

# Report of the Shared Equity Task Force

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December 2006





HM TREASURY



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## FOREWORD

Supporting the aspirations of households to own their own home, and build up a stake in their community is a fundamental goal of this Government. And, thanks to our macroeconomic framework and greater investment, we have seen the number of homeowners rise by 1.8 million since 1997 — supported by low and stable inflation and interest rates. But rising house prices, caused by the supply of new homes failing to keep pace with demand, has made it harder for many working families to get a foot on the housing ladder and benefit from the choices, opportunities and wealth that owner occupiers enjoy.

With up to half of first time buyers under 30 now estimated to be receiving help with their deposit from their parents, and the average deposit for first time buyers in London hitting £47,000, the case for Government action is clear. We must support affordable housing or see inequality and disadvantage grow; work together to innovate and expand low cost home ownership assistance, or accept that the life chances of children will increasingly depend on their parents' wealth.

Looking forward, Government has made a commitment to increase the supply of new homes in England to at least 200,000 per annum by 2016. But in the meantime, we need to help people get a step on the ladder and bring home ownership within the reach of those on modest incomes.

HomeBuy, the Government's low cost home ownership programme launched last April will help many who could not afford to buy on the open market at present, freeing up demand for social lets and aiding the recruitment and retention of key public sector workers. And, the availability of shares as low as 25 per cent means it can act as a stepping-stone to full ownership.

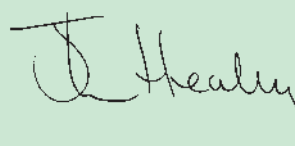
However, the Government is aware that it cannot meet demand for home ownership on its own. For these reasons, we set up the Shared Equity Task Force to explore the opportunities to build on innovative private financing to help more people into partial ownership on a shared equity basis.

This document sets out the steps we have taken to tackle a number of institutional, informational and regulatory barriers to the private provision of shared equity products. As a consequence, we expect the market's provision of shared equity products to expand, and with it, opportunities to lever in additional private finance in support of the Government's housing priorities.

Together with measures to improve efficiency in the delivery of our public programmes, we now believe that more than 160,000 households will be helped to get a foot on the housing ladder using shared equity products by the end of 2010, doubling our original expectations.



**Yvette Cooper**  
Housing Minister



**John Healey**  
Financial Secretary



# EXECUTIVE SUMMARY

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**E.1** At Budget 2006, the Chancellor announced the establishment of the Shared Equity Task Force to look at ways to increase the number of households able to access home ownership through Shared Equity products and to examine the case for Government intervention in this market. This document sets out the Task Force's conclusions: the steps Government will take both to remove barriers and stimulate the development of market products, and to enhance the efficiency of its public programmes.

**E.2** As a result of the greater macroeconomic stability and rising prosperity delivered by this Government more than 1.8 million households have been able to become homeowners since 1997, and this Government has pledged to raise that number further still. The Government wants to extend the opportunity to own a home to many more households, particularly those on lower incomes.

## Benefits of homeownership

**E.3** Many of the benefits of homeownership are common to other forms of asset ownership, such as its potential as collateral to secure a loan, and prospects of appreciating in value over time. Yet some are particularly or uniquely associated with homeownership, as are some of the risks.

**E.4** In the UK, the value of housing assets were worth £2.4 trillion net of mortgage debt, greater than pension funds and other financial assets. In buying a home, households are increasing their net wealth by paying off a mortgage while also enjoying effectively rent-free accommodation.

**E.5** Homeownership also provides security. While changes to interest rates can affect homeowners mortgage payments in the short term, in the long run they can expect a fall in the proportion of income they spend on housing costs as inflation erodes the value of the mortgage, and the mortgage is eventually paid off. Additionally, homeowners can 'lock-in' and insure against potentially large variations in house prices and get a foot on the housing ladder. Finally, homeownership also provides a security of tenure which can be very important to some households, such as families with children settled in a local school.

**E.6** Government's macroeconomic reforms have reduced the risks for homeowners considerably. Over the last decade, the level of unemployment and volatility of disposable income both declined to historically low levels, making homeowners more secure in their livelihood and hence their housing decision. Actual inflation and inflationary expectations have been low, meaning that nominal interest rates and volatility have declined, making mortgage payments more predictable. And households can mitigate many of these risks further still if they choose to — through insurance, fixed-rate mortgages, service contracts, etc.

## Tenure choices

**E.7** There will be some households for whom homeownership would not be a sustainable tenure, or at least not without some assistance. And there will also be many households whose lifestyles and future plans and career expectations mean that being tied to a property through homeownership would not be appropriate for them at that time. So there will always be a need

for a rented sector that can offer households quality accommodation for the short or long-term if they want it. This is why Government wants to both support those households that can sensibly take on the risks and rewards of homeownership, and ensure that alternative tenures offer a quality housing solution for those that do not.

**E.8** The Government has therefore been working to improve opportunity in all tenures, raising the quality of the existing housing stock, increasing the supply of new housing, and raising standards of management in both the social and private rented markets.

**E.9** Even so, homeownership is the aspiration for the vast majority of households. Overall, the number of owner-occupiers is continuing to rise each year and currently stands at 18.4 million households.

### Improving affordability

**E.10** Demand for homeownership has risen as greater economic stability has resulted in lower levels of unemployment, household incomes growing by over 20 per cent in real terms since 1997, and inflation and interest rates at historically low and stable levels. This has driven the increase in homeownership of 1.8 million households since 1997.

**E.11** If the opportunities of home ownership are to be extended to a new generation then the Government must address the long-term challenges posed by the UK's low and unresponsive housing supply in the face of rising demands. Despite recent increases annual new housing supply in England is running behind the annual increase in household formation. This is why in response to the Barker review of housing supply the Government has committed itself to a step change in housing supply; setting a target of 200,000 net additions a year by 2016. Addressing this shortfall in supply is the most sustainable way to tackle housing affordability in the long term.

**E.12** However, in the interim affordability will remain an issue for particular groups in society. Younger households have been more affected by rising house prices than older groups because they will not have had the same opportunities to accumulate wealth. Between 1998 and 2005, while average incomes of first time buyers rose by 60 per cent, the average house price for first time buyers rose further still by 136 per cent. The Government is determined to work with market providers to expand opportunities for home ownership among these groups.

**E.13** Both the market and Government have responded to this potential demand from the 'intermediate market' by developing products that can improve households' immediate purchasing power, offering a flexible route into homeownership. These schemes often involve some form of equity sharing — where a purchaser benefits from lower mortgage payments in exchange for sharing any appreciation in the value of their home with another party (either an equity loan provider or a shared owner). By trading some future capital gains for lower upfront financing costs homeownership can become more accessible to households on lower incomes.

### Market opportunities

**E.14** In England the Government has already assisted more than 80,000 households into homeownership with shared equity products since 1997. In contrast, private sector activity has been much lower, there having been only a small, fragmented market in provision of equity loans, mainly based on bespoke deals. Yet there are some natural holders of equity loans who

would be interested in investing in this market, and individuals who might like to hedge some of the risk of homeownership. The Task Force sought to explore what issues might be hindering the joining up of these interests and the development of a larger market.

