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HSBC promises help for desperate first-time buyers

The bank is boosting lending to homebuyers with a deposit of just 10 per cent

Elizabeth Colman

HSBC, Britain's biggest bank, has called the bottom of the housing market, promising to lend £1.5 billion to homebuyers with very small deposits before the end of the year.

The lender, which has sought to aggressively expand its share of the mortgage market since the credit crunch took hold, said it will boost lending to homebuyers where they have been able to raise a deposit of just 10 per cent.

Its exposure to first time buyers and those looking to move home will rise to £1.5 billion out of HSBC's overall target of £15 billion gross mortgage lending in 2009, the bank said.

It has already lent £1 billion to such borrowers this year.

Martijn van der Heijden, head of mortgages at HSBC, said: "Houses prices seem to have bottomed and rates are low – and many of those who put off their (house) purchase last year are starting to look around again."

He added: "HSBC has been out there throughout the recession, staying open for business for our customers. While other lenders were in retreat, we became the UK's largest lender in the first half of 2009 on a net lending basis."

Prior to the collapse of Northern Rock, mortgages with a 90 per cent loan-to-value (LTV) – that is, loan as a proportion of the purchase price - were commonplace.

In some cases, 90 per cent loans were better value than deals for those with a 75 per cent LTV.

However, lenders rushed to withdraw these deals in early 2008 as the property market began to slump.

HSBC is extending its offer of a two-year fixed rate or five-year fixed rate deal at 5.99 per cent and 6.49 per cent respectively. These deals trump rates on offer elsewhere - for example, government-backed banks Lloyds and Royal Bank of Scotland launched five-year fixed-rate mortgages this month at 7.49 per cent and 7.29 per cent respectively for buyers with deposits of 10 per cent.

The lowest rate for those with a 10 per cent deposit is HSBC's two-year discount at 3.89 per cent with a £1,199 fee - this can rise at any time, as it is pegged to the standard variable rate (SVR), rather than the Bank of England base rate.

For those unwilling to rely on the SVR, the bank also offers a Bank rate tracker - guaranteed to rise by the same amount as Bank rate – however it is considerably more expensive at 4.59 per cent with a fee of £999.

The 90 per cent LTV loans are not available to those who have come to the end of their existing deal and are looking to remortgage, and are only available to those able to make capital repayments, as opposed to "interest only".

Those with a 40 per cent deposit are eligible for HSBC's two-year discount at 1.99 per cent.

Aaron Strutt, communications manager at Trinity Financial Group, the broker, said: "HSBC say they are willing to lend up to four times salary on these deals – however, anyone with credit card commitments or any form of outstanding debt can expect a lot less. It is, however, possible to ask to speak to an

underwriter as there may be the potential to borrow more.”

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