Housing package offers limited help to loans market

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Press Release Summary: Financial solutions company Think Money says that the scheme to help those struggling in the housing market will benefit the housing market in the short term, but fails to address the underlying factors affecting the whole credit market, including loans.

Press Release Body: Following the Government's announcement of a scheme to help those most in need due to the housing market slump, financial solutions company **Think Money** commented that while the scheme will benefit the housing market in the short term, it fails to address the underlying causes of the credit crunch.

Some of the measures aimed at helping the housing market include:

· A £300m shared equity scheme offering 10,000 first-time buyers currently frozen out of the mortgage market a chance to get onto the property ladder

· A £200m mortgage rescue scheme aimed at supporting 6,000 of the most vulnerable homeowners who are facing repossession

· A £400m boost in spending for social housing providers, in order to deliver 5,500 more social houses over the next 18 months

· Working with Regional Development Agencies to support the most critical regeneration schemes with the most potential to transform communities

But **Melanie Taylor, Head of Corporate Relations at Think Money**, said that the new measures do not adequately address the underlying causes of the credit crunch – and this extends to the whole loan market.

"In many respects, it's more of a short-term cure than a long-term prevention," she said,*"and this means that once the scheme is finished, many homeowners could find themselves in exactly the same position they were in before.*

"It also begs the question: if the measures are set to help 6,000 vulnerable homeowners and 10,000 first-time buyers, what happens to the many others who don't get help from the scheme?" she continued.

Taylor added that the measures also miss out a very large part of the problem facing lenders and consumers alike: a lack of available funds for credit, including loans and other forms of credit.

"A lot of economists argue that a better solution would include measures to help the whole credit market, not just mortgages," she said. *"Mortgages are a very important part of the loans market, but the market for other forms of credit, such as secured loans, is also in need of some help.*

"The main issue is the liquidity crisis – banks and other financial institutions are unwilling or unable to lend to each other, and that means the funds for loans and mortgages simply aren't there in many cases.

"The Bank of England's Special Liquidity Scheme has done most towards relieving the pressure on lenders – and as Mervyn King said last week, the Bank of England alone cannot prop up the housing market. Unless more money is pumped into the financial markets, we may have to simply wait and let the economy take its course."

But Taylor was keen to emphasise that although the market is struggling, it is still possible to obtain a loan. *"As long as your credit history is good and you are in employment, it's still very possible,"* she said. *"But it's important not to make too many applications – if you apply with several lenders and are rejected, your credit history will look worse for it, even once the loans market recovers."*

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