

Buyers Needing Big Deposits

Homeowners need to put in a big deposit when buying a new house in order to secure a competitive mortgage deal, Moneyfacts has warned.

September 26, 2008 (FPRC) -- According to the financial advice website, the availability of loans for house purchase for buyers with a small deposit has reduced dramatically in the last year. It reports that for those with a deposit of less than ten per cent of the total value of the home they wish to purchase, the number of mortgages on offer has shrunk by 45 per cent in the last 12 months. Indeed, it noted that 74.2 per cent of all deals on the market last year could be obtained by buyers with a loan-to-value (LTV) ratio of ten per cent or less. Now, 29.2 per cent of the mortgages available can be bagged by buyers in this situation.

For those who are finding it difficult to front the cash for a sizeable deposit, taking out a cheap loan may prove a quick and effective way to raise the funds and make sure that property opportunities do not pass them by. Applying for this type of loan may be of particular interest to consumers who are struggling to find a 100 per cent LTV mortgage after figures from Moneyfacts showed that just 0.5 per cent of all the deals available are being offered to consumers in such a position. In September last year, 100 per cent LTV deals were available on 13.4 per cent of mortgages.

In today's tightened lending environment, consumers are most likely to secure an arrangement if they are able to put down a deposit equal to between 20 and 30 per cent of the property's value. Of all the packages on the market, 38.7 per cent are for consumers looking for secured loans of between 70 per cent and 79 per cent LTV.

Commenting on the findings, Moneyfacts claimed: '\Competition was one of the major factors when setting mortgage rates and best buys were awash with deals at 95 per cent LTV. Today, the overriding factor when setting mortgage rates is risk. Lenders are focusing much more on risk. They are making less products available to borrowers with a small deposit and making the few that are available much more expensive.'

Furthermore, as the reverberations of the recent financial crisis in the US ripple through the UK, Moneyfacts noted that a number of major lenders are already raising their rates further, with Northern Rock, Yorkshire Building Society and West Bromwich Building Society all upping the price of their 90 per cent LTV products.

'As house prices continue to fall, lenders may be worried that before the deal period ends, these borrowers may fall into negative equity, which poses a threat to the value of their recoverable security,' the advice site explained.

For those who are finding it difficult securing a mortgage deal, taking out a cheap loan may prove an effective way to increase a deposit and improve chances of being accepted. Doing so may be of particular interest to those consumers identified in a recent Nationwide study as finding it increasingly difficult to put money aside in today's financial environment.

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