

Society taps self-build market

DARLINGTON Building Society has expanded its mortgage range by offering dedicated self-build mortgage deals for the first time.

Recently the society launched an exclusive self-build mortgage through broker BuildStore and has now launched a further self-build mortgage to direct mortgage applicants and those recommended by mortgage introducers.

The society's new discounted vari-

able rate mortgage targets those people who are having their own home built or are renovating an existing property and have outline planning permission.

Under the terms of the deal the society will lend up to 70% of the cost of the land, 70% of the cost of each construction stage and up to a maximum final loan to value (LTV) of 70%.

David Dodd, Darlington Building

Society chief executive, said: "We are responding to customer demand as, undoubtedly, the slow-moving housing market has been a catalyst for an increase in interest from people building or renovating their own homes.

"Our self-build mortgages tap into a growing market niche and allow people to have a home designed and built to their bespoke requirements."



CUSTOMER DEMANDS:
David Dodd,
Darlington
Building
Society chief
executive

It's hard for young to get feet on the ladder

Home ownership remains a tough financial issue for many, says money expert JONATHAN FRY.

IT is not difficult to feel a certain sense of sympathy for those aged between 16 and 24.

With youth unemployment edging above one million, many may be feeling that the expectations they grew up with are being challenged by the harsh realities of the current economic environment.

Not only is it difficult to find work, but the cost of further education has risen significantly and the hope of owning a home looks perhaps less certain than was the case for their parents' generation.

We live in a society where owning our own house has very much been seen as a significant step in adult life, often prior to starting a family.

We have grown up with the view, often repeated in the media, that a house is not just a home, but our most important wealth generating asset.

It matters that we get a foot onto the housing ladder.

But increasingly we are seeing that marriage and home buying is the preserve of the more mature 30-somethings rather than 20-somethings.

Despite the recent decline in house prices from the top of the market in 2007, the shortage of mortgage finance and lender demands for deposits of around 20% has served to make home ownership a distant dream for most young people without significant parental support.

In my view the situation will improve, not immediately, but house prices should become more affordable.

It took more than 70 years for real house prices to double from their 1900 level - real value meaning the value after allowing for inflation.

But in just nine years, house prices doubled in real value between 1998 and 2007.

Much of what we have come to



HOME, SWEET HOME: We have grown up with the view, often repeated in the media, that a house is not just a home, says Jonathan Fry

believe about houses being a great investment is based upon an obsession with property prices which has developed in the UK during the lifetimes of the baby boomers.

Go back to their parents' and grandparents' generation and they would have had a very different view about how strongly you might rely on house prices.

While none of us who own property would want to see a very sharp fall in the value of our homes, in real terms I think property prices will continue to come down over the next few years in

the UK after allowing for inflation.

Compounding the housing crisis, a recent study by the National Housing Federation states that not only is there a shortage of cash to invest in affordable housing for home owners, the downturn in funding hitting housing associations might also threaten the availability of affordable rented accommodation.

There clearly needs to be a rethink in the way we fund the provision of housing in this country, whether it be owner occupied or rented.

I would like to see some thought given to the introduction of a bond which could be created by housing associations and offered via building societies to their savers.

The housing associations could get a cash injection from the sale of the bonds, the building societies take their mark-up on the difference between the wholesale and the retail price and the savers benefit from the bond providing a return based upon rents from property.

In short, it could create a self-generating source of income for all using

the capital provided by savers - generally the older generation who have already bought and paid for their homes or have inherited wealth and property from their parents - to fund the housing needs of the younger generation.

It would also allow young people to tap into shared equity schemes with housing associations as a way of entering home ownership.

Most importantly, such a concept would not require Government funding which is likely to be in short supply for the foreseeable future.