

What effect will relaunching zero-deposit mortgages have on the housing market?

We reached out to property professionals via PR platform News Page to gauge the industry's reaction to the reintroduction of 100% mortgage products - will we see a surge of activity like during the stamp duty holiday, or thousands plunged into negative equity as house prices cool further?

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Last week, Skipton Building Society launched a new zero-deposit mortgage aimed at helping first-time buyers and renters get on the property ladder, effectively eradicating the biggest barrier to homeownership - the deposit.

While this may be welcome news for those stuck in generation rent, there are concerns that reintroducing 100% mortgages could result in another financial crash, particularly given the current fragile state of the economy.

Here's how property professionals over on PR platform, News Page responded when asked how a return of 100% products would impact today's market.

Bravo Skipton

Riz Malik, Director at R3 Mortgages:

"Credit should be given to Skipton for introducing an innovative mortgage product. However, the reality is that, due to its criteria, it may not provide sufficient lending for individuals to purchase properties in their desired locations.

"This move, though, is likely to prompt other lenders to reevaluate their offerings, as Skipton has captured significant attention. Consequently, we may see an expansion of options for borrowers.

"Nevertheless, it seems unlikely that this development will have a comparable impact on the UK property market as the stamp duty holiday did. One of those would be very welcome at the moment."

Rhys Schoheld, Managing Director at Peak Mortgages and Protection:

"It's a real statement of confidence in the long-term health from Skipton to offer a 100% mortgage. To all the doom mongering broken records saying this will cause a crash I'd point out that it wasn't 100% mortgages that caused the financial crash, it was sub-prime, NINJA mortgages which is very different to helping long-term renters with a clear and proven track record of managing similar household outgoings each month.

"I say bravo to Skipton for recognising that we have a generation of people who clearly can support a mortgage but simply can't save a deposit if all their money is going on rent each month."

Christian Duncan, Managing Director at Manchester Mortgage Centre:

"I strongly believe that 100% mortgages are a fantastic idea and a great tool to make homeownership for individuals who find themselves stuck in rented accommodation.

"Let's not forget it wasn't 100% mortgage that led to the last financial crash.

"Well done to Skipton BS for identifying a gap in the market and filling it. I believe the criteria for this product are sufficient to ensure it is only awarded to individuals who have a proven track record of being reliable payers.

"In terms of risk to a lender, I don't feel the product has been released at the right time given that the UK housing market is currently in the process of contracting. 100% mortgages aren't for the faint-hearted. Any adviser recommending them to clients should be making their clients aware of what could happen and the position they could find themselves in should the property value decrease."

Rob Gill, Managing Director at Altura Mortgage Finance:

"While the number of borrowers taking a 100% mortgage is likely to be too small to affect property prices, as a statement of confidence it is a clear boost, as well as providing some positive press to stoke interest amongst marginalised First Time Buyers."

Limited impact?

Justin Moy, Managing Director at EHF Mortgages:

"I would say the biggest barrier to homeownership is actually affordability, rather than deposit availability. Most enquiries from First Time Buyers have already been to the family for deposit help, they just need to be able to afford the mortgage, and most are now suffering with the lender affordability calculations, which are giving much lower figures than 9 months ago.

"100% Mortgages are great in concept but they will have a limited success rate, whether it's the new Skipton product or the other Family Assist products currently available. But it is a start and it's a positive move that Skipton should be applauded for."

Gary Bush, Financial Adviser at MortgageShop.com:

"The return of some form of 100% mortgage for traditional purchases will see quite a lot of interest but how many cases will end up with a 0% deposit mortgage remains to be seen. It's clear that Skipton won't be throwing their Building Society to the wall at the promise of hundreds of thousands of mortgage applicants, the market is busy enough as it is and we'd expect to see a measured underwriting regime from this longstanding lender.

"I can't personally see any major changes to the property market with this new entrant, it will just fill a much-needed gap in the market for renters. We would expect to see another 100% lender come to market and maybe one that doesn't have the rental history as a condition to fill the void of the "living with parents" applicants that are out there.

"As far as negative equity is concerned UK lenders are too long in the tooth to fall into this trap and would only accept properties with an excellent condition and outlook onto a 100% scheme."

Scott Taylor-Barr, Financial Adviser at Carl Summers Financial Services:

"The impact of Skipton Building Society reintroducing 100% mortgages, on the UK housing market overall, will be negligible.

"However, if it is the catalyst for other lenders to follow suit then it could see greater competition for property and drive up prices, that's simple supply and demand. A 100% mortgage does carry with it a risk, if house prices fall, of negative equity, but that same risk exists with a 95% mortgage, as any fall in house prices of note would be greater than 5%, and they are widely available.

"The 100% mortgage is a solution to a problem that has been allowed to develop, due to the chronic shortage of new homes being built in the UK, this sort of mortgage innovation is great, but the only real long-term solution is to build more homes."

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Graham Cox, Founder at SelfEmployedMortgageHub.com:

"I'm not sure the Skipton 100% mortgage product will necessarily be a game changer, simply because the mortgage payment can't exceed the level of the borrower's previous rent payment. That will act as a natural handbrake to prevent excessive lending.

"Nevertheless, I still think it's a very risky product when house prices are falling. The unwary, or just plain unlucky, could be stuck in the nightmare scenario of negative equity, where they cannot afford the mortgage but can't afford to sell either."

Ross Boyd, CEO at Dashly.com:

"We'll see particular interest in 100% mortgages from first-time buyers looking to get themselves onto the property market. Demand may be high, particularly in the current climate, so lenders offering these will be able to cherry-pick the best applicants.

"They will be looking for professionals, those in stable employment, and will enforce strict affordability limits. But we must also bear in mind that lenders will be asking why a deposit hasn't been saved and this may influence lending decisions."

"These mortgages allow those who wouldn't normally be able to borrow to get a foot on the property ladder. This will also invariably kick-start the market which is key. But there are disadvantages too – lenders need to consider the potential for negative equity which is a problem if the homeowner wants to sell. We may also find that borrowing rates will be set at a premium and apply to longer fixed terms only."

Adam Smith, Founder at Alfa Mortgages:

"The potential consequences of reintroducing 100% mortgages cannot be ignored. Without careful assessment of borrower creditworthiness and mortgage affordability, the situation could quickly become similar to the one that led to the previous financial crisis.

"Nevertheless, some lenders like Skipton have established strict criteria on their 100% Track Record Mortgage such as maintaining rental payments for 12 months prior to application and avoiding mortgage repayments that exceed said rental payments. These measures serve as effective risk mitigation strategies.

"Moreover, it's important to note that the regulatory framework around lending and affordability checks has undergone significant changes since the financial crisis. The new rules are more stringent and should help prevent another crisis from occurring, though complete elimination of the risk is not guaranteed."

Austyn Johnson, Founder at Mortgages For Actors:

"I'm hoping that it gets used responsibly. This should be for FTBs who cannot save due to being stuck in a high-rent property. I also hope that there isn't some sort of negative equity event in the next few months.

"No one wants to pay more for a mortgage than the house is worth. This would effectively be creating mortgage prisoners. If it gets used properly, this could boost FTBs getting on the ladder. Note - Please encourage overpaying if you are planning on recommending this."

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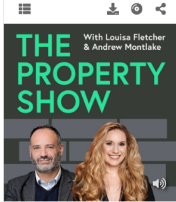
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