



MORTGAGE NEWS OCTOBER 2007

Since we last talked about your mortgage we thought you might like to see our monthly newsletter that will help keep you updated about trends and topical issues surrounding the mortgage market, to inform you and help you take a balanced view of current happenings and to provide you with the latest mortgage information.

Credit Crunch You will no doubt have heard or seen the recent talk of what has commonly become known as the 'credit crunch' in the press, which affected the American mortgage markets initially and has now had a knock on effect here, as lenders who sell on their mortgage books have found it increasingly difficult to do so.

The effect of this is that interest rates charged by lenders have increased, particularly so in the sub prime market, and also as a consequence the amount that is available to borrowers has decreased in direct relation to this.

Lenders calculate the amount which can be borrowed on either a straight-forward income multiple, or [a debt to income ratio](#). As the mortgage rates are higher and the debt to income ratio takes this into account it results that borrowing capabilities are lower.

House prices have continued to rise and the following data taken from HBOS and Land registry shows you this by regional average prices:

The North

Average price: £129,455

Annual increase: 6.4%

Wales

Average price: £138,738

Annual increase: 5.8%

Yorkshire and Humber

Average price: £143,620

Annual increase: 6.1%

East Anglia

The North-West

Average price: £136,206

Annual increase: 7.6%

The West Midlands

Average price: £150,915

Annual increase: 4.5%

The East Midlands

Average price: £145,423

Annual increase: 6%

Greater London

FIRST TIME BUYER OPTIONS

[First time buyers](#) are very valuable in the house buying market as a whole and at Metro Finance we appreciate how difficult it can be to get on that first rung of the ladder. This can be particularly difficult when you perhaps have no deposit available and are looking for a 100% mortgage. In some cases it is possible to purchase a property by means of a vendor deposit, where the property is sold at less than market value by its current owner - this could typically be in the case of a landlord perhaps selling to a tenant (the landlord will also save on estate agent fees!) Builders sometimes offer deposit paid schemes to entice buyers, and it is always worth asking if this is available even if not advertised as such. At the very least some builders will pay the stamp duty and/or make a contribution to your legal fees.

In the case of new build properties, a non refundable reservation fee is normally requested by the builder to reserve a plot - it is therefore particularly important to obtain an agreement in principle prior to parting with any money. We can organise this for you very easily just call us on **freephone 0800 3283684** and you can then proceed with confidence.

Another option to consider is a [shared ownership mortgage](#), and we have

Average price: £191,344
Annual increase: 9.1%

Average price: £342,936
Annual increase: 15.5%

**The South East
West**

Average price: £226,242
Annual increase: 10.5%

The South

Average price: £193,595
Annual increase: 8.4%

Scotland Average price: £140,262
Annual increase: 15.9%

Salaries sadly have not always risen by sufficient to compensate. We at [Metro finance](#) have endeavoured to find solutions by means of taking on board new lenders and finding innovative ways of minimising as far as possible the effects the 'credit crunch' has impacted on spending power in the mortgage arena, and as interest rate differences in the prime and sub prime markets set to become wider, it is perhaps the time to evaluate the current situation in relation to rising house prices.

If house prices do continue to escalate and rates rise then it would sometimes seem that the longer you wait the further away the reality of owning your own home becomes, as the time it takes to save a deposit is offset by the rises in house prices during that time. At Metro we can inform you of different mortgage options, traditional and innovative.

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helped many clients secure their first home in this way. It is possible to buy a share of a property, typically 50%, but this could be anything from 25%-75%, and pay rent on the remainder, with the option to 'staircase', i.e buy more of the property as your income and inclination dictates, until you could own the whole property.

Of course, some people might chose this as a way of getting that first foot on the property ladder, wait until it has increased in value and then sell, using the equity to buy on the open market. If you like the sound of this then please call us and we will even help you locate shared ownership properties in your area. **freephone 0800 3283684 and ask for the Green team.**

Whilst this is the first of this style of newsletter, we plan to keep you informed on a monthly basis with up to date issues. Next months will have information on 'identification fraud'.

Over time we hope to empower you with information so you can make the right mortgage choices.

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