**E.15** The Task Force found that there has been a lack of understanding in some firms around how to structure and distribute house price risk so that it generates the return financial institutions expect. Related to this is the issue that, unlike for most other assets, there is no market in residential property futures and options in which investors can hedge their investments. There has also been uncertainty as to the regulatory treatment that would apply which can influence both the pricing and reputational risks lenders can face. And the low volume of private sector activity to date means firms have little data on consumer behaviours and the likely balance of risks and returns.

**E.16** The Task Force is clear that the public/private partnership to develop the expanded Open Market HomeBuy equity loan product has already tackled a number of institutional and regulatory barriers to the provision of shared equity products — as well as bringing major financial institutions into this market for the first time. The Task Force believes that the lessons learned in launching this subsidised scheme will assist other private sector organisations looking to develop their own shared equity products for the market.

**E.17** To help address some of the informational barriers the Government will also publish information gathered on the intermediate market alongside this report and will also make available: data on the type and behaviour of customers purchasing homes, as it becomes available; and the results of a qualitative study looking at the factors influencing households' decisions to take up publicly funded shared equity products in Spring 2008. Weblinks to sample legal documentation for the Government's shared equity and shared ownership products will also be provided.

**Regulation E.18** Regulation will be important to firms' consideration of the products they make available. Where there is uncertainty, or a regulatory gap, firms will be cautious about risking their established brand names. The Financial Services Authority (FSA) has worked closely with the firms involved in the Open Market HomeBuy scheme to help develop an appropriate Key Facts Illustration that consumers must receive before they purchase a mortgage. The FSA has now published a direction on their website, which sets out how the rules may be modified to accommodate the scheme. This will be a useful starting point for firms wishing to offer their own shared equity products.

**E.19** As part of the guidance on the regulation of shared equity products, the FSA has produced advice on the capital weighting treatment for the expanded Open Market HomeBuy product, a summary of which is being published by Government alongside this report.

**Taxation E.20** The Government is aware that a group of housing associations are considering the establishment of a residential UK-REIT next year, and it is possible that some of the property held by this vehicle will be in existing or new shared ownership schemes. The Government will issue guidance clarifying what types of activity fall within the tax-exempt ring-fence of a UK-REIT.

**E.21** Government will also update its guidance to charitable housing associations on the tax treatment of revenues arising from the provision of low cost home ownership products.

**E.22** More generally, the Government found no evidence that taxation was a significant barrier to development of the shared equity market, but will continue to monitor developments and gather further evidence and views from stakeholders.

**Competition and innovation** **E.23** The Government wants to encourage competition and innovation in the provision of affordable housing and strongly believes that local authorities must be prepared to work with a wide range of affordable housing providers (with or without grant). They should not seek to unjustly inhibit new and innovative provision. The priority is provision of homes that are suitable for those eligible for affordable housing, and that offer good value for money. Planning Policy Statement 3 and accompanying documents will therefore contain guidance on the delivery of affordable housing through the planning process, and the Government has (with the Law Society) published a model planning obligation agreement and guidance on drafting affordable housing provisions.

**E.24** The Government will continue supporting projects to help communities use Community Land Trusts to deliver grant-free affordable housing, and where appropriate, will support the development of pilots and ‘toolkits’.

**E.25** As shared equity becomes a more recognised means for large institutions and individuals to invest in residential property, it is anticipated that a secondary market in which equity shares can be traded will develop, and that the pricing of equity loans will become more competitive. The Task Force therefore believes that the market for equity in residential property is set to grow and that an increasing range of private shared equity products will start to appear that may meet the needs of rising numbers of households in the intermediate market. Increasingly therefore, the Government expects that the aspirations of those closest to homeownership will be met in the market, reducing the need for Government support for these groups.

### Government assistance and priorities

**E.26** The Government will therefore seek to target its assistance at those whose needs will not be met through private shared equity schemes — in the longer-term by increasing the overall supply of housing to better meet demand — and in the shorter-term by working in partnership with the private sector to expand Government-backed low cost home ownership provision, and implementing measures to improve the efficiency and effectiveness of public provision. This will enable resources to be stretched further and deeper, making it possible to help more households on lower incomes to realise their aspirations.

**Improving efficiency** **E.27** The Task Force believes there is considerable scope to assist many more households from within the existing level of resources. The Government will be setting the Housing Corporation a target in the Comprehensive Spending Review to deliver efficiency gains of at least 18 per cent over three years, for reinvestment in delivering more affordable housing. The Government will also work with the Housing Corporation and housing associations to ensure that the equity uplift from its investment in low cost home ownership schemes is fully captured and recycled to expand affordable housing provision.

**E.28** While there is still a compelling case for new build solutions (in order to ensure mixed communities in new developments, and in rural areas where re-provision may be difficult) Government believes there should not be a presumption against schemes that fund open market options. Consumers express a clear preference for the greater choice offered by open-market models and new-build solutions do not necessarily deliver better economic outcomes than open market models.

**Increasing private sector participation** **E.29** The Government will therefore continue to work with its partners to improve the features of the Open Market HomeBuy product range over the coming months, and in particular, the Government will seek to develop an option for households able to purchase around 50–70 per cent shares — extending the reach of the scheme to those on lower incomes. The Government will also launch a competition in Spring 2007 for new and existing lenders to join in a 2008–09 to 2010–11 round of this scheme. In the process we hope to stimulate the market more widely, increasing the range of lenders and, in the long term, reduce further the government’s equity share.

**E.30** English Partnerships will also explore options with investors to securitise the First Time Buyer Initiative loan book, freeing up Government resources for reinvestment.

**Ensuring sustainability** **E.31** Government believes that housing associations should follow the lead of the private financial institutions in adopting affordability criteria to assess how much borrowers can afford and sustain. This will ensure the consumer is buying as much as they can safely manage, while ensuring Government can stretch resources to help as many households as possible. The Government will work with the Housing Corporation and the housing association sector to introduce affordability assessment criteria on its schemes by 1 April 2007.

**E.32** Given the increasing focus in Government schemes on assisting households on more modest incomes into homeownership, ensuring they receive good advice is crucial. Better financial advice must be an integral feature of the HomeBuy programme as a whole. Government will work with the Housing Corporation, local authorities and housing associations to ensure a consistently high standard of advice is given to low cost home ownership purchasers.

**Priorities** **E.33** Together, Government working with the market can assist many more households to realise their homeownership aspirations. But given the potential size of the ‘intermediate’ market, and the available resources, the Government recognises that there is a need to prioritise assistance, reflecting the different social, market and/or economic benefits that arise from helping different groups into homeownership.

**E.34** In future, Government will look to target its assistance at — in order of priority:

1. Freeing up or avoiding social tenancies
2. Addressing problems in local and regional housing markets

And subject to the availability of funding, it may also be appropriate to broaden housing options for other public sector workers and households with a strong local employment connection who are unable to afford to buy a suitable home in their travel to work area. Decisions on the appropriate balance of resources between priority groups will be taken as part of the Comprehensive Spending Review.

