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## **‘Bank of mum and dad’ means business when it comes to getting its loans repaid**

*More than half of family members that give money to first time buyers (FTBs) expect to get it back – and three quarters want to be paid interest on top*

The ‘bank of mum and dad’ has its own terms and conditions according to new research from HSBC. While almost one in five (19%) first time buyers (FTBs) received family financing in the last year, more than half (52%) of family members who offered financial assistance provided it with an expectation to be paid back.

Just 31% of those families who offered financial assistance to their FTB relatives gave outright cash gifts as the primary source of family financing, and even fewer (17%) requested part-ownership in the property in order to collect their money when the house is eventually sold on.

The survey of 1,000 FTBs revealed that for those who expect to be paid back nearly three quarters (73%) want to be paid interest as well. The most common rate ranged between 2.1% and 2.5%, around the current rate of inflation. Women are slightly less likely to be asked to pay interest than men, (70% vs. 77%). The bank of mum and dad is also more likely to ask for interest if their FTB relative is purchasing a first home with a partner (75%), rather than on his or her own (69%).

How likely families are to charge interest to their FTB relatives also differs by region. In the South East, 56% of families want interest to be paid on any financial assistance they offer to the FTB. In London, this figure rises to 77%. Moving north, families are even keener to be paid interest. In Yorkshire, 92% of families who help their FTB relatives request interest, as do 94% of families in the North West.

The size of the property is another important factor at the bank of mum and dad, with purchasers of larger homes more likely to be asked to pay interest than those buying smaller ones. More than 8 out of 10 (82%) families lending to an FTB buying a detached house expect to receive interest, compared with 72% of those buying a semi-detached house, and 63% of those purchasing a terraced property.

Peter Dockar, Head of [Mortgages](#) at HSBC, commented:

“Family support has become an important part of the first-time buyer financing mix, however the research shows that many relatives would like to be repaid at a later date. To avoid unnecessary strain on relations further down the line it is best to agree the terms with family members at the outset. Whether first time buyers receive financial support or not, we will continue to offer accessible mortgages at competitive interest rates.

#### THE BANK OF MUM AND DAD – KEY FACTS:

1. One in five (19%) of families provided some sort of financing to the first-time buyer relatives last year.
2. Of the families that provided financing, approximately 52% want to be repaid.
3. Only 31% of families providing family financing give an outright gift as the primary source of family financing.
4. Some 17% of those families who provided family financing bought a part-share in their FTB relative’s home as the primary source of family financing.
5. Nearly three-quarters (73%) of families who want to be repaid also charge interest.
6. Families are more likely to charge interest to males (77%) than to females (70%)
7. Families are more likely to charge interest if their FTB relative is purchasing a first home with a partner (75%) rather than on his or her own (69%)
8. More than 8 out of 10 (82%) families expect to receive interest if they offer assistance on a detached house, compared with 72% and 63% for semi-detached and terraced houses respectively.
9. For those families providing family financing, some form of gift is provided to 80% of FTBs
10. Some 83% of FTBs whose families have provided family financing and who purchased their first home with a partner get some form of gift, compared with only 75% for those who purchased without a partner.

HSBC is currently offering a number of market-leading fee-free mortgages for FTBs and homebuyers with a 10% deposit including:

- 2, 3, 5 and 7 year Fixed Rate Mortgage at 4.89%
- Lifetime Tracker Mortgage at 3.99% over BOE BR (4.49%)

**Fee-free means:**

- No booking fee
- No standard valuation fee
- No completion fee

HSBC will cover the cost of one standard valuation where this is required by HSBC as part of the mortgage application. Additionally, where it is a straightforward transfer from another lender, HSBC also pays the standard legal costs.

**ENDS**

**Notes to editors**

To see a full copy of the report please visit:

[http://www.newsroom.hsbc.co.uk/press/release/100000\\_ftbs\\_have\\_turned\\_to\\_ban](http://www.newsroom.hsbc.co.uk/press/release/100000_ftbs_have_turned_to_ban)

Research conducted by Centre of Economics and Business Research among a sample of 1,000 FTBs on behalf of HSBC in August 2012.

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