

CITY HOUSING SUMMIT

23rd OCTOBER 2008

Difficulty in obtaining a mortgage

- Key difficulty is the inability of potential purchasers to obtain a mortgage.
- This is particularly the case for people trying to buy apartments, or purchase a home through Shared Ownership.
- There is a lack of confidence among lenders
- The amount of money required as a deposit by many lenders has increased significantly over recent months.
- Even if people can get a mortgage for Shared Ownership, the lenders will still require a deposit from the purchaser.

Going Forward: From the lenders' point of view, it is much more secure to lend to somebody with an equity stake of their own in the property, even if it is a Shared Ownership home. Therefore, in the future lenders will be looking more stringently for mortgage applicants to have savings or another way to fund a significant deposit, and a history of responsible financial behaviour. Any assistance provided to potential homeowners must include an element of them raising some of their own deposit to purchase property.

Unpopularity of Shared Ownership

- RSLs find it difficult to promote Shared Ownership.
- The concept is stigmatised
- The products are not well-marketed
- There are too many different products available; this makes it difficult to publicise Shared Ownership, and puts people off because the multitude of products is too confusing.

Going Forward: Standardisation of packages would make lenders more likely to get involved and lend mortgages to people getting into Shared Ownership. It would also enable better publicity, and reduce the numbers of people being put off due to sheer confusion.

Products should also be targeted at specific audiences, e.g. young professionals, keyworkers

Current Difficulties for Housing Associations

- Due to the continued fall in house prices, housing associations property portfolios values have also fallen, which has an impact on their ability to raise further finance for new developments.
- Shared ownership properties marketed by the Housing Associations are not being purchased due to the financial difficulties in the housing market.
- The lack of new housing developments proceeding has a direct impact on the numbers of affordable housing gained through Planning Powers (Section 106)

Going Forward: RSLs need to be able to convert their empty Shared Ownership stock into alternative tenure types to make use of the property and realise their potential. Local RSL's and the Council need to work with the Housing Corporation to put together financial packages to shift existing RSL sale properties and to obtain further affordable housing units.

Current Difficulties for Developers

- Standing stock that they simply cannot shift, even after cutting prices
- Unable to complete/ start developments

Going Forward: The Housing Corporation could provide funding to developers to convert unsold suitable private sector stock to Affordable Housing.

Planning Guidance and Growth Targets

- Planning regulations are problematic. On new developments, the government requires 33 units per acre to be built, meaning that the only things that can be built are apartments, but there is insufficient demand for these, and many people cannot obtain a mortgage for them anyway.
- Targets for growth in Coventry of 32,500 new homes are also in danger of feeding the already- saturated apartments market.

What is the Council doing?

- Working closely with Housing Associations and the Housing Corporation to take advantage of extra funding brought forward for affordable housing.
- Working with developers, Housing Associations and the Housing Corporation to secure funding for Housing Associations to purchase unsold new build private stock.
- Awaiting details of the government's mortgage rescue plan with a view to implementing it as soon as possible.
- Working with Housing Associations to convert unsold and empty shared ownership properties to either intermediate rent, social rent or Rent-to-Homebuy.