## Next steps

**E.35** The findings and conclusions of the Task Force will be reflected in the Comprehensive Spending Review.

**E.36** Taking together the various improvements in procurement and other efficiencies, Government expects to be able to assist at a minimum, a 20 per cent increase in the number of households assisted from within the existing baseline by 2010. Including the numbers now expected to be assisted by market products and a stronger role for the private sector raises the number still further. The Government now expects over 160,000 households to have been assisted into homeownership through either private or public shared equity products by the end of 2010, double original expectations.



# THE ROLE OF HOMEOWNERSHIP

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**1.1** As a result of the greater macroeconomic stability and rising prosperity delivered by this Government more than 1.8 million households have been able to become homeowners since 1997, and this Government has pledged to raise that number further still. The Government's desire to extend the opportunity to own a home to many more households, particularly those on lower incomes, is explained by the potential benefits, to individuals, families and society at large.

**1.2** Homes are not just bricks and mortar — they are also real financial assets. In buying a home, households are effectively enjoying rent-free accommodation while increasing their net wealth by paying off a mortgage. This explains the attraction of homeownership as a mechanism for people to build up assets.

**1.3** Many of the benefits of homeownership are common to other forms of asset ownership, such as its potential as collateral to secure a loan, and prospects of appreciating in value over time. Yet some are particularly or uniquely associated with homeownership, as are some of the risks. For example, homeownership allows families to 'lock in' potentially large variations in future housing costs over the longer term. Since housing costs are usually the largest item of household spending, the ability to insure against changes in such costs is a significant benefit of ownership.

**1.4** This chapter explores the benefits to individuals and society of households acquiring assets and owning their own home, while also recognising that becoming a homeowner brings risks and responsibilities and will not necessarily be the right tenure for all households, or at all stages in individuals' lives.

## BENEFITS OF HOMEOWNERSHIP

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**1.5** The role of housing as an asset is growing in importance. Owner-occupiers hold nearly three quarters of homes in the UK, and homes now account for over 57 per cent of total household net wealth compared to just 40 per cent in 1977.<sup>1</sup> For most households, their home will be their greatest asset.

**1.6** In the UK, the value of housing assets are greater than pension funds and other financial assets. At the end of 2005, housing assets were worth around £2.4 trillion net of mortgage debt, while pension and insurance reserves totalled around £1.9 trillion, with other financial wealth totalling around £1.7 trillion.<sup>2</sup> And, as housing assets are more evenly distributed these aggregate figures understate the importance of housing wealth for the majority of households.

**1.7** Homes have a number of characteristics that distinguish them from other assets. First adequate housing is recognised as an entitlement of all citizens.<sup>3</sup> Second, houses are highly durable. They take time to build and can last for generations. Third, each house is also unique. Even flats in the same block with identical floor plans can attract different prices depending

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<sup>1</sup> ONS UK Economic Accounts

<sup>2</sup> ONS Blue Book and UK Economic Accounts

<sup>3</sup> Article 25.1 of the United Nations Declaration of Human Rights states that "everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing."

on floor level, decoration, etc. Finally, the fixed location of the home may offer different benefits in the form of its neighbours, proximity to employment and amenities as well as its geographical position.

**I.8** The popularity of homeownership is partly due to the recognition that owning your own home can provide significant economic and social benefits to households, over and above those that arise simply from owning an asset.

### Homeownership as security

**I.9** For most households housing costs are the largest single item of spending in their budget. But every household is different in terms of age, size, location and preferences, and each makes its choices based on its own circumstances, expectations and aspirations. Some may rent in either the private or social sector, but most will eventually live in a succession of owner-occupied homes. Each option carries its own set of inter-related risks that can profoundly affect households' well-being and have important economic consequences.

**Risk of rent increases** **I.10** The easiest and most flexible way for people to acquire housing services is by renting from a private landlord. The location or the amount spent on housing can be changed relatively easily as the associated transaction costs are comparatively low. This is particularly important for younger households who are more likely to move home for work or study opportunities. Renting also means that the household is not exposed to the risk of a fall in house prices, or to the risk of unexpected major repair costs. From a macroeconomic perspective the existence of a healthy and viable rental sector is essential to supporting labour mobility and therefore national productivity.

**I.11** However, renting households are exposed to the risk of housing costs increasing over time, as rents tend to rise when house prices increase.<sup>4</sup> This can be a particular concern for households whose income starts to fall as they enter retirement. While interest rates may affect owner-occupiers mortgage payments in the long run they can expect a fall in the proportion of income they spend on housing costs as inflation erodes the value of the mortgage, and the mortgage is eventually paid off. This can provide a powerful incentive for households to own their own home.<sup>5</sup>

**House price increases** **I.12** Additionally buying a home can provide 'insurance' against future house price increases. A household may have a choice of either renting a property until they are able to buy the house they aspire to, or buying a cheaper and perhaps less desirable home now and trading up in the future. If they rent, they run the risk of house prices outpacing income, keeping the home they want to purchase out of their reach. However, if the household purchased the cheaper property first it would be partially insured against that price rise, as their current home would have gained in value. This is commonly known as getting on the housing ladder.

**Security of tenure** **I.13** Finally, homeownership also provides security of tenure. By buying a home, a family gains complete control over how long they wish to stay there. This security can be very important to some households, such as families with children settled in a local school.

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<sup>4</sup> There may be a lag in house price increases feeding through into rents, and the impacts in the short term can also be influenced by temporary shortages or excess supply of available tenancies.

<sup>5</sup> *House Price Volatility and Housing Ownership Over the Life Cycle*, Banks, Blundell, Smith and Oldfield, UCL discussion paper 04/08.

## Other financial benefits

**I.14** Owning a home can also provide a return, much like other assets. In recent years rapid house price growth has meant that housing has tended to outperform other potential investments, providing a series of windfall gains to those able to realise these assets and retain the benefits of homeownership, for example by moving to a smaller property. These returns may well have played a part in encouraging some households into homeownership, but it is by no means certain that these trends will continue into the future. House prices are subject to bubbles and corrections just like other financial instruments. Historically, increases in house prices have not quite matched the returns households would have received if investing in equities, with housing delivering an average return of 5.6 per cent versus 6.4 per cent for equities.<sup>6</sup>

**I.15** In addition to the rents and capital gains that might accrue to owners, homeownership can provide other financial benefits. In particular, owning a home confers some tax advantages. A clear benefit is that capital gains on your main home are not taxed. As the gains on virtually every other asset you could hold such as shares or commodities will be taxed in one way or another, this makes investing in a home an attractive investment. Additionally owner-occupiers are receiving housing services from living in the property tax free. This is in contrast to renting, where the rental income a landlord receives (above any mortgage interest payments and other deductions) is taxed, and will influence the rent level set by the landlord.

**I.16** Assets and savings provide people with greater opportunities and independence throughout life. Starting a small business or acquiring training can be impossible without resources to fall back on – around 30 per cent of business owners report having used their home as collateral to raise finance for their business.<sup>7</sup> People with assets find it easier to obtain credit and deal with unforeseen events. And an asset can also offer financial security in retirement. The extent of these benefits will depend on the type of asset held, though it is clear that housing assets can provide each of these benefits to some degree.

**I.17** And owning a home can give households access to innovative financial products such as offset mortgages<sup>8</sup> that allow homeowners to obtain a better rate of return on their savings.

## RISKS AND OBLIGATIONS

**I.18** We have seen that homeownership can bring substantial benefits to both households and society, but these potential benefits are also accompanied by obligations and some risks.

