**Quarterly Mortgage Insight JANUARY 2023** 

clients into their first homes as efficiently and effectively as possible.

4. Lending & Assessments - Shared Ownership & First Home Lenders

short report is to give you a realistic appraisal of what is happening in the affordable homes mortgage sector so you can plan accordingly and work towards getting as many of your

The mortgage market is starting to calm down after the mini budget, as funding has started

Happy New Year and welcome to Censeo's quarterly insight document. The aim of this

This Insight is divided into seven sections:

3. The Market - Economy & Housing

Mortgage Market Update

5. Service and Valuations

7. Censeo Business Update

Mortgage Market Update

2. Censeo Index

6. Legislation

to stabilise. Despite the probable further Bank of England base rate rises, competition among lenders for mortgage share is likely to drive mortgage rates down over the course of the year, especially with a significant amount of re-mortgage business expected in 2023. In fact, we are already seeing lenders reduce rates. Moneyfacts recently reported that a

- The cost-of-living crisis is challenging and certainly seeing an impact on the finances of
- mortgage product is only available for an average of 15 days as 2- and 5- fixed rates have fallen for a second month, meaning buyers must act quickly to secure mortgage rates.
- households. Nationwide research found that the cost of servicing mortgage repayments relative to take home pay is the greatest contributor to a lack of affordability for first-time buyers. The bank's affordability report states that between the start of the Pandemic and the end of 2022, house prices increased by 19%, while incomes rose by just 9%. Despite
- predictions of a fall in house prices in 2023, for an average first-time buyer with a 20% deposit and a mortgage rate of 5.5%, payments will now make up roughly 39% of their take-home pay. New homes are at their least affordable for first-time buyers since 2008.

- We are seeing lenders review their underwriting criteria. In December 2022, Virgin Money returned to the shared ownership market offering up to 5.5 times income based on Loan to Value (LTV) and it also changed its policy on shared ownership lending – accepting 95% LTV on flats in blocks at any storey height, including new builds.
- Halifax for Intermediaries a week earlier on 10th January announced it was making changes to the loan-to-income (LTI) caps applied as part of its affordability calculation to benefit those employed and self-employed.
- On 17th January, Santander advised that if a credit card balance has been paid in full each
- period, this counts as repaid in full for the purpose of this policy.
- month for at least six months before application this will not be included in its affordability assessment on mortgages submitted by a Mortgage Broker only. They added that if there
- has been a £0 credit card balance on the client's account during the latest six-month With lending criteria and interest rates changing so frequently the use of a mortgage broker to assist buyers has never been so important.
- Our team is growing as we take on more Housing Associations and Local Authorities so that we can provide a good level of service. We are also seeing an increased demand from those looking to sell, buy more shares or just find a better deal so we have expanded our re-mortgage team to assist Housing
- Association, Council and Developer homeowners with mortgage reviews and financial health checks to find the most suitable financial solution for their personal needs to manage the financial challenges being faced. We are also working with a couple of Housing Associations with a mortgage health check portal.
- We are here to help. Email info@censeo-financial.com or call us on 0207 090 7290 Censeo Index Since November 2013 we have been using the Censeo Index to give a mean

value for changes in house prices across the UK. This benchmark is an average

invaluable for Housing Associations and journalists to give an up-to-date picture

of the five leading indices used by the financial sector and is now proving

of what is happening in the property market.

12.00

8.00

7.00

6.00

5.00

**Halifax** 

Rightmove

**Land Registry** 

**Censeo Index** 

**Economy** 

years.

The Market - Economy & Housing

LSL Academtrics

Feb

lan

Mar

11.6% 11.00 10.7% 10 1% 10.7% 10.00 % Annual Change 9.8% 9.00 8.9%

8.2%

Sep

2.0%

7.8%

6.3%

10.3%

5.8%

Oct

100

22

Sec

**Avg Home Price** Change **Trend** (12 month period) (England & Wales) **Nationwide** £262,068 2.8%

£281,272

£380,450

£362,438

£294,910

£316,228

Follow Censeo on Linkedin where we publish daily articles from property and mortgage

The Bank of England Monetary Policy Committee (MPC) met in December 2022 and voted 6-3 in favour of the 0.5% increase to 3.5%. This marks not only the ninth consecutive hike by the central bank, but also sees the rate continue to reach its highest level in over 14

The rise also came hot on the heels of the decision by the US Federal Reserve to raise US

Spurred on by fears of an incoming recession, the decision aims to combat current economic turmoil, exacerbated by the cost-of-living crisis, the Truss Government's

calamitous 'mini-budget', as well as the ongoing conflict in Ukraine.

