



Tuesday, 21 June 2011

## The Bank of Mum and Dad

DCLG has announced details of its FirstBuy scheme to [help first time buyers in the housing market](#).

The scheme will provide first time buyers with a 5% deposit a 20% loan allowing them to get a better mortgage deal to cover the remaining 75%. Loan will be repaid on resale of the property (with interest payable on the loans after 5 years).

I understand the politics of this (see the [Mirror](#) and [Telegraph](#)) and I can see that it acts as an implicit stimulus to the home builders (it only applies to new homes). That said, it will do *nothing* to help with the affordability problem. Government subsidies to increase demand for housing increase house price rather than decrease them. This makes housing less, not more affordable. This policy benefits developers, will benefit the 10,000 people that take part in the scheme and will shunt the affordability problem on to some other group of poorer households who are not covered by the scheme.

The only silver lining appears to be that FirstBuy replaces the [HomeBuy scheme](#) that provided more generous help with deposits.

Posted by [Prof Henry G. Overman](#) on [Tuesday, June 21, 2011](#)

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