### Relationship of income, interest rates, and house prices

**I.19** While owning a home will protect a household from rent increases, they are instead exposed to a different set of risks. For example, the majority of their wealth is in a single asset often funded by debt, and search and transaction costs can make leaving homeownership costly. The homeowner will be at risk if their income falls, interest rates rise, or if the value of their property falls.

**I.20** While these risks are important in their own right, it is the fact that they tend to either all move together in a favourable or unfavourable direction that can cause households real problems. For example, the previous three economic cycles all ended with high and rising

<sup>6</sup> For 20 year periods from 1930 to 2003, as reported in Pensions Commission, 2004

<sup>7</sup> UK Business Barometer, September 2004. Furthermore, 12 per cent report taking out a second mortgage in the past three years to raise finance for their business.

<sup>8</sup> Offset mortgages allow households to deduct their savings from the outstanding principal on which mortgage payments are charged.

inflation requiring corrective action through raising interest rates. Owners with mortgages at variable rates were thus subject to higher interest rates, greater risk of income loss due to an impending downturn, as well as lower house prices if they should be forced to sell.

**I.21** However, this Government has introduced significant macroeconomic reforms that have resulted in an unparalleled period of economic growth and stability, and market innovation now enables households to further mitigate many of these risks. The nature and scale of these and other risks are discussed below.

### Income risk

**I.22** The main source of income risk faced by households is the prospect of unemployment. Every economy faces the risk of external shocks, however, the greater economic stability delivered by the Government's macroeconomic framework, has resulted in the lowest volatility and levels of unemployment for three decades.

**I.23** Innovation in the housing market means that there are now a range of options open to households during times of difficulty. Flexible mortgages allow borrowers to make underpayments or take payment holidays and Payment Protection Insurance offers consumers cover against loss of income — with around one in four new mortgages covered by this insurance.<sup>9</sup>

### Interest rate risk

**I.24** Households with mortgages can also have an exposure to interest rate risk. Despite the rising popularity of fixed rate mortgage products, around half of outstanding mortgages are on a variable rate. If interest rates rise, then borrowers with variable rate mortgages will experience higher mortgage repayments resulting in lower disposable income.

**I.25** The volatility of interest rates, as well as the level, is also important to mortgage holders. The introduction of the new macroeconomic framework, with an operationally independent Bank of England setting monetary policy, has reduced expectations of inflation and resulted in lower volatility of interest rates. There has also been a large rise in the number of fixed rate mortgages taken out, which protects households from the risk of an interest rate rise in the short to medium term. Over 70 per cent of new mortgages taken out in the first half of this year were fixed (compared to only 30 per cent at the beginning of 2004). And 75 per cent of first time buyers opt for a fixed rate mortgage.<sup>10</sup>

### House price risk

**I.26** In recent years house prices have risen significantly, but this has not always been the case. There is always a risk that property prices could stagnate or fall. And in the worst cases households could then find themselves with negative equity – with liabilities and mortgage loans greater than the value of their home. This can be a significant risk, as the average proportion of wealth that is stored in housing is high.<sup>10</sup> As we shall see later, shared equity offers one way in which this concentration of wealth and its associated risks can be reduced.

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<sup>9</sup> Council of Mortgage Lenders

<sup>10</sup> In 2001 over 80% of households held more than 90% of their non-pension wealth in their home. Source: British Household Panel Survey and HM Treasury

**I.27** It is well known that the UK has experienced volatile house prices. House prices are subject to bubbles and corrections just like other financial instruments. At the national level, nominal declines in house prices are rare, with only a slight decline being experienced in the early 1990's. This has led some to argue that the risks of holding most of your wealth in your house are minimal<sup>11</sup>. However, homeowners are not exposed to the national housing market, they are exposed to the change in value of a single house. Even at a regional level house prices are a great deal more volatile than at a national level. For example, while annual house price inflation in the fourth quarter of 2005 was 2.2 per cent for the UK there were large regional variations with house prices in Scotland rising by 9.2 per cent while house prices in the East *declined* by 1.1 per cent.<sup>12</sup> Narrowing down still further the volatility is likely to be even greater.

**I.28** Since house prices will always be variable to some extent and the economy subject to outside shocks, ensuring households' exposures are reasonable and the risks are well managed is essential to their well-being and for maintaining macroeconomic stability. At present loan-to-value ratios are lower than those seen in the late 1980's meaning homeowners are likely to be at less risk of problems associated with falling house prices than they were during the 1980's.

## Repair and maintenance risks

**I.29** Unlike most other financial assets, housing needs regular re-investment in order to maintain the fabric of the building over time and retain its value and utility. On top of regular maintenance householders can also be exposed, to a greater or lesser extent, to more major repair requirements that may not have been foreseen and budgeted for. This potentially lumpy and unpredictable requirement for possibly significant new investment can cause particular problems for homeowners on lower incomes, although owning an asset can also provide them with a more affordable means to finance those repairs.

## ROLE OF THE RENTED SECTOR

**I.30** Many of the risks highlighted above can be mitigated by households if they choose to – through insurance, fixed-rate mortgages, service contracts, etc. Even so, there will be some households for whom homeownership would not be a sustainable tenure, or at least not without some assistance. And there will also be many households whose lifestyles and future plans and career expectations mean that being tied to a property through homeownership would not be appropriate for them. So there will always be a need for a rented sector that can offer households quality accommodation for the short or long-term if they want it. This is why the Government wants to support those households that can sensibly take on the risks and rewards of homeownership, while ensuring that alternative tenures offer a quality housing solution for those that cannot.

## Private rented sector

**I.31** The Government believes that a thriving private rented sector is vital to supporting labour mobility as well as offering choice and meeting need for households who are not able to move to homeownership, or do not wish to do so.

<sup>11</sup> *Housing Wealth: first timers to old timers*, D Maxwell and S Sodha / IPPR, 2006

<sup>12</sup> DCLG Regional House Price Statistics

**I.32** Prior to 1989 the private rented sector had been in long-term decline. Supply has since recovered with 11 per cent of households now renting privately compared to 9 per cent in 1989. Deregulation has increased the willingness of people to enter the rental business and of financial institutions to lend to individuals investing in property for the rental market.

**I.33** The Government has also taken steps to address poor standards in parts of the private rented sector, which cause problems for tenants and affect the reputation and success of the sector as a whole. The 2004 Housing Act introduced a range of measures — including an improved health and safety system, mandatory licensing of homes in multiple occupation (e.g. bed-sits), and tenancy deposit schemes.

**I.34** Together these factors are beginning to transform the private rented sector into a tenure offering a flexible, good quality alternative to home ownership. It is particularly suitable for those who are mobile and need the flexibility that renting can bring. The private rented sector is by far the most common tenure for students and the newly qualified, and over half of households in this tenure are under 35 years old.<sup>13</sup> The Government also sees the private rented sector as a potentially valuable housing resource for helping those in acute housing need, and is encouraging local authorities to help improve access to the sector.

### Social rented sector

**I.35** There are 3.8 million households in social rented housing in England, accounting for 19 per cent of all housing. The social rented sector houses higher proportions of lower income groups who cannot find suitable housing on the market.

