



# SW HOME OWNERSHIP CONFERENCE.

**Craig Hall – New Build Manager,  
Legal & General.**

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➤ **LEGAL & GENERAL  
SUPPORT.**



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# AGENDA.

L&G Mortgage Club – our role & the mortgage market	1
CML Research – Shared Ownership Ugly Sister or Cinderella?	2
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# LEGAL & GENERAL MORTGAGE CLUB.

- Started in 1995, we're the original and largest Mortgage Club in the industry, currently with a **30%** share of the intermediary market.
- To date, we've overseen delivery in excess of **£350bn** in mortgage completions, and are considered a key distribution route for lenders.
- We launched our New Build proposition in January 2014, which via our specialist broker partners has delivered in excess of **£10bn** new build related completions to date.
- We have engaged with key stakeholders across the sector, assisting in the delivery of a more sustainable new build mortgage market – now to replicate this with Shared Ownership!

# SHARED OWNERSHIP – L&G SUPPORT?

- **Shared Ownership Working Party**
  - Includes; HA's, NHF, NHG, DCLG, HCA, Lenders, Surveyors, Mortgage Brokers and Mortgage Trade Bodies (BSA, CML, IMLA)
- **Shared Ownership Forum – March 2016**
  - Educate mortgage lenders regarding the opportunities and dispelling any myths.
- **Consumer Awareness of Shared Ownership**
  - Representing the mortgage / financial services sector by supporting the Shared Ownership week (Social Media / Press)

# SOME OF OUR MANY LENDERS.





# SHARED OWNERSHIP - LENDER SUPPORT.



# BANK OF MUM AND DAD.



- £5bn – A Top 10 lender
- 25% of All Transactions
- £77bn of Property
- £17,500 or 7% Average
- 57% are Gifts,
- 23% are Loans
- Later Life Lending?
- **BUILD MORE HOMES!**



# BREXIT – IMPACT ON THE HOUSING AND MORTGAGE MARKET?



**NOTHING HAS  
CHANGED, BUT  
EVERYTHING IS  
NEW.**

QUOTEHD.COM

Jeff Duellman

- Appetite
- House Prices
- Demand
- Need for Advice
- Availability
- Mortgage Pricing
- Criteria
- Competition
- Economy
- Unemployment







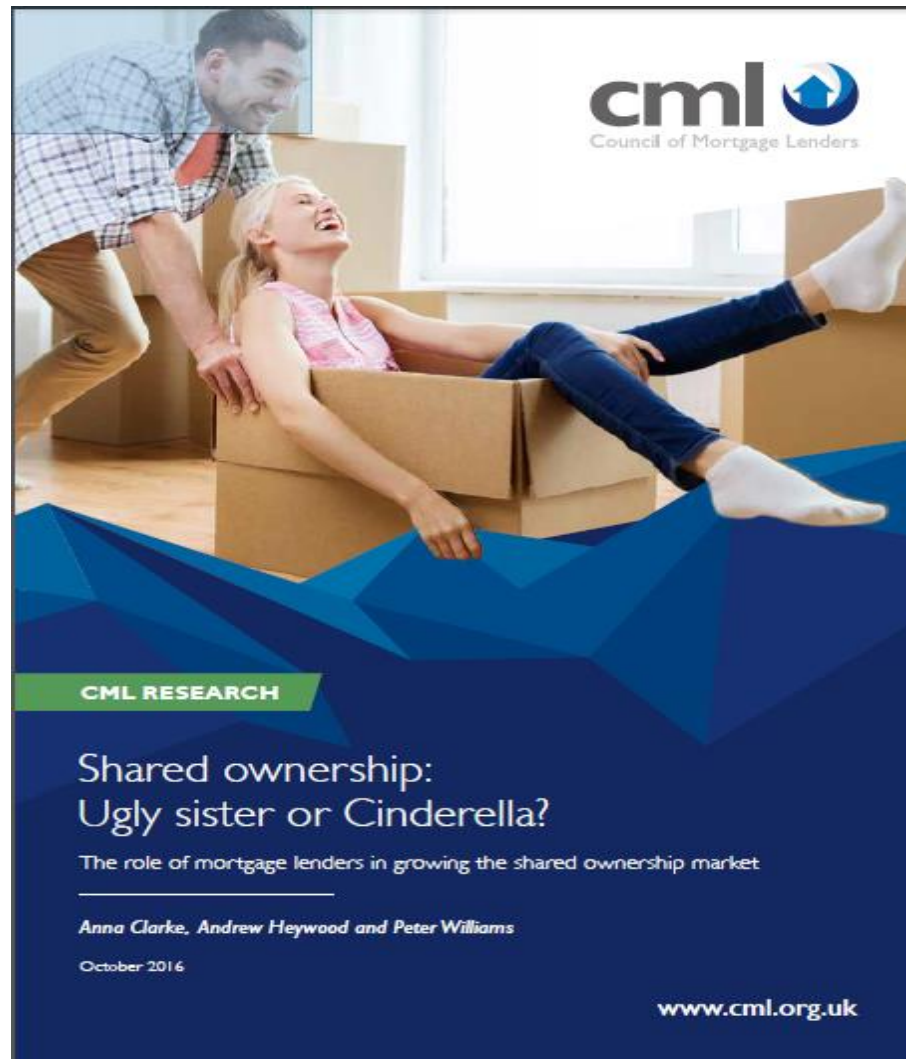
# CML RESEARCH.



