Policy Forum discussion: Mortgage market and regulatory reforms

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Mortgage Developments

McAllan: said she is considering introducing schemes to help first time buyers

Reeves: permanent Mortgage Guarantee Scheme will secure the availability of high loan-to-value mortgage

UK Parliament: consider first-time and lower income buyer challenges to getting and staying on the housing ladder

FCA: consider where changes may be needed to support sustainable home ownership and economic growth

HFS Consultation

Member survey over August:

- 10 member responses, including PLCs and SMEs

Responses will:

- be submitted to Housing, Communities and Local Government Committee Affordability of Home Ownership Inquiry, due 29 August
- form the basis of HFS input to Mairi McAllan's consideration of introducing schemes to help first time buyers, the HFS manifesto and pre-election activity
- Relied upon, together with discussions today, to respond to the FCA's Mortgage Market Review

Q1: Main Barriers First Time Buyers Face

First-time buyers on lower incomes face a triple challenge: saving for deposits, meeting strict mortgage affordability tests, and navigating a shortage of affordable homes.

- **Deposits** – Mentioned in 90%+ of responses, making it the single most consistent barrier across the survey.
- **Affordability checks & borrowing constraints** – Cited in around two-thirds of responses, covering loan-to-income, loan-to-value, and high interest rates.
- **Housing supply & policy gaps** – Raised in roughly half of responses, pointing to systemic issues in planning, construction costs, and inconsistent government support schemes.

Q2: What policy options are available?

Respondents call for a mix of revived buyer support schemes, tax relief, and planning reforms to reduce upfront costs and increase access to mortgages..

- **Reintroduce and expand buyer support schemes –** strong appetite for Help to Buy, First Home Fund, shared equity schemes, and mortgage guarantees (especially for higher LTV products).
- **Reduce upfront costs & improve affordability –** suggestions include LBTT/stamp duty relief or threshold increases, council tax discounts, solicitor fee support, VAT relief, and greater borrowing flexibility (e.g. joint borrower schemes, higher income multiples).
- **Boost supply of affordable homes –** reform planning laws, release public land for development, and curb regulatory costs that drive up new-build prices.

Q3: what level should shared equity schemes be set at?

Most respondents see shared equity support of around 15–25% as necessary, with flexibility to adjust for local markets and affordability.

- **Optimal support range** – the majority suggest a minimum of 10–15%, with 15–25% seen as the realistic/ideal level to make mortgages affordable and competitive.
- **Flexibility & targeting** – support levels should vary by housing market area (HMA), property type, and buyer income, with mechanisms for staircasing and means-testing.
- Scottish Help to Buy model (15% equity contribution) is widely referenced as effective in reducing LTVs and unlocking competitive mortgage rates.

Q4: Will a permanent mortgage guarantee scheme and more high loan-to-value mortgage products improve affordability ?

- **Clear support (Yes)** – Expressed in ~80–85% of responses
- **Conditional support (Yes, but…)** – around 40% of responses stressed the need for safeguards (e.g. competitiveness, regional price caps, affordability tests).
- **Critical/alternative view** – a small minority (<10%) argued focus should instead be on reducing property prices rather than expanding borrowing.

….and on special ISAs and mortgage products?

- They play a role but are not transformative, with limited uptake and impact due to complexity, lack of awareness, rigid rules (e.g. LISA withdrawal penalties), limited interest returns, and higher borrowing costs for high LTV products.

Q5: Are LBTT reliefs sufficient to support first-time buyers?

No. They are insufficient, thresholds are outdated, the savings minimal, and the tax a significant barrier in higher-value markets.

~90% of responses explicitly state **current reliefs are insufficient.**

~40% of responses, said the thresholds, particularly in high-cost areas, are insufficient.

~30% of responses, called for **broader tax reform beyond LBTT alone**

Q6: What can the Government do to support first-time buyers

Direct financial support

grants or rebates to cover legal/conveyancing costs, land registry/search fees, or VAT on professional services.

Tax-based support

raising LBTT thresholds or reducing/removing LBTT for FTBs, seen as the most significant upfront saving.

Practical delivery mechanisms

approved low-cost conveyancer panels, packaging support into a broader FTB scheme, or allowing fees to be rolled into mortgages.

Q7: Do routes to affordable home ownership such as Shared Ownership, provide genuinely affordable routes to owning homes?

- **Limited or negative views** – expressed in ~60% of responses, often citing lack of availability or doubts over true affordability.
- **Positive but qualified views** – around 30% of responses said schemes can work but require improvements in design, awareness, or support.
- **Expansion proposals** – ~20% of responses, including introducing Shared Ownership in Scotland or reviving earlier successful schemes.

Q8: What other changes are needed?

Broader, system-level changes—faster planning, stable/lighter regulations, and targeted tax/financial support—are seen as key to helping first-time buyers, alongside action to cut energy costs.

Planning & supply acceleration

Fast-track schemes that meet FTB needs; require councils to prioritise FTB homes and local plans; increase land supply; deliver more, smaller/lower-cost homes

Regulatory & cost relief

Stabilise building regs; reduce compliance burdens that raise build prices; tackle high electricity costs through energy-market reforms.

Targeted financial/ tax support

Enhance ISAs and deposit tax relief (pension-style); increase LBTT relief; consider mortgage interest tax relief for FTBs; “Help to Buy 2”; allow 35-year terms and explore youth tax breaks

Forum discussion:
What the HFS response to the FCA's Mortgage Market Review DP25/2 should say, and which questions should it pay specific attention to?

Forum discussion:

The new Cabinet Secretary for Housing has indicated she is considering introducing schemes to help first time buyers.

What should any scheme look like, with specific consideration to its value and limitations of any scheme?

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