**I.36** Poor standards in the social housing stock were a particular concern in 1997 with sustained under-investment meaning that millions of people were living in homes that could not be kept properly warm. The Government made raising the quality of existing homes a key priority. By 2010 the Government expects 3.6 million homes will have been refurbished and £40 billion spent on improvements to the social housing stock. Once the Decent Homes programme is complete, all social housing tenants should be living in warm homes with modern facilities.

**I.37** Investment in the supply of new social housing will also have increased by almost £1 billion between 1997 and 2008, delivering 30,000 new homes a year by 2007–08. The Government has also made clear that it will be setting out ambitious plans for further increasing the supply of social housing as part of the Comprehensive Spending Review in 2007.

**I.38** Additionally, the government is committed to ensuring that social housing tenants have more choice over where they live – whether it is in local authority, housing association or privately owned accommodation. More than 80 per cent of local authorities either have implemented, or have plans to implement choice based lettings, which enable households to view the full range of properties available in their area and apply for any home to which they are matched. The Government intends to extend choice based lettings nationwide — and across sectors — by 2010.

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<sup>13</sup> *Family Resources Survey*, Department for Work and Pensions

## CONCLUSION

**I.39** This chapter has explained how homeownership can bring benefits to households, as well as exposure to a different set of risks and responsibilities. The Government's macroeconomic reforms have reduced these risks considerably. Over the last decade, the level of unemployment and volatility of disposable income both declined to historically low levels, making homeowners more secure in their livelihood and hence their housing decision. Actual inflation and inflationary expectations have been low, meaning that nominal interest rates and volatility have declined, making mortgage payments more predictable. Although house prices are high at a national level, loan-to-value ratios are still low in comparison to the late 1980's. And households can mitigate many of these risks further still if they choose to.

**I.40** The benefits of homeownership have driven the growth of this tenure. However, homeownership will not be the tenure of choice for everyone. The Government believes that a household's choice of tenure ought to be a positive decision, based on what best meets the personal circumstances and reasonable aspirations of that household, and not be driven by the absence of acceptable alternatives.

**I.41** The Government has therefore been working to improve opportunity in all tenures, raising the quality of the existing housing stock, increasing the supply of new housing, and raising standards of management in both the social and private rented markets.

**I.42** The next chapter looks at how tenure preferences have changed over the years, driven by social, economic and political factors and the impact this has had on homeownership. It also analyses recent trends in affordability.



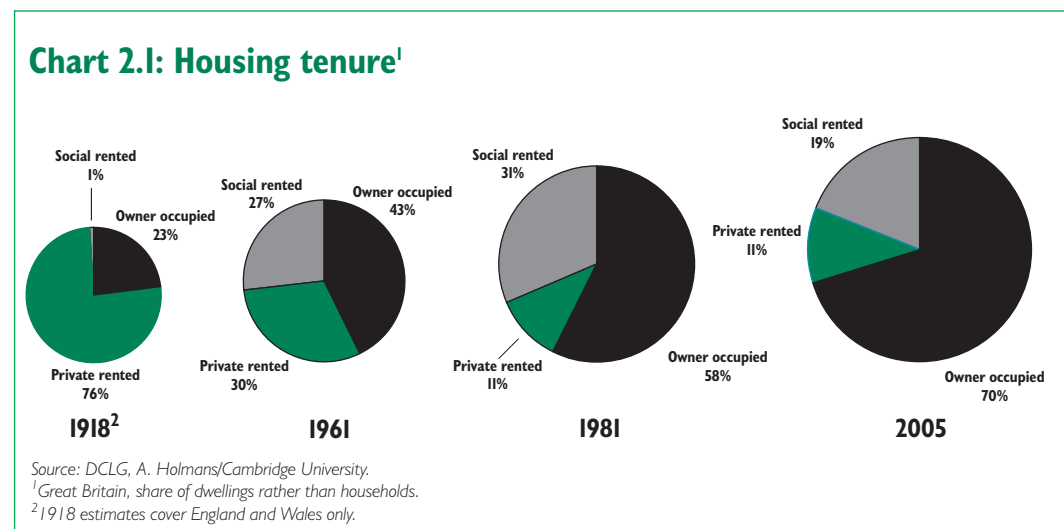
# 2

## TENURE CHOICES

**2.1** Today the majority of households own their own home, and homeownership is the aspiration of many more. Given a choice 87 per cent of people surveyed wanted to buy a home of their own.<sup>1</sup> But this has not always been the case. This chapter explains how tenure choices in the UK have changed and developed over the years, how changing personal circumstances, financial innovations, and policy interventions have combined to make owner-occupation the tenure of choice.

### TENURE TRENDS

**2.2** The most striking trend over the past 80 years has been the steady growth in owner-occupation. Also notable is the changing size of the social rented sector and the decline and then levelling out of the private rented sector. The shift towards owner-occupation is the continuation of a long-term trend rather than simply the result of a short-term structural shift. Chart 2.1 shows the increase in the number of dwellings (the area of each pie) together with the changing respective shares of the three dominant tenure arrangements.



### Growth of homeownership

**2.3** The growth of home-ownership over this period reflects not only economic and financial trends, but also the impact of different policy interventions. 1957 saw the introduction of rent controls, which continued in various guises until 1988, restricting the returns private rented sector landlords could make on their investment. In contrast reforms around homeownership, including the abolition of Schedule D, which taxed homeowners on the implied income benefit from being a homeowner, and the introduction of mortgage interest relief, made it even more attractive to own rather than rent.

**2.4** Homeownership in the UK continued to rise rapidly during the 1980s from 13.3 million in 1984 to 15.5 million by 1991, partly as a result of the Right to Buy policy which was aimed at increasing asset ownership and reducing dependence on social housing provision.

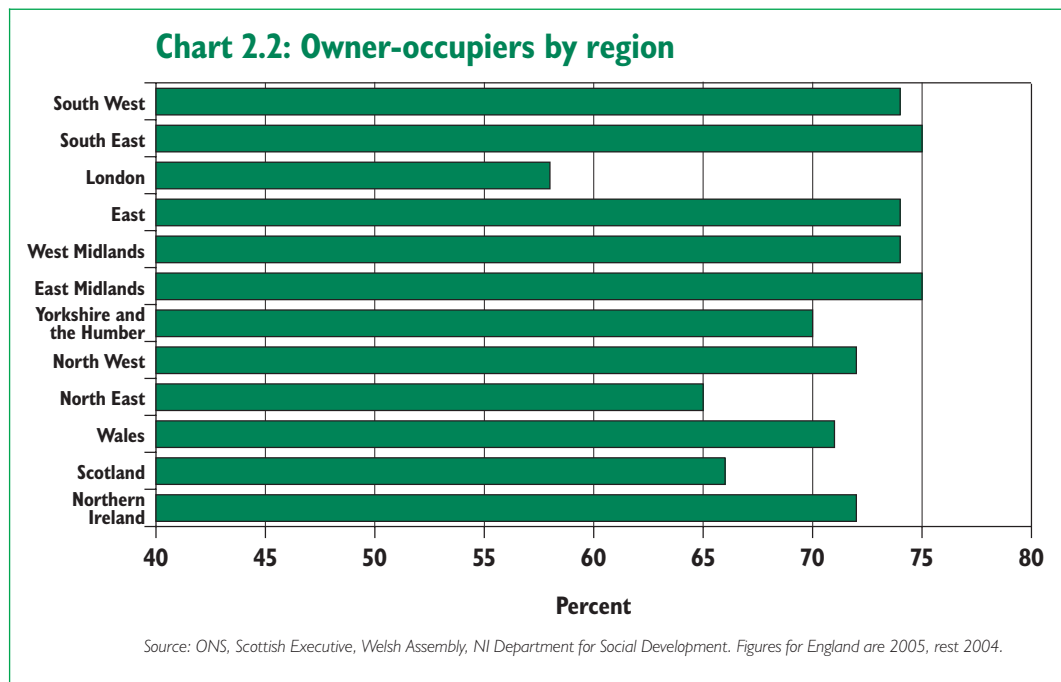
<sup>1</sup> *British Social Attitudes: the 17th Report*, NCSR, 2001

