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Shared Ownership

Shared
Ownership
Best Buys

AUG 2023

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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 31st Aug 2023

Metro Market Watch:

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

95% LTV – 65 products **↑3**
90% LTV – 166 products **↑13**
85% LTV – 210 products **↑15**
80% LTV – 211 products **↑15**
75% LTV – 244 products **↑11**

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 July 2023	6.69%	5.90%	5.90%	5.90%	5.90%
Current Best Fixed Rate	6.69%	6.54%	6.46%	6.46%	5.89%
Differential	+0.00%	+0.64%	+0.56%	+0.56%	-0.01%

3 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at July 2023	5.89%	5.89%	5.89%	5.89%	5.89%
Current Best Fixed Rates	5.89%	5.89%	5.89%	5.89%	5.92%
Differential	+0.00%	+0.00%	+0.00%	+0.00%	+0.03%

5 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at July 2023	5.89%	5.29%	4.99%	4.99%	5.04%
Current Best Fixed Rate	5.89%	5.29%	4.99%	4.99%	5.04%
Differential	+0.00%	+0.00%	+0.00%	+0.00%	+0.00%

Market Watch Aug 2023



You may have seen news headlines about rates falling, lenders cutting rates etc. This was true around 30 days ago, a little frenzy of incy wincy rate cuts. However, since then it would be more accurate to describe as **'little or no change' to interest rates**.

This isn't a bad thing, it reflects more stable 'Swap Rates' which shows everything is as it should be in the money markets. No crazy peaks and troughs, for now. (and hopefully longer term)

You can see from our rate tables overleaf, most categories remain black (unchanged), with some 2yr fixed rates looking like there's been significant increase. However this is down to one lender holding a lower rate tranche of money – making hay whilst the sun shone, you could call it. I can only assume this tranche ran out on the last 30 days and now we see how rates should actually look.

All this lack of change reflects the markets (swap rates) **anticipation of fewer or lower base rate rises in the future**. The general consensus being base rate of 5.75 by year end, arriving there by perhaps two more base rate rises.

Clearly these higher mortgage rates have affected mainstream affordability, in turn reducing the number of available buyers in the open market. Albeit, the same cause has increased the number of buyers in SO. **Buyers still wanting their own home and hunting out the scheme we know helps** in a challenged market

This week we also see Deutsche Bank predicting a 7% reduction in house prices by year end which is expressed as a **correction** rather than a slump/crash. The cause being as above - fall in number of purchases in OM/higher rates. So a relatively soft landing predicted by DB. And a significant rise in unemployment being the cause that could de-rail this prediction and soft landing.

So... providing unemployment doesn't significantly rise and base rate does follow market consensus, it seems likely that the current demand for SO will continue. As buyers continue to struggle with affordability in OM and drift over to SO

Not for public distribution

Ask Emilia...

*Emilia Hunt - Sales Director at Metro Finance, the largest shared ownership mortgage provider.
Metro Finance helps around 2400 shared ownership buyers per month. Emilia has been part of Metro Finance for over 10 years.*



What are the most common things to trip up a mortgage application?

Getting a mortgage can be very exciting, but there is a reason that buying a house is one of the most stressful things you will do in your lifetime. Unfortunately mortgage applications being declined is part of our world, and dealing with the potential subsequent disappointment, or very least delay. So what are the most reasons that an application can be declined, and is there a way to foresee?

Bank Account Conduct – many lenders request sight of bank statements, and for those that do, a wide range of issues can come up

- Unreturned Direct Debits
- Going over the overdraft limit
- Heavy overdraft usage ie salary payment not clearing the overdraft
- Payments to debt collection agencies
- Heavy Gambling

Prior to a mortgage application, a mortgage advisor would check the bank account conduct to ensure to the best of their ability, that it would meet the lenders criteria. Some parts may be underwriters discretion and would be dependent on the case overall. See below.

Income

An underwriter will either automatically verify the income, or they may check income evidence. If the income isn't as disclosed this will be adjusted.

Variable income such as bonus and overtime is often underwriters discretion, and they would be looking at sustainability i.e. does the year to date correlate, can the applicant demonstrate they have been earning this consistently

If not all income is verified, this would most likely result in a maximum loan, particularly in shared ownership where its expected the share to be maximized, therefore pushing the client to their maximum affordability with the lender

In order to best prepare, a mortgage advisor would check the income before submitting a mortgage application, ensuring the income evidence matches what the applicant has disclosed.

Undisclosed Commitments

If the applicant has failed to disclose all credit commitments this will likely cause a maximum loan. If this happens the advisor would normally review a copy of the credit file. It could be that the applicant has recently repaid something, in which case it may be challenged. Or it could be that unfortunately they have simply forgotten to disclose, therefore making the case unaffordable.

Cont...

Ask Emilia...



Unsuitable Property

All mortgage applications will be subject to a mortgage valuation. At the very base level, the valuer will go out to confirm the proposed mortgage security is acceptable for the lender. Unfortunately there are times when the valuer either deems unsuitable or not to be worth the sale price. This is down to valuers comments, so unfortunately very difficult to predict.

Underwriters discretion – Ultimately many cases are down to underwriters discretion and there could be different “flags” they are looking at

Possible areas for concern

- Lives at home now with no history of maintaining a household
- High level of credit commitments
- Gifted deposit
- Adverse credit
- Short time in job or multiple jobs
- Some poor bank account conduct

Positive factors

- Deposit from own savings
- Currently rents or is a homeowner
- Low level of credit, which is well managed
- Good bank account conduct ie no overdraft
- No adverse credit

If an applicant has a negative factor, ie using an overdraft regularly, however they have saved their own deposit, they currently and they have no adverse credit then this could still be accepted. If an applicant has heavy overdraft usage, lives at home and has a gifted deposit this could start to be viewed more negatively.

The important thing is for the mortgage advisor to build a picture of their applicants, and have a full understanding of what the lender will be looking for.

Thank you

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

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