Month

May

interest rates to their highest level since 2007. The rate rise came as The City cheered fresh figures out the day before that revealed this year's historic inflation surge may have finally turned a corner. Prices accelerated 10.7% over the year to November, down from a 41-year high rate of 11.1% in the previous month, according to the Office for National Statistics (ONS). The fall was steeper than expected by analysts. Inflation is still running at around a four-decade high. UK inflation has been driven by rising food costs and higher petrol prices but is thought to have peaked at 11.1% in October. The consumer prices index, the headline measure of inflation, fell to 10.5% in December, down from 10.7% in November, figures from the ONS showed. The inflation figure for December is believed to be due to the World Cup and the reduction in petrol and energy costs. The economy remains fragile, but ONS figures signal the worst of the inflation drive could be coming to an end and that the rate is on course to steadily fall in 2023. Inflation is still well above the Bank of England's 2% target because of a surge in energy prices after sanctions were imposed on Russia following its invasion of Ukraine. It led to double-digit rises in food prices and household bills over the past year. The latest figures raise questions about whether the Bank of England will slow the pace of its interest rate rises as rising borrowing costs add to pressure on household budgets. Economists are divided on whether rate-setters will continue to push up the cost of

borrowing at their current rate given that economic growth was better than expected in

Investors in the financial markets expect interest rates to peak at just over 4.4% this summer. The Bank of England expects inflation to fall back to its 2% target by mid-2024, while the Office for Budget Responsibility, the official forecaster, predicts a return to target in

2024 before dropping into negative territory, or "deflation," the following year.

Despite the UK's housing market seeing a 'tumultuous' end to the year, 92% of homeowners saw their property increase in value by an average of £19,000 in 2022

National house price rises have slowed but remain positive, according to data gleaned from

With the average house price now £380,450, this marks a monthly growth of 0.5%, and an

e.surv use all ONS completion data for the period, which includes cash sales and is the final

"From the start of the pandemic in March 2020 to the end of November 2022, the average

"Housing as an asset group is still outperforming most other investments - particularly when you see that growth figure over the period is greater than that in consumer price

We are in the business of helping first-time buyers obtain the dream of having a place to call home which is challenging in the current economic environment. Over half of 18- to 34year-olds are worried the cost-of-living crisis will limit their ability to save a deposit for a

According to Bluestone Mortgages, which surveyed 2,000 adults, around 59 % are worried

The report added that on average those in this age group expect to be £146 a month worse

Young people are already making lifestyle changes to save money, with 52% cutting energy consumption, 48% eating out less often, 39% cancelling subscription services and 31%

price paid for a home has increased by some £66,100, or around 21.1%".

inflation (including housing - CPIH) of 14.9% over the same period."

about their ability to get onto the property ladder.

off due to the rising cost of living.

Richard Sexton, director at e.surv, said: "Our data this month shows a slowing rate of

According to the Index, price increases are still evident in the North while the South is weakening - London is the region with lowest annual price growth at 1.5%, and the East

according to new research from Zoopla revealed this month.

e.surv's December House Price Index for England and Wales.

growth, which will surprise no-one but nevertheless is positive."

Midlands again records the top regional annual price increase at 14.1%

## price paid with Sexton stating also stating "the other point to be made is that the relative attractiveness of property remains in comparison to other asset groups over the longerterm".

property.

limiting holidays.

**Shared Ownership** 

balances.

Lending & Assessments

annual change of +7.8%.

November.

**Housing Market** 

After the mini-Budget, shared ownership lending dropped to just 9 lenders. Lenders soon returned to the market. Our last insight report confirmed a total of 20 lenders were offering shared ownership mortgages. We have seen a further 9 lenders return to the market in the last quarter taking the total lenders available now to 29. Of these lenders, currently 25 are offering high loan to value products of 90 - 95%.

