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Hunt drops 99 per cent mortgage idea just days before Budget – reports

by: Shekina Tuahene

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Chancellor Jeremy Hunt has reportedly scrapped the idea of a 99 per cent mortgage scheme after lenders raised concerns.

First reported in *The Telegraph*, it has been suggested that lenders warned the Treasury this would lead to a rise in defaults.

Speculation of a 99 per cent mortgage for first-time buyers has been circulating since January, when it was rumoured that Hunt would introduce the scheme at the Spring Budget

on 6 March.

This would require buyers to put down a one per cent deposit and have the 99 per cent mortgage loan guaranteed by the government.

The chancellor was said to be drawing up plans for the scheme as recently as last week.

Opinion of the scheme was split, with some industry professionals saying it would help first-time buyers who struggled to raise a deposit. Others said the boost in property demand would lead to an increase in house prices, and there were also worries that buyers would be at risk of falling into negative equity.

99 per cent mortgage scheme 'never would have ended well'

Reacting to the news, some industry professionals expressed relief at the scheme being reportedly shelved.

Richard Jennings, founder and managing director at Richard Jennings Mortgage Services, said: "Thankfully, the lenders and banks have persuaded the government to bench this idea. 99 per cent mortgages were never the answer, more a vote winner from a younger demographic.

"This is what happens when government policies are designed to win votes rather than genuinely support the people of this country. A potential 2008 has thankfully been diverted. It's now time to stop coming up with vote-grabbing schemes and actually deliver on the one thing we really need – namely, to build some more houses, and at pace.

Emma Jones, managing director at Whenthebanksaysno.co.uk, said: "This scheme would never have ended well, with the risk of negative equity the major downside. We need something better from the government that offers solid and well-thought-through support for those looking to get onto the property ladder, not a scheme that has the potential to hit homeowners hard a few years down the line."

Ying Tan, CEO at Habito, added: "The 99 per cent mortgage was only ever a headline-maker, and not fit for purpose. I am glad it has been stopped before it started. Homebuyers need and deserve a better-thought-out scheme that is sustainable, affordable and lasts the distance.

"Back to the drawing board Chancellor, but do keep engaging with the mortgage industry."

Not the right solution

It was suggested that the scheme may have worked under different circumstances.

Arjan Verbeek, CEO of Perenna, said: "A 99 per cent mortgage guarantee scheme for short-term fixed rate mortgages is wrong. However, unless we are all happy with the way the current market works against young people, a scheme like this for long-term fixed rate mortgages (LTFRMs) is absolutely the right thing to do.

"First-time buyers are struggling to get onto the housing ladder, in part because current mortgage products from mainstream lenders fail to meet the needs of these buyers. If we are serious about fostering a solution and inclusion, the industry must engage and collaborate with innovators who are ready to introduce the necessary products, rather than solely relying on established lenders. It's time to rethink our approach and support mechanisms like LTFRMs that can provide stability and affordability to new homeowners."

Others said the scrapping of the idea might upset first-time buyers, but it was better to consider workable alternatives.

Peter Stamford, mortgage expert at The Mortgage Uni, said: "Whilst this will be disappointing news for a large number of potential first-time buyers, it is clearly the best outcome for the stability of the housing market in general.

"This idea would have likely seen an artificially inflated housing bubble, which, when it burst, could have trapped a lot of first-time buyers in negative equity."

Matthew Jackson, director at Mint FS, said most brokers would agree that the housing market needed invigorating, but the 99 per cent mortgage was "impracticable and unworkable".

"Brokers across the country will breathe a sigh of relief this morning as they will not have to deal with prospective buyers who expect to buy a home with little-to-no income and who would be at risk of negative equity," he added.

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Harps Garcha, director at Brooklyns Financial, said policymakers should “focus on wider and longer-term solutions that tackle underlying issues like housing affordability and supply shortages.”

Gary Bush, financial adviser at MortgageShop.com, said product availability was not the problem and the government should pay attention to other existing options.

Bush said: “We are growing tired of responding that the housing minister needs to look again at the shared ownership scheme and bring the lease terms offered by the housing associations up to date and remove the draconian lending restrictions – to revitalise the property building agenda.”

Some of the views were gathered from [Newspage](#).

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Shekina Tuahene

Shekina is the commercial editor at Mortgage Solutions, YourMoney.com's sister title in the B2B industry. She has over four years' experience in the B2B publishing market, with previous industries including the accounting, pet, funeral, hospitality, retail and jewellery trades. She currently reports on current events in the mortgage market and liaises with financial clients to produce sponsored content. Follow her on Twitter at @ShekinaMS

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