**2.5** The Government’s macroeconomic reforms have further encouraged the growth of homeownership. Over the last decade, the level of unemployment and volatility of disposable income both declined to historically low levels, making homeowners more secure in their livelihood and hence housing decision. Actual inflation and inflationary expectations have been low, meaning that nominal interest rates and volatility have declined, making mortgage payments more predictable and affordable for households. These factors have allowed 1.8 million more households in the UK to move into homeownership since 1997.

**2.6** The number of owner-occupiers is continuing to rise each year and currently stands at 18.4 million households.<sup>2</sup> These headline figures also mask some significant changes in the composition of these homeowners, which are explored later.

### Regional and international comparisons

**2.7** In general, these trends in the growth of homeownership have been reflected throughout the UK. Owner occupation levels in Wales and Northern Ireland are very similar to England, while they are lower in Scotland. The impact has not been evenly spread within England however, due to differences in regional economic performance, migration, and other factors. The Central and Southern regions of England have the highest rates of home ownership in the UK, with the exception of London with its younger population and higher proportion of social and private renting households.



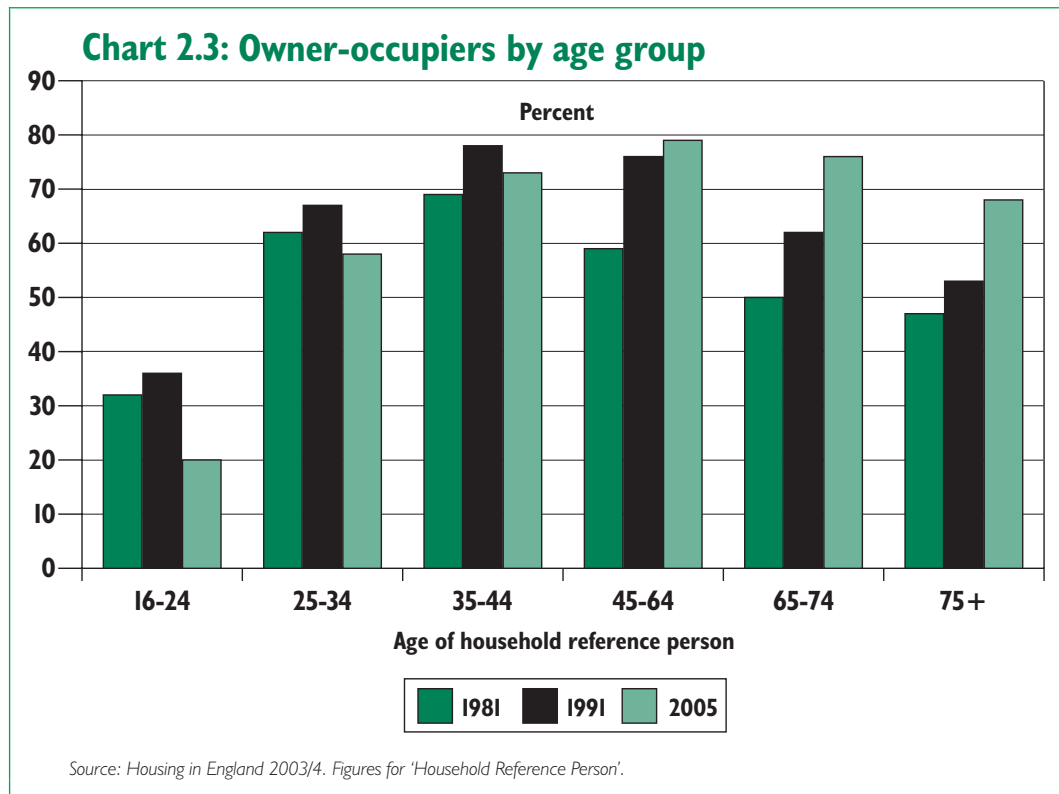
**2.8** In international terms, the UK has owner occupation rates comparable to those in the US, Australia, Canada and Belgium<sup>3</sup>. Rates in Germany are much lower, reflecting a strong private rented sector, as are those in Czech Republic, the Netherlands, Denmark, Sweden, France and Austria who maintain relatively large social rented sectors.

<sup>2</sup> DCLG, Scottish Executive, National Assembly for Wales, Department for Social Development (NI)

<sup>3</sup> *International trends in housing tenure and mortgage finance*, K Scanlon and C Whitehead / Council of Mortgage Lenders, 2004

## Homeowner characteristics

**2.9** There has been a divergence in home-ownership levels between groups in society. The rate of home-ownership among the over 45s has risen, while levels have fallen among 16–24 year olds and, to a lesser degree, 25–34 year olds.



### Socio-demographic trends

**2.10** A number of factors have been reducing the pool of young households that might seek to enter homeownership. First, the numbers of 25–34 year olds has simply declined by over a million between the early 1990s and 2000s as the “baby boom” of the 1960s has run its course.

**2.11** Meanwhile, this change has been accentuated by the growth in Higher Education participation. Participation rates in Higher Education have risen to 42 per cent of 18–30 year olds in 2004–05.<sup>4</sup> Consequently, many young people are forming their own households at a later stage and are more likely to rent in shared households initially. These single and cohabiting couple households are less likely to buy a home than married couples. The number of first marriages in England and Wales each year is half that of 1970, and the average age at first marriage has risen to 31 for men and 29 for women.<sup>5</sup>

**2.12** People in their 20s are also showing an increasing preference for the labour market flexibility of private renting and prefer the locations that they can afford to rent in, over those where they could afford to buy.<sup>6</sup>

**2.13** And this is reflected in changing housing aspirations amongst young people. The number of under 25s aspiring to buy a home in the next two years has fallen from 79 per cent in 1983 to 43 per cent in 2004.<sup>7</sup>

<sup>4</sup> *Participation Rates in Higher Education*, Department for Education and Science, 2006

<sup>5</sup> *Marriage, divorce and adoption statistics, Series FM2 no.31*, Office for National Statistics, 2006

