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There's a lot of interest being shown in a totally new shared-equity mortgage, which will hopefully help a wide range of first time buyers to get into the property market.

Shared equity is not new and schemes have been around for some years which mainly involve housing associations but these were designed for the needs of low income tenants and council tenants.

A new government scheme called Homebuy which will allow property buyers to raise a mortgage of 75% and the balance of 25% will belong to lenders, the government or social landlords, such as housing associations. An innovative part of the scheme will involve the government owning 12.5% of the property, and the lender owning the other 12.5%. The purchaser will pay rent on the share owned by the third party. The Halifax, Yorkshire and Nationwide building societies are committed to the scheme but it is expected that others will get involved.

This help will still not reach everyone. Homebuy is designed to help people such as council tenants, and key workers, such as teachers and nurses wishing to buy their first home.

For a scheme to help everyone, it looks as though Advantage, owned by the US investment bank, Morgan Stanley, has come up with the answer for first-time buyers with its new Flexishare shared-equity product.

At the outset, Flexishare will be two year fixed rate mortgage. There will be a requirement for a 5% deposit and the loan will be split between a normal, conventional mortgage and something called a residential ownership loan, which can be between 15% and 35%. The interest rate on the loan is designed to be low, 3% has been suggested, but no decision on that has been made yet.

Loan repayments will be interest only and because that rate is planned to be lower than that of the mortgage, the total outgoing will be less than if the total loan was on a mortgage. I should look tempting to buyers who can't meet the expense of a standard mortgage. As long as borrowers pass Advantages credit score, they should be eligible for the scheme.

Advantage will share in any rise or fall in the value of the property, as part owner.
This seems to be the answer to their prayers, for those who are unable to get a mortgage in any other way. The mortgage industry has shown a lot of interest in the scheme and if all goes well, no doubt other lenders will follow suit.

Schemes like this are coming about because house prices have risen appreciably in recent years. In some areas property prices have doubled in six years. A slight worry is that if schemes like Advantage's become widely available, price increases could be pushed even higher.

The general feeling amongst the experts seems to be that house price growth will slow down in the near future and hopefully remain low for some time. This would certainly offer some hope to would-be first-time buyers caught in a spiral of ever-rising prices. The best plans for saving that necessary deposit easily gets over-taken by rising house prices.

For up-to-date advice and information on these house-share solutions the best plan of action would be to contact a broker, who will know if the product is right for you. The internet is a good place to look and brokers are able to offer special internet rates for some products. They'll certainly be able to help will be pleased to hear from you.

Michael Challiner
http://www.articlesbase.com/mortgage-articles/mortgages-fair-shares-51594.html