As advised earlier we have seen lenders also review their underwriting to support the market and gain a share of the popular shared ownership market. Virgin Money are now offering up to 5.5 times income based on loan to values, and Halifax improving loan to income caps to assist with affordability. Santander is also reviewing its policy on credit card

Virgin have also reviewed the policy on lending to blocks of flats which improves the lender

Censeo work very closely with lenders, and at present we are working with numerous new lenders looking to enter the shared ownership market. We have a good lender presence in the market, and we hope to see lenders look at underwriting for various client groups to

exposure options on larger developments with volumes of flats.

allow shared ownership to be available to a wider market.

 Chorley Building Society Darlington Building Society

· Leeds Building Society Mansfield Building Society Nationwide Building Society · Newcastle Building Society, · Dudley Building Society

· Loughborough Building Society

· Marsden Building Society Newbury Building Society Skipton Building Society

**New Build Flats** 

5.25%

4.78%

4.51%

4.45%

4 39%

4.39%

4.19%

Halifax

Deposit

5%

10%

15%

20%

25%

30%

40%

20

10

80

60

20 10

**Assessments** 

We have seen Saffron Building Society, Mansfield Building Society, Virgin Money and Newcastle Building Society entering or returning to shared ownership lending. First Home Currently there are 12 lenders who have committed to lending on the scheme:

Lending is available up to 95% loan to value of the discount price. The table below relates to current rates available for Shared Ownership purchases. Snapshot of deposit and interest rates for shared ownership

Resale Flats

5.52%

5.05%

4.51%

4.51%

4 39%

4.39%

4.34%

The matrix below is a good indicator of how we try to judge activity in the market. To put this

In the fourth quarter of 2022 we averaged 17 assessments for every mortgage completed which was an increase of 67% from the third quarter. This was due to the impact of the mini-budget on the mortgage market. Encouragingly the pass rate of those assessed

into context, in 2016/17 we were doing roughly four assessments for every mortgage.

With the number of passed assessments not failing, the increase of assessments to

mortgage applications can mainly be attributed to the increased borrowing costs. Mortgage rates were peaking at 7% with an average of 6% following the initial aftermath of the minibudget. Potential purchasers were deterred from buying as monthly payments increased

Assessments per mortgage

Percentage of assessments pass vs fail

Lender

Newbury

Virgin Money

Barclays

Sandander

Nationwide BS

Nationwide BS

Nationwide BS

Staircasing

5.52%

5.05%

4.51%

4.51%

4.39%

4.39%

4.34%

Lender

Newbury

Virgin Money

Barclays

Sandander

Nationwide BS

Nationwide BS

Nationwide BS

remained relatively static as has the volume of assessments received.

along with living costs with future inflation and rate rises in the pipeline.

Dec 21 Pass

to complete the Homes England assessment. This is a 6% improvement.

England affordability assessment and 41% failed.

**Initial Underwrite** 

(working days)

6

5

5

5

2

2

6

5

1

3

1

1

3

2

2

2

2

1

1

15

2

2

2

Fail

Of the assessments carried out in the fourth quarter of 2022, 59% passed the Homes

16% of the total amount of assessments received did not provide the required information

**Document Timescale** 

(working days)

3

2

5

5

5

2

2

6

5

1

3

1

3

2

2

2

2

1

1

15

2

1

2

Lender's instruction of valuations differs significantly, some lenders instruct the valuer on submission of the mortgage application however the majority instruct on completion of the mortgage underwriting. It is currently averaging 7 working days for a valuation to take place, with the time for valuation reports to be signed off averaging at 3 working days.

