

FIRST-TIME BUYERS TAKE HUGE FINANCIAL GAMBLE

by Mike Edwards-Smith

AN increasing number of first-time home buyers are taking risks to get on the property ladder.

The credit crunch situation means mortgage lenders are demanding larger deposits.

To raise that deposit, nearly a third of first-time buyers are using unsecured loans, borrowings and credit-card debt.

On-line change of address service **iammoving.com** found that 13 per cent of first-time buyers were taking out an unsecured loan or credit-card debt for the deposit, which is likely to be around £10,000 to £15,000.

Meanwhile, 17 per cent were borrowing the cash from friends or family.

"Taking out unsecured borrowings to raise a deposit as a first-time buyer is a huge gamble," said **iammoving.com** chairman Simon Preston.

"A small shift in prices and a change in

circumstances can see someone losing their home and financial security very quickly."

He added that the safest option was to use savings as a deposit.

Casualties

Meanwhile, ironically, three in five adults have cancelled spending plans as the current credit crunch raises uncertainty about their financial situations.

Holidays, DIY and savings have been the first casualties as borrowing becomes harder and the cost of living grows, according to a new Mintel report.

"Most belt-tightening can be attributed to rising everyday expenditure and consumers feeling they need to be more careful," said Mintel chief statistician Peter Ayton.

"On top of this, people may not realise that income tax and national insurance now account for a greater part of gross income, having increased from 14.6 per cent in 1997 to an estimated 17.8 per cent last year.

"Even worse, mortgage costs have more than trebled in the decade up to 2007, yet credit is now harder to come by.



"Taken together, all these rises have seriously dented people's spending power and it is more obvious than ever that incomes do not stretch as far as they once did.

"The good news is the economy is due to get back on track in 2009/10, helped by investment in the run-up to the Olympics and the approach of the next General Election."