

Case Study

Gerry Ferry is a first-time buyer looking to buy a small terraced house or flat in Manchester. His income is £25.5k pa and

he is looking at properties in the £100k bracket. He has no deposit yet but hopes to have £3k by June when he plans to begin making offers. His parents

may also be able to loan him £10k. Does he need their help to get a deal and what are his options at the moment? He's open to both fixed and tracker deals.

“Gerry has a few options. He could opt for a high-street lender such as the Halifax which would potentially enable him to borrow up to 97 per cent LTV of the property purchase price/valuation, taking into account the £3,000 that he has already saved. However, as Gerry is a first-time buyer an income stretch of nearly four times income with a lender like the Halifax may not be feasible. Therefore the more money Gerry has to put down as a deposit the better for him.

Alternatively assuming Gerry has no deposit, then a 100 per cent mortgage with a lender like Northern Rock may be an option then Gerry will be able to utilise the £3,000 that he has saved up for the fees that are associated with purchasing a property. Northern Rock work on lending from 90 or 95 per cent LTV with any additional funds as an unsecured interest-only loan.

Northern Rock have a selection of two, three, five or seven-year fixes starting from 5.89 per cent for 90 per cent or 5.99 per cent for 95 per cent secured and up to 30



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per cent unsecured borrowings.

If Gerry's parents are able to give him £10,000 as a deposit, AToM will be able to look at lenders who may consider his income on an affordability basis at 90 per cent LTV. However, if Gerry's parents insist the money they give him needs to be repaid then the terms of the loan need to be established with his parents with the repayment details decided and written agreement in place. As Gerry is a first-time buyer we would need to assess his attitude towards risk and ask how he feels interest rates are likely to perform over the next 12 to 18 months. By doing this we would gauge whether a fixed or a tracker/discount deal would be more suitable and possibly more preferable to Gerry's situation. For example, a fixed rate may be the option Gerry decides to go for as it will assist him in budgeting. Whereas a tracker/discount deal could be more volatile but marginally cheaper in the early years.