided to take the plunge and enter the entrepreneurial route.

Some specialist lenders and building societies are using their flexibility to look at cases individually, with many other lenders also altering the number of years accounts required to approve general mortgage lending.