

There were **30,000** loans to first-time buyers in the first three months of 2009 against an average of more than **100,000** a quarter in the previous decade, according to Treasury figures

Home economics improve

By **Jayne Atherton**

First-time buyers appear to be making tentative moves back into the property market. New figures from professional financial advice website unbiased.co.uk show after a fall in June, the number of mortgage enquiries from first-timers increased to 43 per cent of all customer requests in July.

Although lenders are beginning to offer more mortgages, first-time buyers will generally still have to find a bigger deposit than they would have five years ago.

If fixed repayments are what you're looking for then Halifax, for example, offers a range of fixed-rate mortgages with terms between two and seven years, and loan-to-value (LTV) rates of 75 to 85 per cent. Its three-year fixed-rate mortgage with first-time buyer incentives goes up to 90 per cent LTV and has an interest rate of 7.14 per cent until 2012 when it reverts to a variable rate, which is currently 3.50 per cent.

Although fixed rates are more expensive than variable rates, first-time buyer discounts include a refund of the first valuation fee up to £430, no conveyancing fees excluding disbursements and £500 cashback to spend as you want.

However, according to mortgage broker John Charcol, the appeal of fixed-rate mortgages is diminishing because of rapid price rises.

Ray Boulger, of Charcol, says: 'Fast increases in the cost of fixed rates in June eroded their value in insuring against future interest rate



Building up: First-time buyers are returning to the housing market – but they will still need a hefty deposit

increases and so in July we advised more clients to take a tracker or discount rate. A modest increase in the availability of tracker and discount rates above 75 per cent LTV also caused the move away from fixed rates.'

First-time buyers who would prefer to swap fixed payments for a cheaper tracker with some costs paid for have a lot of choice but will need to watch out for higher arrangement fees.

Woolwich offers a tracker at 2.74

per cent above base rate for the term of the loan but it has an arrangement fee of £1,499. It comes with free basic valuation and legal work, however, which can offset buying costs.

Abbey offers a tracker mortgage available to first-time buyers at 2.49 per cent above base rate for three years. It has a starting rate of 2.99 per cent, with base rate being at 0.5 per cent. After three years the rate will be 3.99 per cent. Basic legal and

valuation work is free and the arrangement fee is £495. Buyers will need a 25 per cent deposit and must hold an Abbey bank account, although a similar mortgage without that restriction will cost 3.29 per cent and a higher booking fee.

Of the building societies, Derbyshire offers a two-year tracker rate which has an initial rate of 5.59. It has an arrangement fee of £849 and valuation and booking fees of £425.

Expert advice

Property expert **Jo Eccles**, director of **Sourcing Property** (www.sourcingproperty.co.uk), answers some questions from first-time buyers.



Where do I start? Establish your budget with a mortgage broker. This ensures you have a big enough deposit and are comfortable with the estimated monthly payments. Once you have found a property, you can finalise the best deal.

How do I make an offer? Make your offer (subject to contract) over the phone and confirm in writing to the agent. To add credibility, ask your solicitor and mortgage broker to write a letter confirming they're acting on your behalf and that you have a mortgage agreed in principle. Legally the estate agent has to reveal your offer to the seller, so don't be put off making a low offer; you can increase it if needed.

What happens after my offer is accepted? Notify your solicitor and mortgage broker that your offer has been accepted and pass their details to the estate agent and each other. They will guide you through the paperwork and fees.

How do I choose a solicitor and what are the costs? You can use a solicitor anywhere. If you're buying a leasehold property, ensure your solicitor is experienced in this area as it is more complicated. A London solicitor charges about £1,100 plus VAT to handle the purchase of a property worth around £350,000. There are also search fees, land registry fees and stamp duty.

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