Shared Ownership Best Buys

NOV 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 29th Nov 2023

Metro Market Watch:

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

95% LTV – 72 products ↑1
90% LTV – 184 products ↑6
85% LTV – 229 products ↑8
80% LTV – 229 products ↑6
75% LTV – 268 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 **Oct 2023**	6.24%	5.97%	5.89%	5.89%	5.53%
Current Best Fixed Rate	**6.24%**	**5.45%**	**5.45%**	**5.45%**	**5.17%**
Differential	**-0.00%**	**-0.52%**	**-0.44%**	**-0.44%**	**-0.36%**

3 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Oct 2023**	5.89%	5.89%	5.77%	5.77%	5.38%
Current Best Fixed Rates	**5.89%**	**5.78%**	**5.39%**	**5.32%**	**5.32%**
Differential	**-0.00%**	**-0.11%**	**-0.38%**	**-0.45%**	**-0.06%**

5 Year Fixed Rates

	95%	90%	85%	80%	75%
Best Fixed at **Oct 2023**	5.81%	5.30%	5.13%	5.13%	4.90%
Current Best Fixed Rate	**5.66%**	**4.92%**	**4.83%**	**4.82%**	**4.64%**
Differential	**-0.15%**	**-0.38%**	**-0.30%**	**-0.31%**	**-0.26%**

Market Watch Nov 2023

Fours are back! For the first time in several months we now see some **fixed mortgage rates starting with a four**. Even when marginally below a five+ percent deal, it gives a great psychological boost to borrowers. And it certainly demonstrates lenders are extremely hungry to attract volume.

At some LTV's bandings listed in our tables we've had **rate drops of circa 0.6% over the last 60 days** and this level cannot be attributed totally to lower swap rates. It shows lenders are prepared (and are) to cut margins to attract volume. As mentioned in the past, lenders generally have two core targets, margin and volume. Right now we see a pretty clear example of volume grabbing through margin cuts.

Not surprising when lenders are reporting huge drops in volume for the year to date. Albeit not in the Shared Ownership field.

I think this shows us what we may expect in early 2024. **Perhaps at this late stage in the year we are seeing lenders cutting their margins**, to gain the volume, to pump into 2024 reporting figures i.e the completions for many of todays applications will happen beyond 2023. And perhaps these lenders are gearing themselves for an ultra-competitive year, specifically on margin. Aiming like any commercial outfit would, to avoid another consecutive year with lower volume.

I think this, not just because of what we see in the numbers and data. But also because of the increased conversations with lenders about Shared Ownership. The conversations that start with an email - Hi… if we did this, how much extra volume do you think this would generate from Metro…

Now… usually both parties already know the answer before a response is heard! Tweaks to criteria and product might make a minute difference to volume. But lender saturation in our sector means every credible criterion/niche is already well covered. **Hence the only real volume solutions for lenders are interest rate and service speed.** Which is what I think they will focus on in 2024. Don't get me wrong here, I'm not under any illusion of dramatically lower rates in 2024. Rather 'shaving' of margin to create the optimum attractivity to buyers and Advisers.

Obviously, the majority of this will be aimed at open market purchase, though the effects with many lenders equally benefit Shared Ownership i.e. those lenders whose products are available for both OM and SO. Whereas lenders who create products purely for SO, mainly the 95% type lenders, will likely have no option but to follow suit, albeit perhaps with cuts less 'tasty'. In other words, the bigger the deposit, the more a customer might benefit from lender margin cuts.

Seeing what I see now, gives me a feeling of more optimism for the whole property market in the year to come. Which can only benefit Shared Ownership

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.

Metro Finance – just affordability checks?

The big question – what does Metro Finance really do? The obvious answer is affordability assessments, but actually at Metro Finance we view this just as part of our role.

What does an affordability assessment mean?

Firstly, its not just a HEC. A HEC is a useful anchor point, but its not the end point by any stretch of the imagination. There are 2 questions – is it affordable with a mortgage lender, and is it sustainable for the customer?

The mortgage lender is simple, if you know what you are doing…. If you don't understand shared ownership there are many quirks with lenders, which can catch you out. This is why its so important that the customer uses a mortgage advisor who has experience and understands shared ownership.

But then is it sustainable for that customer? Just because a mortgage lender could lend to the customer based on their affordability checks, is it definitely affordable for the customer? Unfortunately, recently I have seen multiple scenarios where a mortgage lender may have been willing to lend, but when you dig a little more, it could put the Housing Association at risk.

One recent example was when a Housing Association approached me because an **existing homeowner had put in a complaint** as they felt they shouldn't have been sold the property because it wasn't affordable. This was prior to the Housing Association working with Metro so they didn't have our sign off. When investigated further, the case had been signed off as a joint application, however the customer had then received an offer in sole name. Any mortgage advisor should have done a budget planner for the customer to ensure that was affordable and sustainable, along side the mortgage affordability. However, because it wasn't a panel broker, it was much more difficult for the Housing Association to respond to the complaint, compared to if the customer had completed a mortgage with a panel broker. Yes there is a responsibility on the customer, however it just shows what customers could resort to in desperation.

Another example of a situation where we didn't feel a case was sustainable was a scenario where a customer was **trying to use projected self-employed income,** however the business bank statements didn't demonstrate this projected income. Furthermore, the rent, mortgage and service charge were significantly higher than the rent she was currently paying, and she was already using her overdraft and all available funds. The lender she was using is a "niche" lender, who will lend to customers when all other lenders decline. We declined due to affordability and sustainability, as we believe we have a responsibility towards the Housing Association to protect their asset and rental income.

Cont…

METRO FINANCE

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Ask Emilia…

But then there's everything else we can do…… **and do you make use of our full potential?**

- The obvious – **we process mortgage applications**! We have experienced shared ownership mortgage advisors, who understand the complexities and will place the customers with the correct lender, on the correct share. We have experienced case handlers who are used to working with the lenders, and can achieve quick mortgage offers. And if there is a problem, we have some useful connections to iron it out as quickly as possible. If the customer doesn't use a panel broker, trying to identify what is happening with their case can be highly problematic. Your panel brokers should be able to offer regular updates and support with any queries.

  Some of our HA's see this as the 'main' benefit – the ability to control their broker firm to achieve faster exchanges
- **Exchanges team** who will always support to push your exchanges through as quickly as possible where the customer has used Metro
- **Expertise with shared ownership criteria and mortgage lenders**. This can be useful for a site you're considering but might be a bit unusual, or for a problem site where you're experiencing issues. Examples are if we have a site where lenders are refusing to lend, or down-valuing, we can work out the best lenders to ensure you can still hit your sales targets
- **Regular reports and updates**. The portal should be your best friend with Metro, but we can always arrange regular reports of whatever your team needs. For example, a list of all passes/fails for the week, updates on any cases progressing through sign off/mortgage application. Or maybe there's something more specific you need – just ask and we'll see what we can do
- **Training sessions**. Recently with Housing Associations we've organised training sessions for anti money-laundering and fraud awareness, training for new starters and just general Q&A sessions about the market at the moment. Metro is always happy to offer any training or meetings you feel you might need
- **Stats**. We can give you all kinds of information – for example number of assessments completed, number of passes, number of sign offs. Or do you want to know average income of buyer? The demographic ie age group, first time buyers or homemovers? We have lots of data and always happy to help

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.

Rated Excellent
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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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