



COUNCIL of MORTGAGE  
LENDERS

## First-time buyers struggle as more and more pay stamp duty, reveals CML

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The proportion of first-time buyers paying stamp duty has leapt from 48% to 56% in the space of just a year, according to the Council of Mortgage Lenders' latest monthly statistics. And only 15% of home movers escaped the tax in August, compared with 21% a year earlier.

The CML data also reveals how first-time buyers are continuing to struggle in the current market. They accounted for just 35% of the total number of house purchase loans in August, their lowest proportion since the current survey started in April 2005. More encouragingly, their numbers have been rising in absolute terms - and at 38,100 were actually more robust than the 34,900 in August last year. The age of a typical first-time buyer has remained consistent at 29 for the past year.

In terms of affordability, there was a worsening for first-time buyers in August. While the median first-time buyer mortgage remained at 90% of the property value, typical income multiples rose to 3.27, up from 3.24 in July and 3.08 in August last year. The proportion of income that first-time buyers spent on their mortgage interest payments rose to 17.1%, the highest level since February 2005, and up from 16.7% in July and 16.5% in August last year. The average size of a first-time buyer loan increased at twice the rate of the increase in average first-time buyer income.

Across the market as a whole - first-time buyers, movers and people remortgaging - fewer loans were taken out at fixed rates. While still accounting for 60% of new loans, the popularity of fixed rates has waned markedly since its peak at 76% in November and December last year. Trackers are rising in popularity, accounting for 25% of new loans in August, their highest proportion on record.

Commenting on the market, CML Director General Michael Coogan said:

"Interpreting these figures suggests that borrowers are falling into two camps. There are those who believe rates are near their peak, and who are confident enough to risk a short-term rise in rates for the pricing benefits offered by discounts and trackers. And there are those who want greater financial certainty, who may well be increasingly choosing longer-term periods over which to fix their rate.

"Overall affordability has worsened a little, especially for first-time buyers. Over the period of a year, small monthly changes can nevertheless be significant - as the rise in the proportion of mortgage borrowers required to pay stamp duty shows. For the rest of this year, we expect some moderation in activity although the market is continuing to outperform our earlier forecasts."

### Notes to editors

1. The Council of Mortgage Lenders' members are banks, building societies and other lenders who together undertake around 98% of all residential mortgage lending in the UK. There are 11.6 million mortgages in the UK, with loans worth over £1 trillion.

2. The regulated mortgage survey (RMS) will next be published on **Tuesday 14 November**, and will include data up to and including September 2006.

### Documents

- [ML7: Distribution of property valuations](#)
- [ML6: Methods of repayment](#)
- [ML1: Gross mortgage lending by type of advance](#)
- [ML3: Home movers, lending and affordability](#)
- [ML2: First-time buyers, lending and affordability](#)
- [ML5: Fixed and variable rate lending, house purchases and remortgages](#)
- [ML4: All loans for house purchase, lending and affordability](#)

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