Shared Ownership Best Buys

JAN 2024

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Best Buys and Market Watch

Overview of the total number of Shared Ownership Mortgage products available to our customers as of January 2024

Metro Market Watch:

Overview of the total number of Shared Ownership mortgage products available to our customers.

95% LTV – 78 products ↑**6**
90% LTV – 192 products ↑**8**
85% LTV – 249 products ↑**20**
80% LTV – 254 products ↑**25**
75% LTV – 305 products ↑**37**

Our Best Buys now show the difference in rates month on month. Helping to give you a clearer picture the impacts of rising interest rates.

Lender numbers and product numbers reflect a very healthy Shared Ownership mortgage market.

- **Total lenders in SO = 29**
- **Total SO lenders at 95% = 19**

2 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Nov 2023**	6.24%	5.45%	5.45%	5.45%	5.17%
Current Best Fixed Rate	**5.69%**	**5.03%**	**4.89%**	**4.89%**	**4.20%**
Differential	**-0.55%**	**-0.42%**	**-0.56%**	**-0.56%**	**-0.97%**

3 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Nov 2023**	5.89%	5.78%	5.39%	5.32%	5.32%
Current Best Fixed Rates	**5.69%**	**4.99%**	**4.88%**	**4.88%**	**4.46%**
Differential	**-0.20%**	**-0.79%**	**-0.51%**	**-0.44%**	**-0.86%**

5 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Nov 2023**	5.66%	4.92%	4.83%	4.82%	4.64%
Current Best Fixed Rate	**5.26%**	**4.59%**	**4.49%**	**4.49%**	**4.34%**
Differential	**-0.40%**	**-0.33%**	**-0.34%**	**-0.33%**	**-0.30%**

Market Watch Nov 2023

2024 Off To A Bang…!?

No beating about the bush… I know from all the recent emails the main thing you all want to know. How much have Shared Ownership rates dropped recently?

Individual rates can be seen in the rate tables overleaf. On average we see the following for SO:

Two-year fixed rate average drop since November = 0.61%

Three-year fixed rate average drop since November = 0.56%

Five-year fixed rate average drop since November = 0.34%

Pretty significant drops, albeit perhaps not quite as much as the press would have you believe. We now see the lowest 95% fixed rate at 5.26% for five years. And the lowest 75% LTV rate being 4.20% fixed for two years.

What do I mean by lowest rate? The method used for our Best Buys is the same as that used for home buyers. Taking the total costs over the fixed period, interest, payments, fees etc and then comparing like for like. i.e. as opposed to just picking the lowest rate which could have thousands in fees and ultimately be more expensive. To put this in context, I found the lowest rate at 4.10% which is 0.1% less than our 'proper' best deal, because it carries circa £1100 in fees. Generally speaking, this type of fee loaded deal will only work out cheapest on large mortgages. On the test of a £300k home, 50% share it didn't work out cheapest. It just looks nice and shiny…

The 'Bang' I refer to in title is very real, at Metro our assessment volume will likely hit 4000 for the month, **representing a circa 60% increase to normal demand for SO**. Likewise, you'll have seen the headlines for open market – RICs reporting uplift, as does Rightmove and as lenders also expect for Q1 2024. Albeit the uplift for open market being measured in single digit percentiles. With the overall year for open market expected by most economists to remain flat, in terms of growth, **Shared Ownership demand likely bucking that trend (again).** And I state 'demand' because whether that demand can be converted to actual sales depends very much on whether the stock is available. Will non-RP's such as large builders convert their stock to SO, partner with more HA's etc.

As for Bank of England base rate, this is where we shouldn't get too excited. 2024 is unlikely to be the year we see much, if any reduction. Economists are divided but the majority quote perhaps one or two reductions i.e total 0.5%. Clearly these are estimates and it's also worth considering that swap rates may have already factored such a reduction, hence as the final word of caution – **the mortgage rates we see today are close to what we may see at year end.** Yet 2024 has fired off to an extremely positive start.

Not for public distribution

Ask Emilia…

Emilia Hunt - Sales Director at Metro Finance, the largest shared ownership mortgage provider.
Metro Finance helps around 3500 shared ownership buyers per month. Emilia has been part of Metro Finance for over 10 years.

New Affordability…. what does this mean?

If you’re not already aware, Homes England have recently announced a number of changes to their guidance including the removal of the Homes England calculator to check affordability for customers. For many this may feel like a big change, **but is it really?**

What is affordability assessed on now?

Currently shared ownership affordability uses the Homes England calculator, which uses the parameters of affordability between 25% - 45% debt to income as a general range. The calculator specifies certain income types, and calculates the debt to income.

In general, the principle was that no more than 45% of your take home pay could go towards mortgage, rent, service charge and commitments.

However, it failed to take into consideration certain things such as childcare and maintenance**. And the calculator only created an ‘anchor point’ or ‘Start point’ to base the rest of the assessment on.**

What are the changes?

From 1st May, the customer will be assessed based on a budget planner, as well as mortgage lender affordability. Which previously was something that happened after the calculator. In effect to ‘back-up’ the result of the calculator.

They will still need to be signed off by a suitably qualified mortgage firm, who have experience in dealing with shared ownership.

Ultimately, this could be a very positive change for the industry. It was felt that customers may have been missing out on the best share for their circumstances because there was too much reliance on the calculator. This could mean customers are able to purchase a higher share, or some customers a lower share if more suitable. It allows a tailored approach to each customer.

Cont…

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Ask Emilia…

The customer is expected to purchase the most ‘suitable’ share for their circumstances, determined by the advisor. i.e. the share that is affordable for them on their budget planner and mortgage lender affordability. It is still the use of the government funds, so the customer is not choosing to purchase a lower share, if a higher share is affordable. Likewise, if a higher share would not be considered sustainable then this would not be advised. **In essence the customer is still buying the most affordable/sustainable maximum share**

However, care must still be taken. Unlike an open market property, there is still another party with interest in the property – **you!** And your chosen panel advisors are responsible for making sure that they are protecting your asset as well as the buyer. The sign off process remains the same, in the sense that your panel advisor will need to check all the documents to ensure sustainability.

For this same reason you may want to review other policies. Homes England have been clear that everything must be very transparent including;

-Your first come, first served process

- Adverse policies

- Minimum deposit requirements

Which of course we can help with pre-designed policies - any assistance or have any queries please contact me Emilia.hunt@metrofinance.co.uk and I’ll be happy to help. Further information is due to be released at the end of February.

If there’s any additional support we can offer, please get in touch with me – always happy to help and discuss any ideas you may have.

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Thank you

- ✓ Any questions just ask
- ✓ Help with assessments just ask
- ✓ Help with SO lending just ask

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