
# Shared Ownership Best Buys

JULY 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 July 2023

**Metro Market Watch:**

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

95% LTV – 62 products ↓**2**
90% LTV – 153 products ↓**4**
85% LTV – 195 products ↓**4**
80% LTV – 196 products ↓**4**
75% LTV – 233 products **-0**

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 **June 2023** | 5.64% | 5.90% | 5.90% | 5.90% | 5.49% |
| **Current** Best Fixed Rate | **6.69%** | **5.90%** | **5.90%** | **5.90%** | **5.90%** |
| Differential | **+1.05%** | **-0.00%** | **-0.00%** | **-0.00%** | **+0.41%** |

# 3 Year Fixed Rates

| | 95% | 90% | 85% | 80% | 75% |
|---|---|---|---|---|---|
| Best Fixed at **June 2023** | 5.49% | 5.49% | 5.30% | 5.30% | 5.30% |
| **Current** Best Fixed Rates | **5.89%** | **5.89%** | **5.89%** | **5.89%** | **5.89%** |
| Differential | **+0.40%** | **+0.40%** | **+0.59%** | **+0.59%** | **+0.59%** |

# 5 Year Fixed Rates

| | 95% | 90% | 85% | 80% | 75% |
|---|---|---|---|---|---|
| Best Fixed at **June 2023** | 5.49% | 5.10% | 4.89% | 4.89% | 4.94% |
| **Current** Best Fixed Rate | **5.89%** | **5.29%** | **4.99%** | **4.99%** | **5.04%** |
| Differential | **+0.40%** | **+0.19%** | **+0.10%** | **+0.10%** | **+0.10%** |
| | | | | | |

# Market Watch July 2023

There is a very tiny glimmer of hope following the drop in inflation this month. Swap rates, the driver for mortgage pricing, have fallen slightly. As a result we saw some minor drops in mortgage rates.

Hopefully this is a sign inflation will continue to fall, swap rates will react accordingly, in turn mortgage rates will fall further. **At present, if inflation continues to fall further in the coming months there is no other reason to think mortgage rates will rise higher**. Assuming some other world disaster doesn't impact Swap rates, there is a strong possibility the worst is over.

Right now, rates for low deposit Shared Ownership mortgages are probably best described as 'Hanging around 7% for a 2year fixed and late sixes for 5yr fixed'. With the exception of a few remarkably lower priced products from Building Societies.

If you have a 5% deposit and require a 2yr fixed rate, the best deal comes from Leeds BS at 6.69%, albeit most lenders are priced above 7%. With the highest at 10.40% from Together Mortgages. That said, even though these rates are far higher than we're all used to, it hasn't dampened demand for SO in the slightest. Metro's run rate for national assessments remains unchanged at circa 3400 per month and more importantly **the 'pass rate' still hasn't deteriorated over** the last 12 months. Driven by higher average income levels from open market fall out.

Aside from interest rate movement, we also have lots of eyes on Shared Ownership, which could likely lead to change – The eyes on Shared Ownership are: > Halifax report > Big lenders under renewed high-level pressure to enter 10% shares > Gov inquiry into SO itself and SO affordability.
Gov Enquiry - https://committees.parliament.uk/committee/17/levelling-up-housing-and-communities-committee/news/196590/levelling-up-committee-launches-inquiry-on-shared-ownership/#:~:text=Inquiry%20focus,Affordable%20Homes%20Programme%202021%2D2026.

Clearly something is going to change, it's hard to imagine how it can't with such powerful intervention from multiple sources. Reading the available information, talking to the parties involved, you can build a mental picture of the focus areas and perhaps where they perceive we need change.

- Broaden access to SO through affordability flexibility and lower shares, creating a FTB product that is the 'go to'. By this I mean giving more flexibility to the outcome of assessments, through less prescriptive affordability rules and less focus on maximising to 45% DTIR.
- Extend affordability to further encompass future rent, service charge increases.
- Implement new controls over service charge and rent increases
- Open shared ownership more widely to none RP providers/private investors
- Give Shared Owners the freedom to sell on the open market from day one
- Provide more standardized information to potential buyers, covering future cost increases in more detail. Perhaps through further KID development.

Now.. I neither agree nor disagree with any of this (at this stage). But I do ask myself why there are so many important eyes on Shared Ownership for the sake of 20,000 sales per annum, relatively low in the grand scheme. And that the goal must ultimately be to triple, quadruple SO output, otherwise what would be the point. Yet nothing directly addresses build volumes, so I guess the eyes all think Shared Ownership needs a change/shift first, and the build volumes will follow, via further Gov and private investment.

As part of the enquiry linked above, you can submit your feedback. I think its important they have input from those directly involved in the sector.

***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.*

## Protected Area Leases – the effect on lending…..

**What is a Protected Area Lease?**

A Protected Area Lease is a regulation to ensure that affordable housing, normally specifically within a rural area, remains in the ownership of local people. The shared ownership lease will contain either of these restrictions:

- To cap staircasing at no more than 80%
- Or where the leaseholder is permitted to own up to 100%, then there is an obligation on the landlord to repurchase the property when the leaseholder wishes to sell

**Why would a Protected Area Lease be in place?**

A Protected Area Lease is in place in order to ensure that affordable housing is retained in areas where it would be difficult to replace.

**Staircasing Restriction vs Buy Back Clause – lender view point**

When placing a mortgage, a staircasing restriction is far more problematic than a buy back clause. With a staircasing restriction, if the lender cannot staircase to 100% in the event of repossession then only 3 lenders can consider. If they can staircase to 100%, then this would open up another 3 lenders.

Currently we have 29 lenders available on shared ownership, which means nearly 80% of lenders would not consider a staircasing restriction. The limited lenders can cause a problem with exposure limits with the lenders remaining- as many will have a maximum of 20-25% of lending on the development. Some could be lower than this. In our past experience, often to make a site work there is almost a need for some cash buyers.

However, the buy back clause is much easier to place, with very few issues with lenders. All the main lenders will accept. The lenders to worry about are the smaller building societies, and may need some intervention from the mortgage advisor. It is always important to let the advisor know of any possible clauses, just so these can be checked.

**Does a staircasing restriction mean a higher interest rate?**

As per above, because so many lenders won't lend on a staircasing restriction it could mean that the buyer is not always getting the most preferable rate compared to a property without the restrictions. That being said there are still high street lenders that will lend on these properties.

**Why won't lenders lend on staircasing restrictions?**

Ultimately lenders are concerned about the resaleability of the property, and the potential additional legal complications (in their eyes). If you do have a Protected Area Lease, my advice would always be to disclose this to the panel broker so they can ensure that they are placing with the correct lender, and tackle any issues early on.

Otherwise, you could risk worst case scenario of a sales falling through at completion when the solicitors advise the lenders, causing a huge amount of upset.

Rated Excellent
Trustpilot

METRO FINANCE

# Thank you

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

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