In light of the Building Safety Act, RICS updated their guidance in December and the Government has since developed remediation funding schemes and put legal contracts with builders and developers in place to cover some of the remediation costs. This allows

Mortgage lenders and The Royal Institution of Chartered Surveyors (RICS) issued a joint statement https://www.ukfinance.org.uk/policy-and-guidance/guidance/statement-industrysupport-leaseholder-protections-within-building to clarify the current lending position for

The introduction of the developer self-remediation scheme, Government's plans to re-open

the Building Safety Fund and a new remediation scheme for buildings between 11-18

Lenders will need to evidence that building will be "self-remediated" by developers,

The six largest mortgage lenders - Barclays Bank, HSBC, Lloyds Banking Group,

Nationwide Building Society, NatWest, Santander have confirmed, from 9th January 2023, they will lend on properties needing cladding remediation as long as there is evidence of self-remediation, coverage from government schemes or protections from the Building

The last quarter has been a busy one for Censeo as we continue to push innovation and customer journey throughout the business. We have now launched new portal outcomes which give customers more helpful guidance on their next steps which is working well. All who pass are also now issued with a Censeo Decision in Principle, giving confidence that

Within this challenging market we understand the need to act quickly. Our assessment team are now operating six days a week to ensure speedy turnaround of assessments and we

documents into the relevant fields for their mortgage interview. This automatically chases

In October we held our first Staircasing and Resales round table with many of the leaders in the sector. This has gained positive feedback and something we will continue to support to help colleagues in post occupation transactions. Our next meeting has been scheduled and

We have several events scheduled throughout the year, to support our clients including Lender events and our annual Censeo breakfast. Invites will be limited but we aim to invite as many as possible. In January we were delighted to have our first event of the year with Virgin Money. It was a great evening to discuss the plans for 2023 and an opportunity to

Our team has grown significantly over the last quarter as we continue to build and develop

Censeo work with all lenders in the shared ownership market at all levels, from underwriters to key decision makers which allows us to manage scheme exposure rates and to handle the wide range of buyer's personal circumstances. We have also spent a lot of time working with new lenders looking to enter the market, which includes specialist lenders allowing more personalised underwriting service. We are delighted to see some of our work with

We have been working and liaising with the Homes England, GLA, Share to Buy, numerous research projects, NLG and NSG to promote shared ownership, lending, and affordable housing throughout 2022 and we are now using our position in the market to promote the affordable homes sector through the help and support of media friends and colleagues.

We know that the affordable housing and mortgage markets are really embracing Equality, Diversity and Inclusion in their workforce. As a key supplier to the sector, Censeo is no different therefore we are delighted to continue to be part of the Diversity & Inclusivity Finance Forum which aims to discuss and promote key ideas and activities to create a

We are also working on similar initiatives with the Association of Mortgage Intermediaries – the trade body for UK Intermediaries who act to maintain a positive and ethical business environment for our members by working with politicians, regulators and other industry

have built a document upload system within our portal that allows clients to upload

From speaking to our Housing Association partners and solicitors there remains a challenge of buyers not responding to communication. However, we continue to make communicating with us easier and we are arranging meetings with our partners to build on

lenders to know the value of a flat and to then lend on the property.

buildings impacted by building safety concerns.

Underwriting timescale

(working days)

3

2

5

5

5

2

2

2

5

1

2

1

1

3

2

1

2

2

1

15

2

1

2

Require Full Packaging

to do I/U

N

Y

Υ

Ν

N

Υ

N

Ν

N

Υ

Ν

Ν

N

N

Ν

Ν

Υ

Ν

There are no new lenders entering the market for First Home.

Rates are based on the best priced 2-year / 5- year fixed rate

## Service levels Service level times have improved over the quarter, with lenders' timescales ranging from 1-15 days (Last quarter 1-40 days). Most high street lenders are underwriting within 1-3 days with longer time scales being seen with lenders who take on more complex applications.

Lender

Barclays

Cambridge

Clydesdale

Coventry

**Darlington** 

**Dudley** 

Halifax

Hanley

**HSBC** 

Kensington

**Kent Reliance** 

Leeds BS

Marsden

Melton

Metro Bank

Nationwide

**NatWest** 

Newcastle

Santander

Skipton

Stafford BS

Suffolk

**TSB** Virgin Money

**West Brom** 

Date Jan 2023

Valuations

Legislation

EWS1 Forms and Cladding

Service and Valuations

## metres will help to remove the financial risk to leaseholders in blocks of flats 11 metres and ahove With the RICS updated guidance means that, lenders will be able to consider mortgage applications on property in buildings in England of 11 metres and over in height that are impacted by cladding.

**Censeo Business Update** 

the affordability has been assessed.

the service we currently offer.

new and existing relationships.

new lenders see them enter the market.

more balanced and fair mortgage industry.

network.

clients 24 and 48 hours before the appointment.

we have some influential guests attending.

