

## Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

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"The costs of renting put such a strain on people's finances that home ownership starts to seem like an impossible dream. The negative consequences of this can be combated if more lenders work with savings providers and government initiatives to help renters take proactive steps towards saving for their first home."

-Jessica Morley, Financial Services Analyst

### This report looks at the following areas:

- Regulation confusion is damaging to consumer sentiment
- Tighter restrictions disproportionately affect self-employed and single consumers
- Rent to Buy could help those struggling to afford the urban lifestyle

The mortgage market went through yet another year of upheaval in 2014. The Mortgage Market Review (MMR) represented the greatest regulatory change for more than a decade, meaning that lenders have had to devote a large share of their resources to coming to terms with the new environment. With more regulation on the way in the form of the European Mortgage Credit Directive, the FCA's review of the MMR and a focus on interest-only mortgages, there is a growing concern that the market is becoming overly regulated and that this is having unwelcome consequences. In particular there are early indications that the pool of potential new business is becoming increasingly concentrated as specific groups, such as younger and older consumers, self-employed and single individuals and those on lower incomes, are locked out of the market due to affordability concerns.

These are all challenges that the market is more than capable of meeting head on as lenders become more confident and comfortable within their new operating environment and begin to think more innovatively about lending criteria, fees and product design. The strong growth over the past couple of years has taken gross lending over the £200 billion mark for the first time since the financial crisis, highlighting just how capable the market is of recovering from adversity.

This report examines the residential mortgage market, analysing some of the key developments in this sector, including wider economic trends and regulatory challenges. This report also provides a snapshot of mortgage lending levels, including a market forecast which shows expected growth in gross lending over the next five years. Mintel's exclusive consumer research concludes the report, looking at product ownership, appetite for mortgages over the next 12 months, awareness of regulatory changes, attitudes towards and costs of home ownership and mortgages for both renters and mortgage owners, and general consumer attitudes towards mortgages.

### Market Definitions

#### The main sectors within the secured lending market are:

- Mortgage – a loan for house purchase secured against the property. This category includes lending to first-time buyers, borrowers transferring their existing mortgage to another property and lending for buy-to-let purposes.
- Re-mortgage – this is where a mortgage borrower redeems his/her existing mortgage with their current lender and takes out a new mortgage on the same property with a different lender.

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This report is part of a series of reports, produced to provide you with a more holistic view of this market

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- Further advance – a form of additional borrowing offered by lenders to their existing mortgage customers for the purposes of home improvements or to buy a car etc. By taking out a further advance, a borrower is increasing their overall mortgage debt with the lender.
- Repayment mortgage – this is where the borrower pays off both the amount borrowed (ie capital) and the interest charged each month.
- Interest-only mortgage – this is where the borrower pays off the interest charged on the loan, but not the capital. Consequently the borrower will still need to pay off the original loan at the end of the term, for example by using an investment scheme.
- Fixed-rate – the interest payments are fixed for a set period of time, after which the borrower will be moved on to another rate, such as the lender's standard variable rate.
- Standard variable Rate (SVR) – the interest varies with the lender's mortgage rate.
- Tracker rate – the interest rate moves up or down by tracking an external rate, such as the Bank of England base rate or LIBOR.
- Discounted rate – the interest rate varies with the lender's standard variable rate, but the rate is also discounted for a set period of time.

### Types of mortgage based on method of repayment:

- European and Latin American innovations, for example, often highlight juice content, water source, and high quality ingredients, such as organic production.
- These claims provide new ways for CSD brands to communicate their benefits in China as they are currently seldom used in the country, and Chinese consumers have shown that they are willing to pay more for such attributes.

### Types of mortgage based on interest rate:

- Fixed-rate – the interest payments are fixed for a set period of time, after which the borrower will be moved on to another rate, such as the lender's standard variable rate.
- Standard variable Rate (SVR) – the interest varies with the lender's mortgage rate.
- Tracker rate – the interest rate moves up or down by tracking an external rate, such as the Bank of England base rate or LIBOR.
- Discounted rate – the interest rate varies with the lender's standard variable rate, but the rate is also discounted for a set period of time.

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