**WARNING**  
CLAMPED  
TOWNS AWAY  
IMMEDIATELY



# CML RESEARCH – SHARED OWNERSHIP: UGLY SISTER OR CINDERELLA?





# CML RESEARCH – SHARED OWNERSHIP: UGLY SISTER OR CINDERELLA?

## Key Findings - Mortgage Lenders and Shared Ownership

- Around 200,000 UK households currently live in Shared Ownership homes, which equates to **0.4%** of housing stock in England and **1.3%** of all mortgages currently held.
- Improved Shared Ownership eligibility set to increase demand, although competing with other First Time Buyer schemes (in particular Equity Loan and Starter Home).
- Mortgage lenders' support for the sector is essential as **75%** of purchasers buy with a mortgage and **90%** are First Time Buyers.

# CML RESEARCH – SHARED OWNERSHIP: UGLY SISTER OR CINDERELLA?

## Key Findings on Shared Ownership

- Re-sales market has grown steadily in recent years, now **1/3** of all Shared Ownership sales.
- Reasonable number of lenders (**c18**) support Shared Ownership, which is relative to the market size, however majority are regional building societies.
- However, currently 3 / 4 lenders provide the majority of total lending.
- Existing lenders are relaxed about increasing Shared Ownership volumes BUT new entrants needed to meet Governments target of 135,000 by 2021.

# CML RESEARCH – SHARED OWNERSHIP: UGLY SISTER OR CINDERELLA?

## Opportunities and Challenges for Lenders

- There is a shortage of products available for buyers with low deposits and restrictions with new build site exposure limits.
- Lenders are put off due to; other priorities, deemed higher risk lending, complexities and having to liaise with a Housing Association in the event of a default.
- The research did not find clear evidence of higher rates of arrears or repossessions with Shared Ownership borrowers (by comparison).
- Lack of knowledge within lenders regarding Shared Ownership, the language is very different (MPC / stair-casing etc).





# CML RESEARCH – SHARED OWNERSHIP: UGLY SISTER OR CINDERELLA?

## Opportunities and Challenges for Lenders

- Lenders typically operate with scheme 'caps' for both new business and total lending book.
- Changes to eligibility, section 106 restrictions and the lease - lenders require stability and consistency.
- Shared Ownership via Private Developers - lenders are VERY cautious about lending to a less regulated and established sector.

# CML RESEARCH – SHARED OWNERSHIP: UGLY SISTER OR CINDERELLA?

## **Lender Requirements:**

- Demand statistics / waiting list - to establish the size of the opportunity?
- HA's to operate consistent / standardised approach re handling of rent arrears - sign up to protocols for good working practice - NHF / HCA guidance?
- Consider alternatives to the current section in the lease which allows Housing Associations to terminate the lease on grounds of rent arrears?
- Section 106 / Low Cost Discounted Market Value Schemes (DMS)
  - Standardise the re-sale restrictions?



# FUTURE?



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# WHAT MIGHT THE FUTURE HOLD?

- **Improved relationships between Housing Associations and lenders**
- **Increased lender support for Shared Ownership:**
  - new purchases, re-mortgage, stair-casing and movers
- **Improved lending policy with:**
  - increased loan to value's (LTV's)
  - cases that don't fit the 'high street lenders' due to:
    - complex / non-standard income (self employed / contractors etc)
    - low credit score
    - minor / historic credit issues



# QUESTIONS?



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➤ **Contact our New Build Manager to find out more.**

**Craig Hall**



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