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Moneyfacts calls on the Government and the mortgage industry to help homebuyers

On the eve of the launch of the first ever Moneyfacts mortgage report *“Tougher times in the UK residential mortgage market”*, Andrew Hagger of **Moneyfacts.co.uk** comments on the following topics:

Government intervention required to help the first time buyer

“The current stamp duty threshold set at £125,000 is totally out of line with the housing market in 2008. An increase from £120,000 to £125,000 in 2006 was nothing more than a token gesture and will have done little to help the majority of first time buyers (FTB).

Now that the majority of mortgage lenders have tightened their lending strategy post credit crunch, and 100% LTV deals have either been withdrawn or repriced to an almost prohibitive level, there is even more of a requirement for FTBs to save at least a 5% deposit towards the cost of their home.

“In light of these recent developments, Moneyfacts is calling on the Government to increase the threshold to £200,000 or as an absolute minimum that borrowers should only pay duty on the margin above £125,000. Without positive action from the Government in the budget on Wednesday, there is real danger that getting on to the property ladder will be nothing more than a dream for the vast majority of would be homeowners.

Minimise uncertainty levels surrounding longer term fixed rate borrowing

“With the Government looking to promote longer term mortgage deals in the UK, lender innovation could help improve the appeal and subsequent take up rates of such loans. Whilst interest rate uncertainty is a risk that a borrower opting for the long term will have to accept, there are life events that may cause the borrower to redeem their mortgage early and have to pay a considerable redemption penalty.

“Whilst it is possible to insure against illness and unemployment, there is still the potential issue of marriage break up which could result in a change of mortgage requirements. If a clause was introduced to cover uninsurable life events such as marriage breakdown whereby the borrower could switch to a more suitable mortgage (with the same lender) without being subject to an expensive redemption penalty, such innovation would perhaps make longer term deals more appealing.

Improve KFI content by including more relevant product comparison data

“The current Key Facts Illustration (KFI) highlights the total cost of a mortgage over the **full term** of the advance. Whilst this information allows a consumer to compare products from different lenders, Moneyfacts is calling for additional information in the form of the true cost of the introductory deal to be highlighted. This calculation is more in line with consumer behaviour. Very few people will remain on their mortgage deal, once the introductory rate expires. Most borrowers will move to a new product rather than paying their lenders standard variable rate for the remaining period of their loan.

Standardise adverse categories in the sub prime mortgage market

“A long standing area of confusion within the UK sub prime arena surrounds the lack of industry-wide definitions on levels of adversity. It is impossible to categorise the sub prime sector solely by considering an individual lender’s interpretation or definition of light through to extra heavy. What is perceived as medium by one lender may be light for another lender that aims their products at a riskier

section of the market. Following detailed analysis of the sub prime sector, Moneyfacts has established clearly defined parameters for each category of sub prime adversity.

“Since County Court Judgements (CCJs) are the main reason that the majority of consumers initially resort to a sub prime lender, these form the basis of our benchmarking for these categories. Other adverse measures such as arrears, bankruptcy or individual voluntary arrangements (IVAs) are considered by lenders in line with the severity of a consumer’s overall credit position on a case-by-case basis.

“Moneyfacts has established a link as evidenced by lenders’ current sub prime products, between the numbers of CCJs and the maximum value of these judgments, to arrive at the following categories:

Light sub prime:	2 CCJs, maximum £3K
Medium sub prime:	3 CCJs, maximum £5K
Heavy sub prime:	4 CCJs, maximum £10K
Extra heavy sub prime:	Unlimited CCJs, over £10K

“Going forward, industry-wide definitions of levels of adversity will help consumer understanding and facilitate easier product comparison.”

Details of the report can be found at <http://www.moneyfactsgroup.co.uk/reports/> and will be updated after the launch event tomorrow and will include the ability to purchase a copy online.

ENDS

Note to Editors:

About Moneyfacts.co.uk

Moneyfacts.co.uk is the UK's leading **independent** provider of personal finance information. For the last 20 years, Moneyfacts' information has been the key driver behind many personal finance decisions, from the Treasury to the high street.

Our increasingly popular consumer website www.moneyfacts.co.uk **helps customers make better financial decisions** and gives them the ability to check the latest best buy products and to search the **whole market** for products that suit their individual circumstances.

Moneyfacts.co.uk also supplies best buy charts to many of the UK national and regional newspapers, with a total weekly readership in excess of 22,000,000. Moneyfacts.co.uk also provides the personal finance data that powers many UK online comparison websites.

Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at www.moneyfactsgroup.co.uk.

Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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