



The article below provides more positive news, as forecast by RIO months ago, for the UK property market. RIO Property Group Ltd is the latest offering from RIO which will afford members the opportunity to invest in this market.

#### Lenders prepare for mortgage surge

(Source - MSN)

Britain's state-backed lenders are bracing themselves for a flood of interest as a £12 billion scheme helping homebuyers obtain mortgages worth up to 95% of property values is launched by the Government today. The new phase of the controversial Help to Buy scheme will see up to 15% of a property's value guaranteed by taxpayers, in return for a fee from the lender.

Taxpayer-backed Royal Bank of Scotland and its subsidiary NatWest immediately set out mortgage deals under the scheme and announced that 740 of its branches would extend opening hours for two weeks to cope with expected demand.

Halifax and Bank of Scotland, owned by the state-backed Lloyds Banking Group, will start offering loans under the scheme on Friday but the Lloyds brand itself is not taking part.

The Treasury also announced that Virgin Money had signed up while the start-up Aldermore Bank has also said it will join. Both will take part from January and Aldermore is exploring whether the date can be brought forward.

Several other major mortgage providers still want to know further details about the costs and benefits of the scheme before deciding whether to add their names to the list.

A Treasury spokesman said the lenders involved so far represented more than 30% of the mortgage market and that more lenders were expected to indicate participation in the coming months.

The scheme had initially not been expected to start until the new year but has been brought forward by three months.

It will offer £12 billion in mortgage guarantees over three years and some estimates suggest 180,000 loans could be taken out under the initiative.

A spokesman said: "Banks are braced for a flood of interest from the public."

An earlier phase of the scheme, offering 20% loans on new-build properties, has already helped more than 15,000 people buy a new home since it was launched six months ago.

Help to Buy is controversial because critics fear it could fuel further rise in a housing market where prices are already rising.

But the Treasury says that while house price inflation stands at 3.3%, it is only 0.8% when the property hotspots of London and the South East are removed.

It says many people are frozen out of the housing market because in many cases they would be expected to find large deposits of up to 20% of a property's value.

The new scheme will mean they only have to find as little as 5%, on homes worth up to £600,000. Depending on the size of the deposit, the Government will then guarantee up to 15% of the property value in return for a fee from the lender.

Lenders can start offering the mortgages from today, and they will be guaranteed by the Government from January 2014.

The Treasury said: "As it usually takes a few months for borrowers to go through the mortgage completion process, this delay is not a problem for lenders. If borrowers do complete before January their mortgage will be included in the scheme."

Prime Minister David Cameron said: "Help to Buy is going to make the dream of home ownership a reality for many who would otherwise have been shut out."

Chancellor George Osborne said: "Too many people are still being denied the dream of owning their own home, which is why we have brought forward the launch of this scheme, so as of today borrowers can start applying for a mortgage with a 5% deposit."

The guarantees will be available for both new and existing homes, and the Treasury said there would be tough checks to ensure people could afford repayments.

Customers can get information from NatWest and RBS from today and start applying at those banks from tomorrow.

They are offering two- and five-year fixed rate deals at 4.99% and 5.49% interest rates with no fee. The brands together expect to sign up 25,500 first and next time buyers over three years.

Chris Leslie, shadow chief secretary to the Treasury, said: "If ministers are serious about helping first-time buyers, they should bring forward investment to build more affordable homes.

"Rising demand for housing must be matched with rising supply, but under this Government house-building is at its lowest level since the 1920s.

"Unless George Osborne acts now to build more affordable homes, as we have urged, then soaring prices risk making it even harder for first-time buyers to get on the housing ladder. You can't tackle the cost of living crisis without building more homes.

"Rather than waiting a year, the Bank of England should immediately review the details of the scheme. How can it make sense that a policy which should be about helping first-time buyers will allow taxpayer-backed mortgages for homes worth up to £600,000?

"And we need to know how much the Treasury intends to pocket in fees from people who take out Help to Buy mortgages. How will this money be accounted for in the public finances? George Osborne shouldn't make struggling first-time buyers pay over the odds as he desperately tries to fill the hole in his failed deficit plan."