

**BANK OF MUM AND DAD IS BECOMING MORE LIKE A REAL BANK AND LESS LIKE A
CHARITY**

- Number of parents expecting kids to pay money back has doubled over ten years
- Number of parents giving away money to kids has fallen from 38% to 32% in the same period
 - Average deposit for graduate homebuyer is £16,219¹
 - Average amount borrowed from parents and friends is £12,188²
 - Parental loans alone have amounted to £2.1bn in the last 10 years
- One in five (19%) graduate non-homeowners are currently living with their parents or friends rent free

Almost four in ten (39%) graduates would not be able to get on the housing ladder without their parents helping them fund a deposit according to new research from Scottish Widows Bank.

However, some parents are no longer willing to give their money away, instead expecting the money needed for a deposit to be paid back. The number of graduates receiving gifts from the Charity of Mum & Dad has fallen from 38% ten years ago to 32% in 2006. Whilst at the same time the number of graduates being forced to take a loan from the Bank of Mum & Dad has doubled – from one in ten (9%) in 1996 to almost one in five (18%) in 2006.

The total amount of money lent by the Bank of Mum & Dad over the last 10 years is £2.1 billion, with the average loan standing at a sizeable £12,188. The average deposit for a graduate first time buyers currently stands at £16,219.

One area where the Bank of Mum & Dad is less like a real bank is in repayment terms. One in six graduates has set no deadline to pay their parents back and for one in eight (13%), the debt won't be paid back until they sell their first home.

Richard Clark, Head of Product Development and Marketing, Scottish Widows Bank commented:

¹ £16,219 is the mean initial deposit for graduates with a mortgage, taken from the YouGov research.

² £12,188 is the mean amount graduates have borrowed from their friends and family, taken from the YouGov research.

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

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“It is clear that it is becoming more and more difficult for graduates to get on the property ladder without any assistance and with rising interest rates and house prices they need all the help they can get.

“Even graduates who have been working for several years are forced to borrow money from their friends and family. While it’s good to see that people are getting help from their loved ones, some of these loans might be leaving the Bank of Mum and Dad empty. Lenders like ourselves offer alternative solutions for graduate first time buyers – and their parents – by offering 100% mortgages and options that allow parents to act as a guarantor.”

When looking at how the money is being spent, it is not just their initial deposits that graduates are struggling to pay – although 89% of them have used the parental loan to pay for their deposit. A quarter (23%) put the funds towards stamp duty and 22% used it to help with legal fees.

Not only do graduates have to rely on their parents to fund their deposit, they also often have to lean on them for accommodation while they get their finances in order after university. One in five (19%) non home-owning graduates are currently living with their parents or friends rent free, rising to 44% of graduates that left university in the last year. Even just over one in ten graduates (11%) that graduated five years ago are still living with their families without paying them a penny. However, the average figure is down from last year (one in four) suggesting that parents are becoming less charitable.

Of those graduates that are renting – 38% are paying between £300 and £500 a month and one in ten are paying between £500 and £600, putting extra strain on finances and not allowing much room for saving. According to the research – the average salary for a non home-owning graduate is £17,230³ per annum or £1,122 per month net. This means many are faced with rental payments which account for over a third of their take home pay. The pressures graduates face to save for a deposit is compounded by debt levels. The Bank of Mum & Dad report reveals the average recent graduate to have £9,246⁴ of outstanding debt.

Richard Clark, Head of Product Development and Marketing, Scottish Widows Bank commented further:

“Rental rates are so high for some that it is very difficult to put enough money aside to save for a deposit meaning many graduates have to rely on their parents to fund that first step onto the property ladder. House prices and affordability are huge barriers for first time buyers but they should be aware that there are other options available to them – both lenders and the Government need to keep working on ways to solve this ever growing problem.”

³ £17,230 is average salary of non home-owning graduates – from the YouGov research. Net monthly pay has been calculated taking into account tax and NI.

ENDS

NOTES TO EDITORS

Research conducted online by YouGov from 6th-7th September 2006. Total sample size was 3,511 adults aged under 50.

According to HESA (Higher Education Statistics Agency) there have been 3,185,797 graduates in the last 10 years.

According to the YouGov 44% of graduates (from the last 10 years) own a home with a mortgage or 1,401,751.

12% of them have received a loan from parents – or 168,210. The average size of gift or loan is £12,187.50.

So total borrowed from Bank of Mum and Dad over the last 10 years = £2.1bn.

Scottish Widows has a range of mortgage products specifically designed to cater for graduates and first time buyers:

- 102% Graduate Mortgage with guarantor option
- 110% Professional Mortgage, with guarantor option
- Choice of fixed, discount or tracker rates
- Qualifying graduates and professionals can apply for enhanced multiples on both the Graduate and Professional products up to 5 times salary

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⁴ Average student loan debt according to the YouGov research.

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