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Mortgage shift for first-time buyers



Some first-time buyers have found it tough to get on the property ladder

Mortgage lending dropped in October but lenders' figures also confirmed changing trends for first-time buyers.

There were 46,000 home loans advanced for purchases, the Council of Mortgage Lenders said, down 4% on September and 16% lower than a year ago.

However, the deposit that needed to be found by the average first-time buyer shrunk to 20%, from 24% in September.

New buyers were also moving away from, or not being offered, interest-only deals.

In October, 93% of first-time buyers took out a repayment mortgage - which sees both the capital borrowed and interest being repaid. This was the highest proportion since records began in 1974.

Before 2007, about 30% of first-time buyers opted for interest-only mortgages.

'No change'

The change, according to the CML, has come about because lenders have withdrawn the offer of interest-only mortgages in anticipation of regulators telling lenders they should be more careful with loans.

"The shift shows lenders have been adjusting their loan criteria in anticipation of possible regulatory changes, and a recognition that repayment mortgages may be in the best interests of less experienced borrowers such as first-time buyers," a CML spokesman said.

Aaron Strutt, of brokers Trinity Financial, said many banks had changed their policies on responsible lending, which made it largely impossible for first-time buyers to get interest-only mortgages.

"This is going to continue. They are still looking for ways to provide less risky loans," he said.

Falling numbers

Confirmation of the decline in mortgage lending was expected following recent mortgage approval figures.

"With 2009 lending levels artificially inflated by the end of the stamp duty holiday, we expected to see a decline in lending year-on-year," said Michael Coogan, director general of the CML.

"Consumer confidence has also been affected by October's Spending Review, despite the relative affordability of monthly mortgage payments, and so a stable but small lending market will continue for some time to come."

There were 17,000 loans advanced to first-time buyers during October, down 5% on the previous month and 19% lower than October 2009. Loans to home movers fell by 3% from September, and were down 14% compared with a year earlier at 29,400.

The number of remortgaging loans also fell in October. There were 26,000, which was 9% down on September, and 21% lower than a year earlier.