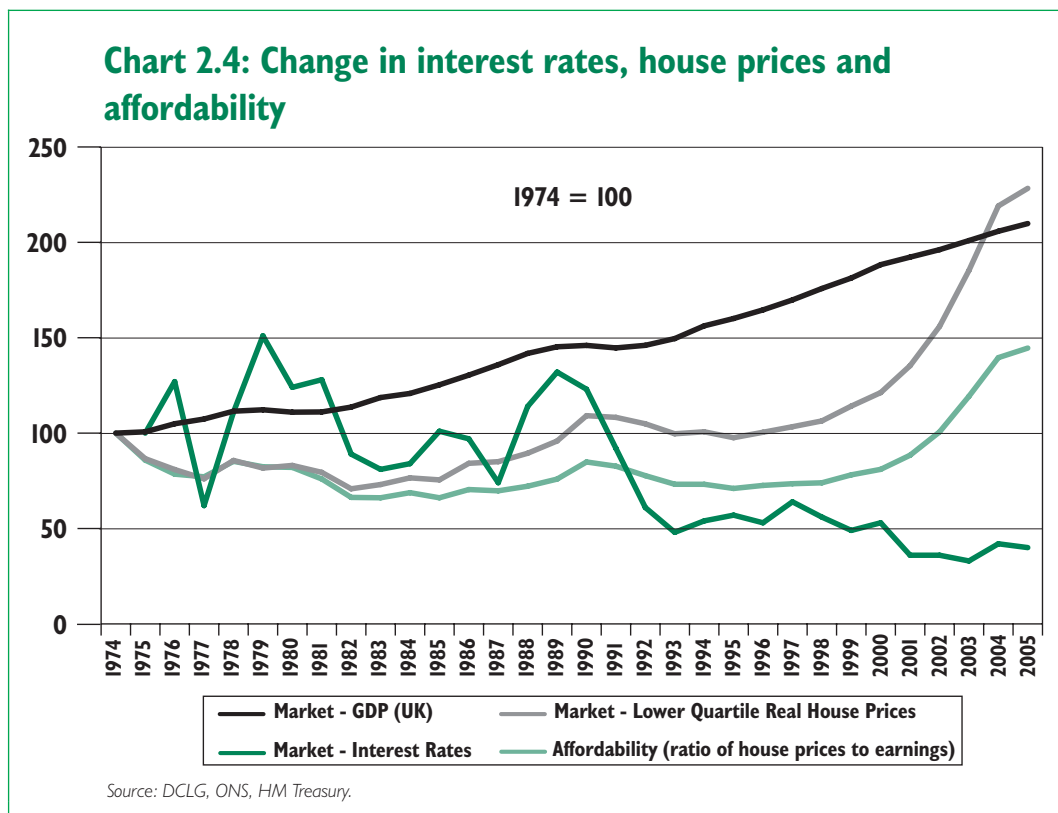
<sup>6</sup> *Attitudes to homeownership and moving in 2004*, J Smith / Council of Mortgage Lenders, 2004

<sup>7</sup> *Understanding first time buyers*, J Smith, et al / Council of Mortgage Lenders, 2005

**2.14** In part this may reflect broader changes in the labour market with the employment expectations of younger households, reflecting a trend towards greater mobility and shorter careers with individual employers.

**Affordability constraints 2.15** However, there are undoubtedly many households in the rental sector who would like to own a home of their own but cannot afford to. Affordability is determined by the interaction of house prices, net household incomes, interest rates and mortgage lending criteria. Younger households will be more affected by this than older groups because they will not have had the same opportunities to accumulate wealth, and will tend to have relatively lower incomes than the average.

**2.16** House prices in England have been increasing rapidly since the early 1990s. Chart 2.4 shows how prices have more than doubled during this time.



**2.17** In Kate Barker's review of housing supply, she identified the under supply of new housing as one of the key drivers of high house price inflation.<sup>8</sup> Between 1971 and 2001, the number of households rose by 30 per cent (5 million), but the rate of new house building failed to keep pace.

**2.18** Government analysis suggested that, if the shortfall between the number of households and the rate of house building were allowed to continue, affordability would worsen substantially, with just 35 per cent of 30–34 year old couples able to buy their own home in 2026, compared with 54 per cent in 2004 and 63 per cent at the end of the 1980s.

<sup>8</sup> Review of Housing Supply: Delivering Stability – Securing our Future Housing Needs, Final Report, K Barker, 2004

**2.19** In response to Kate Barker’s report, Government accepted the need for housing supply to become much more responsive to demand. The Government detailed plans to increase new housing supply in England to 200,000 net additions per year over the next decade and to make the planning system more flexible and responsive to demand.<sup>9</sup> This is the most sustainable way to tackle housing affordability in the longer-term.

**2.20** However, in the interim affordability will remain an issue for particular groups in society. The affordability ratio shown in Chart 2.4 shows how housing affordability has been declining. However, this ratio is an average for all households and does not reflect the worsening position of young people within this. Changes in the income distribution have been found to account for at least 17 per cent of the fall in home ownership rates among 20–34 year olds between 1991 and 1996.<sup>10</sup>

**2.21** To put this in context, between 1998 and 2005, while average incomes for first time buyers rose by 60 per cent, the average house price for first time buyers rose further still, by 136 per cent.<sup>11</sup> The Government is determined to work with market providers to expand opportunities for home ownership among these groups.

## THE ‘INTERMEDIATE’ MARKET

**2.22** This section examines the demand for more affordable homeownership solutions if they were available. It is important to note that there is a difference between potential demand and actual demand: some of those who could buy with assistance might not want to, reflecting the different preferences of households within this group.

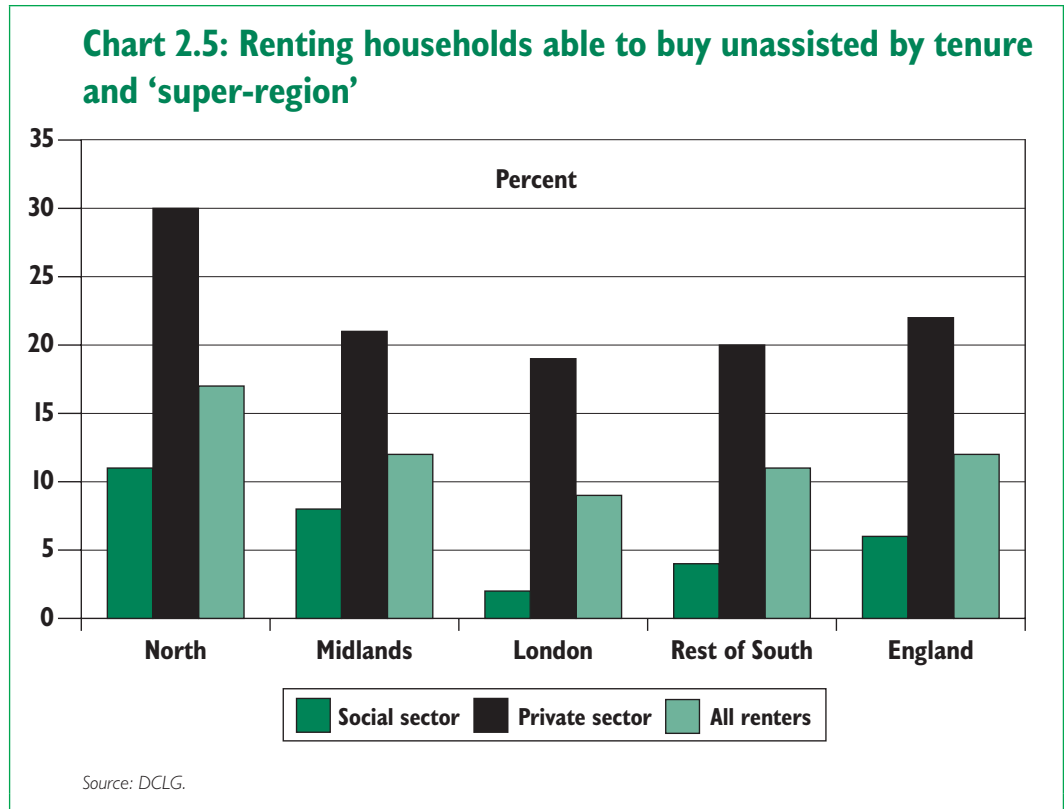
**Potential demand 2.23** In 2003–04 there were approximately 6 million households in the private and social rented sectors. Of these, some 3.8 million were in social housing and around 2.2 million renting privately; this is respectively around 20 per cent and 10 per cent of all households. Chart 2.5 shows the proportion of those renting households who could have afforded to buy unassisted based on lower-quartile house prices.<sup>12</sup>