Safety Act.

Our CEO and Founder Rupi Hunjan has been involved with and contributed to the Working in Mortgages - Shaping the future website brought together by The Association of Mortgage Intermediaries and IMLA - The Intermediary Mortgage Lenders Association. Read more about this initiative at workinginmortgages.org.uk AMO imla

bodies.

Over the last quarter our Portal went live on the GLA Homes for Londoners website, further enhancing the customer experience to those looking for property with GLA funding. This

complements the service we provide to Share to Buy where we are the sole Mortgage Broker on the leading affordable homeownership portals in the UK. Our portal has also had some upgrades to help and assist customers. For example, we have reviewed the outcomes the customer receives from the portal, giving a more informed and helpful response to assist the customer.

Censeo Financial Portal <a href="https://portal.censeo-financial.com/login">https://portal.censeo-financial.com/login</a>

**NHS Heroes** 

environment. They support young people into safe homes and employment, education or training, in a welcoming and open environment that celebrates LGBTQ+ identities. **End Youth Homelessness** End Youth Homelessness (EYH) is a national movement of

Censeo Social Media

Do continue to follow us on social media to receive regular updates on the shared

Thank you, our **NHS** heroes Censeo is a business that takes it's social responsibility very seriously. We recognise that some people make an enormous effort and personal sacrifice to help others. We are delighted with the response to our NHS Heroes Fee-free Offering. As a thank you for the incredible work they have done in response to the Pandemic, we are waiving our standard administration fee for all NHS staff members who are first-time buyers. More information can be found on our website <a href="https://censeo-financial.com/nhs/">https://censeo-financial.com/nhs/</a> Charities Each year Censeo donates a contribution for each completed mortgage to selected charities. This year we are proud to continue to be helping two charities who support youth homelessness. You can find out more about these amazing charities via our website https://censeo-financial.com/giving-back/ Albert Kennedy Trust akt is the national LGBTQ+ youth homelessness charity akt supporting young people aged 16-25 in the UK who are experiencing homelessness or living in a hostile

leading youth homelessness charities that have joined forces to tackle the youth homelessness crisis in the UK. Together with our Member Charities and through our Housing and Employability Programmes, we supported 40,000 16-25 year olds last year.

ownership and mortgage markets. Find us here:

- 0207 090 7290 or email insight@censeo-financial.com Email Us Call Us

0207 090 7290 | www.censeo-financial.com | info@censeo-financial.com

**Twitter** (<u>https://twitter.com/CenseoFinancial</u>) LinkedIn (https://www.linkedin.com/company/3302499) And don't forget that we will happily publicise any of your developments on the Censeo Instagram and Facebook accounts. Just get in touch with Tony (tony@censeofinancial.com) and she will do the rest. If you require any further information on any of the matters covered in this report, please contact Rupi Hunjan, Anthony Hall or Tony Harker

Censeo Limited is an appointed representative of PRIMIS Mortgage Network. PRIMIS Mortgage Network is a trading name of First Complete Ltd which is authorised and regulated by the Financial Conduct Authority for mortgages, protection insurance and general insurance products. Censeo Limited is registered in England and Wales, company registration number 06453977, the Registered Address 11b Newton Court, Pendeford Business Park, Wolverhampton, WV9 5HB. We will charge a broker fee of between £295 and £495, payable on application. The amount we will charge is dependent on the amount of research and administration that is required. Your home may be repossessed if you do not keep up repayments on your mortgage. The guidance and/or advice contained within this website is subject to the UK regulatory regime and is therefore primarily targeted at consumers based in the UK. The Financial Conduct Authority does not regulate all Buy to Let mortgages. Copyright © \*|CURRENT\_YEAR|\* \*|LIST:COMPANY|\*, All rights reserved.

\*|IFNOT:ARCHIVE\_PAGE|\* \*|LIST:DESCRIPTION|\* Our mailing address is: \*|HTML:LIST\_ADDRESS\_HTML|\* \*|END:IF|\* Want to change how you receive these emails?

You can update your preferences or unsubscribe from this list.

\*|IF:REWARDS|\* \*|HTML:REWARDS|\* \*|END:IF|\*