

HARD TIMES AHEAD FOR FIRST TIME BUYERS

This week it just got harder for local first time buyers to get on the property ladder. For the past year young local homebuyers have struggled to afford their first home, often relying on a large mortgage and the help of family.

The past two weeks have seen the death of 125% mortgages. Alliance & Leicester were the first to pull their Plus Mortgage range and each lender offering 125% mortgages followed suit with Mortgage Express hammering in the final nail in the coffin.

These products were aimed primarily at first time buyers who couldn't fund a deposit or the fees involved in the purchase of a home. They could borrow up to 95% of the property value on a secured loan with an unsecured loan for up to a further 30% on the same term and rate.

So does this spell the end for the local first time buyer? According to Matthew Lincoln, a director at local mortgage experts Thorpe Lincoln the answer is "No, but things just got much harder. There are some lenders still offering 100% mortgages where the whole amount is secured on the property and we have seen a price correction coming through in the housing market, which in theory should make it easier for people to get on the ladder."

However, the last few days has seen further changes. Lenders are reducing the amount they will lend against income and the value of the property. With wages in the South West remaining out of line with property prices, tightening up on the amount that can be lent will be a blow across the whole property market.

So are lenders bowing to pressure for calls for 'responsible lending' or are they nervous about over exposure? Matthew comments, "It is a combination of both. The signs are that 2008 is going to be a tough year for the local housing market and even tougher for first time buyers."

With the average first time buyer borrowing £117,000, tightening of lenders criteria is bound to make buying a home more difficult. Add to this the fact that the number of repossessions increased by 21% in 2007 when compared to 2006 there are worrying signs in the market.

With economics like this, first time buyers will need to think hard before stepping on to the ladder.