



FTB schemes are valuable business

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The government's focus on providing affordable homes is gaining greater awareness.

A number of schemes have been established to help primarily first-time buyers, provided their earnings are not over £60,000 a year.

One of the core targets for these schemes has been public sector key workers such as teachers, nurses, prison officers and some military personnel.

The schemes are also available for social housing tenants and those who have previously owned a property but cannot buy another home because of a relationship breakdown or where families are overcrowded.

One popular scheme is MyChoiceHomeBuy which enables consumers to borrow between 15%

and 50% of a property's purchase price from a housing association to buy a home on the open market in England. Interest is between 1% to 1.75% a year, which increases by the Retail Price Index plus 1% each year.

The remaining 50% to 85% is funded via a conventional mortgage from a lender. Connells has been one of the most active brokers in advising applicants on this scheme and the profile of its clients shows its wide appeal.

In February the average age of applicants was 29 and it has had a mix of single and joint applicants. The average property price was £145,101 with the average loan £86,448 and the average LTV 60%.

This shows these schemes have a broad appeal and can provide brokers with a valuable business.



Ratings agencies' methodology flawed

ALAN CLEARY
MANAGING DIRECTOR
EXACT

The furore over Moody's mass downgrade of building societies continues and the more I look into this the more I believe that the ratings agency has over-reacted.

At the very least it has not gone deep enough into the asset quality of the societies' mortgage books.

Moody's view that house prices could fall by 40% from peak to trough is extreme but not impossible so I believe the financial stress testing based on this was valid and appropriate.

The part that does not make sense is that fairly high-level assumptions have been made about the severity of losses, especially in

non-conforming and commercial loans.

Rating agencies' methodology is partly based on assumptions that loans behave in a similar way depending on product type. For example, all buy-to-let loans will

behave the same despite the different types of buy-to-let investors.

My experience is the exact opposite, having assessed nearly

£4bn of non-conforming loans in the past 12 months, the only way to accurately forecast losses is to do a loan by loan analysis using up-to-date credit information.

High-level assumptions are all right in certain circumstances but not when the resulting ratings have such a negative impact on the market as a whole.



Budget has spurred first-timers to buy

GRANT STEVENS
MANAGING DIRECTOR
LEADBAY

Remarkably, there is one group of people who seem to have been motivated by the Budget – first-time buyers.

At Leadbay, we've seen a 50% rise in the number of them looking for mortgage advice since the Budget.

Maybe this is a result of the extension of the Stamp Duty holiday on properties up to £175,000 – reportedly this makes up 60% of all residential housing and includes prime first-time buyer houses and flats – until the end of the year.

The average first-time buyer we've seen since the Budget is looking for £117,000, well under the Stamp Duty threshold.

There have long been calls for the government to scrap Stamp Duty or phase payments so they are fairer, but it's hard to see how this

is going to become a reality in an environment where debt is rising exponentially to an eye-watering 79% of gross domestic product.

The £80m extension for the government's shared equity scheme HomeBuy Direct may also be a motivation for first-time buyers although the Conservatives claim that not a single person has benefited from it to date. This point has been disputed by Labour.

Perhaps, as more suitable products become available first-time buyers have the right idea to get on the housing ladder this year with interest rates low and the Stamp Duty holiday.

We are almost certain to see significant increases in both Stamp Duty and other taxes in the future to dig us out of the mountain of government debt that has been created.



Help clients gain leasehold control

TIM JORDAN
HEAD OF RESIDENTIAL PROPERTY
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You may have heard terms such as leasehold enfranchisement and rights to acquire emanating from legal circles. But how can you help clients gain control over their leasehold properties and potentially increase their value?

Do you have clients with several flats in the same block or clients frustrated about the maintenance of their leasehold property? If so, it could be in their interest to look at purchasing the freehold or work with other residents to gain greater control of building management and protecting their property.

In the long term it could save money in service charges with reassurance that the upkeep of the property is satisfactory.

The BBC's *Watchdog* programme recently highlighted

the issue of management firms not providing a satisfactory service which can affect the value of properties.

Residential leaseholders in England and Wales have legal rights to purchase their freeholds, extend leases and address poor management of their properties. So if your clients own leasehold properties they could potentially acquire the freehold.

The Association of Leasehold Enfranchisement Practitioners ensures valuers, solicitors and others involved in leasehold enfranchisement adhere to an agreed level of conduct and service.

With clients looking to maximise the value of property now could be the time to examine their circumstances and if appropriate speak to an ALEP member.