

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 17

Inquiry into barriers to home building in Wales

Response from : Council of Mortgage Lenders

### **Introduction**

1. The CML is the representative trade body for the UK residential mortgage lending industry. Our 110 members currently hold around 95% of the assets of the UK mortgage market. In addition to lending for home ownership, the CML's members also lend to support the private rental market and social housing.

2. We welcome the opportunity to provide written evidence to the Communities, Equality and Local Government Committee [inquiry on barriers to home building in Wales](#). The Committee's announcement of a short inquiry on this matter is timely as the CML and a number of our members have recently begun work to support the Welsh Government in their proposals to develop and implement a shared equity scheme for Wales, consequent upon the recent successful launch of the Help to Buy: equity loan scheme in England.

### **Demand for home ownership in Wales**

3. Our most [recent survey data](#) for Wales shows that Welsh borrowers have higher aspirations for home-ownership than Great Britain overall, with some 84% of adults in Wales wishing to be home owners in the next 10 years (compared to 79% in Great Britain). In the shorter term, 47% of adults surveyed in Wales indicated they would like to buy a home (either their first or subsequent home) in the next 2-3 years. Separately, our survey data has shown an increase in lending to Welsh first time buyers in the first quarter of this financial year, while lending to home movers and those re-mortgaging has eased.

4. Our data shows that there is considerable demand for home ownership in Wales and that this demand is being well met by new lending from our members. For this reason, we are of the view that access to mortgage finance should not be seen as a barrier to home building in Wales, and that the Committee is right to focus on other areas such as land and development costs and regulatory burdens.

### **Development costs and regulation**

5. The Committee's inquiry is focussing primarily on the issue of development costs and the extent to which they might impede the delivery of new homes in Wales. Issues here around the availability and cost of land, the constraints planning system with its associated development obligations and levies, construction costs (including building to the required regulatory/ environmental and sustainability standards) will more appropriately be dealt with by those responding on behalf of house builders. We have not, therefore, covered these issues in this submission.

### **Supporting supply through access to development and mortgage finance**

6. Rather than focus on barriers, we prefer to take this opportunity to highlight initiatives and measures to stimulate supply through access to well-priced development finance and affordable mortgage products.

7. In terms of the mortgage market generally, our recent [market commentary](#) indicates that funding conditions, helped by the funding for lending scheme, continue to look favourable. The prevailing conditions are supporting more competitive mortgage pricing and availability and a gradual resumption of lenders' risk appetite. Funding costs have fallen significantly since FLS was announced, and this has had a beneficial impact for mortgage rates. Our market commentary highlights the improving LTV profile of lending over the past year. A pick-up in lenders' risk appetite has seen wider competition for low deposit mortgages. As a result, we have seen a discernible, if modest, improvement in the proportion of higher LTV loans that are actually being advanced. This applies across much of the mortgage market, mostly supported by CML members. It is most striking in the house purchase space, helped in part by specific government initiatives, including Help to Buy.

8. It should, of course, be noted that wholesale funding markets continue to be very volatile and turbulent. Here, the arrival of the new Governor of the Bank of England could herald a potential change in the Bank's approach to Quantitative Easing and monetary policy. For these reasons it is important to keep in mind that the recent changes in mortgage pricing and availability as a result of FLS could be subject to further change; in short, the situation is fluid.

9. CML members are actively participating with the Welsh Government in promoting and bringing forward access to attractively priced development finance for new affordable housing development by housing associations in Wales. Our members, including the Principality Building Society and The Housing Finance Corporation are active in providing, respectively, access to competitive commercial loans and well priced capital markets funding for new affordable and social rented housing. The Principality has recently been instrumental in supporting the Welsh Housing Partnership as well as schemes such as at Ely Bridge, while THFC have been active in facilitating the so-called Welsh Housing Bond, by providing access to the capital markets. THFC aggregates the individual funding needs of Registered Providers into market-size amounts which can be funded on a long-term basis in the capital markets or via the European Investment Bank. In addition, Affordable Housing Finance plc, a subsidiary of THFC, has recently been licenced by DCLG to offer government-guaranteed long term debt to Registered Providers, including in Wales, for new affordable housing delivery.

10. In terms of supporting affordable access to mortgage products, CML members in Wales are open for business and active in this market. Alongside the increased availability of well priced higher LTV mortgages as a result of FLS and improving funding conditions generally, the Principality offers a range of shared equity and shared ownership mortgages. Using its products, borrowers do not need a deposit for purchases in association with Registered Social Landlords, and for purchases from a builder, only a 5% deposit is needed. These products, which require either no or minimal deposit are supporting customers in accessing affordable home ownership in Wales. By helping to meet demand in this way, there is a clear stimulation of new housing supply.

11. Monmouthshire Building Society has been lending consistently throughout the economic downturn of recent years. The Society has developed a well-regarded reputation for the support it offers to local first time buyers. The Society has offered 95% mortgages since early 2011, which have significantly increased its customer's ability to afford their first home. Recently, the Society extended its 95% products to include new build houses and introduced a suite of products without product fees and early repayment charges. This is strong evidence of the support the Society is giving regionally to first time buyers and house builders.

12. More generally, CML members stand ready to support and work with the Welsh Government as it develops proposals for a new shared equity scheme, along similar lines to the Help to Buy equity loan scheme which has already been introduced in England. This work is now underway and we look forward to further constructive engagement with officials as they bring forward detailed scheme proposals. The CML is also working positively with the UK Government in the development of the Help to Buy Guarantee scheme, which is to be available nationally from early 2014. Taken together, these two strands of Help to Buy, in addition to initiatives and products already in place and available from our members locally all point to significant support for the Welsh housing market and meeting Welsh aspirations of home ownership.

13. We are clear that aspiring owners in Wales will have a comprehensive range of routes to ownership, which meet their needs. The challenge will be for developers to bring forward the new supply needed to meet that demand.

1 July, 2013