

Embargoed until 00.01 Saturday 29th September 2012

100,000 FTBs have turned to ‘Bank of Mum and Dad’ since financial crisis

‘Bank of mum and dad’ has added £23 billion to the FTB housing market between 2008 and 2011

A new report written and researched by the Centre for Economics and Business Research (Cebr), on behalf of [HSBC](#), reveals that the ‘bank of mum and dad’ has helped to finance over 100,000 first time buyer (FTB) borrowers between 2008 and 2011. This ‘family financing’ from the bank of mum and dad has also made a significant contribution to the FTB market during this period, enabling approximately £23 billion worth of FTB purchases, or £5.6 billion a year.

Between 2008 and 2011, the total value of FTB transactions in the UK fell from £30.2 billion to £28.5 billion per year as economic turbulence suppressed mortgage lending. As a result, many FTBs turned to their families for financial help in order to fill this funding gap. In the last year alone, £5.3 billion, or 18.7 per cent, of all FTB transactions would never have taken place without family financing, according to the HSBC/Cebr report’s estimates.

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

“It’s obvious that the ‘bank of mum and dad’ has stepped in to plug the gap left by those banks and building societies who have constricted their lending in recent years, which means that family support has become an important element of the post-crisis financing mix. However, at HSBC we have remained open for business and will continue to support first-time buyers so that they have the opportunity to become homeowners in their own right.

“This year alone we have committed to lending at least £4 billion to first-time buyers, more than we ever have before, to help them onto the property ladder with or without family financing. We will continue to offer market-leading products for those with a smaller deposit.”

FTBs agree that tough mortgage market conditions have prompted them to ask for help from their families. Approximately 85% of survey responses for those FTBs who secured family financing indicated that they turned to it because it was less risky, cheaper and was less stressful than some traditional mortgages. Only 15% of responses indicated FTB's main motivation was to buy a more desirable home in a better location.

The HSBC/Cebr report also considers how family financing's contribution to the FTB market is likely to change between 2012 and 2017. According to its predictions, only 11.0% of FTB transaction values will rely on family financing by 2017, compared with 18.7% in 2011. Despite this decline, family financing will still remain a hugely important contributor to the FTB market, even in 2017. That year, £5.1 billion worth of FTB purchases is likely to be impossible without family financing – roughly the same amount as in 2011.

Daniel Solomon, Cebr economist and chief author of the report, says:

“Mortgage lending to British FTBs fell off a cliff during the financial crisis. To some extent, families have moved in to fill the gap – providing gifts and loans to their first-time buyer relatives. Families' contributions have been invaluable, helping thousands to get on to the housing ladder who would have missed out otherwise.

“Families have really stepped up to the plate - supporting relatives who want to buy their first home. Now that so many first-time buyers are having difficulty getting the mortgages they would like, gifts and loans from families have become crucial to their financing mix.”

FAST FACTS:

1. In a typical year, family financing was an important contributor to the FTB market and some £5.6 billion, or 19%, worth of FTB home purchases between 2008 and 2011, would not have happened without it.
2. Some £4.0 billion, or 13.3%, of the FTB transactions which occurred in 2008 would not have taken place without family financing.
3. In 2011, 18.7%, or £5.3 billion, worth of FTB transactions would not have occurred without family financing.
4. Without family financing, the average number of FTB transactions between 2008 and 2011 would have been 26,000 fewer per year, or 13.4% less, than it actually was.
5. By 2017, £5.1 billion worth of FTB deals are likely to be impossible without family financing – roughly the same amount as in 2011.
6. Of those FTBs receiving family financing, those who are 36 or older can expect £42,200 of family financing, whilst those aged 18-26 are likely to receive only £19,000.
7. Londoners receiving family financing can expect £38,800 each, compared with those in the North East of England, who can expect just £17,200.
8. Approximately 85% of FTBs who secured family financing said it was because it was less risky, cheaper and was less stressful than some traditional mortgages.

9. Low interest rates, modest but positive economic growth, and a “muddling through” resolution to the Eurozone crisis are all expected to make lenders more resilient in the future.
10. The benefits associated with family financing are likely to become more concentrated in the hands of a smaller group of FTBs over time.

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 straight forward transfer from another lender, HSBC also pays the standard legal costs.

ENDS

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