

# Deposit loan plan to aid first-timers

**FIRST-TIME** buyers can purchase a new-build property with only a 5pc deposit under a new government scheme.

FirstBuy allows people to borrow 20pc from the government to top up their deposit to a total of 25pc.

It means someone buying a house for £150,000 could save £7,500 for a deposit, borrow £30,000 from the government and have a mortgage for only £112,500.

Halifax, Nationwide and Barclays have all signed up to the scheme and will provide the 75pc mortgage, although it remains unclear what interest rates they will charge. Persimmon, Barratt and Bovis Homes are among the house builders who have signed up.

The scheme will be launched in September and the Government has allocated £500million to help 10,000 people over the next two years — about 5pc of the total number of first-time buyers last year.

Melanie Bien, at mortgage broker Private Finance, says: 'It is welcome news that this scheme is moving ahead quickly.'

'But there is a high level of risk with buyers borrowing up to 95pc of the value of a new-build home — properties that have held their value less well than older homes during a downturn.'

The Government loan is interest-free for the first five years. After that the interest rate will be 1.75pc in year six, then the retail prices index plus 1 percentage point, so the rate today would be 6.2pc. The loan must be repaid when the house is sold.