<sup>9</sup> *The Government’s Response to Kate Barker’s Review of Housing Supply*, HM Treasury / ODPM, 2005

<sup>10</sup> *A Permanent Change in the Route to Owner Occupation?*, M Andrew / *Scottish Journal of Political Economy*, Vol 51, No 1, pp24–38, 2004

<sup>11</sup> Regulated Mortgage Survey

<sup>12</sup> Figures have been calculated using Survey of English Housing data and do not include households where no income is disclosed. There are four super-regions: the North, Midlands, London, and the Rest of the South and the respective house prices are £72,000, £96,000, £172,500 and £133,400. We assume a lending multiple of 3.5 times income and, initially, no deposit; further we assume a repayment mortgage with a term of 25 years and an interest rate of 5.5%

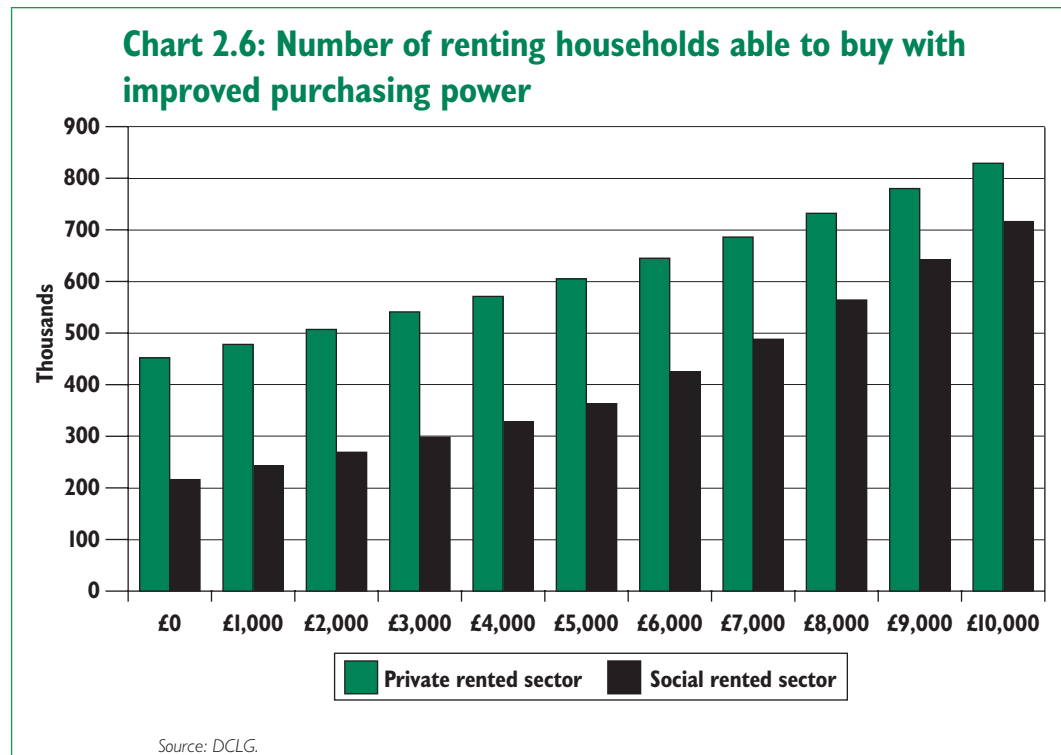


**2.24** The potential demand for more affordable homeownership solutions, or the ‘intermediate market’, might simply be described as the number of households who could not afford to buy without some form of assistance. On that basis then the intermediate market comprises the 4.7 million households (88 per cent of all renting households) who could not afford to buy unassisted.<sup>13</sup> There is significant variation within this figure by region and tenure; from 98 per cent of social renters in London to 89 per cent in the North; and from 81 per cent of private renters in London to 70 per cent in the North.<sup>14</sup>

**2.25** The actual size of this market will also depend on which households are included in the analysis. The figures presented above include all households currently renting, though there could also be ‘hidden’ households such as those living with family or friends that would want to move out if they could afford it. Conversely, the market could well be much smaller than this, if defined solely in terms of the working-age population, or households below a certain age. These figures will clearly also include many households that may never realistically aspire to homeownership.

**2.26** Of course, some of the households identified above might require only a little help in order to be able to afford homeownership, while others might be a lot further away. Continuing the analysis presented in the previous section, we can look at the impact on affordability for every £1,000 by which the effective income of a household is improved. In other words, how many households would be able to afford to buy if their incomes were effectively increased by between £1,000 and £10,000 a year – enabling them to support a larger mortgage of respectively £3,500 to £35,000.<sup>15</sup>

<sup>13</sup> Calculated using super-regional lower-quartile house prices. (When looking at the entire distribution of house prices in a super-region, the lower quartile is the point below which 25 per cent of observations are recorded.)  
<sup>14</sup> This analysis is based on an examination of incomes. However, some households will already have debts while others will have savings, making house purchase less or more affordable. Others may have uncertain incomes over time which reduces their borrowing capacity.  
<sup>15</sup> Assumes a mortgage multiple of 3.5



**2.27** Chart 2.6 shows how the number of renting households able to afford homeownership increases as their effective purchasing power increases. Of course these national figures mask some significant regional variations with London seeing the fewest households priced-in as a result of extra purchasing power (around 13,000 social tenants and 34,000 private sector tenants with a £10,000 increase in effective income); the North seeing the most (around 340,000 social tenants and 147,000 in the private rented sector); primarily reflecting the difference in house prices.

**2.28** There are of course alternative measures of affordability that can be adopted to estimate potential demand. A recent report<sup>16</sup> suggests broad and narrow measures of the intermediate housing market: the broad definition being defined as those households of working age who are unable to purchase a lower quartile house price for two or three bedroom dwellings; the narrow measure being defined as the proportion of working age households that can pay a social rent without the assistance of Housing Benefit but who cannot purchase a lower decile priced two or three bedroom dwelling. Using these broad and narrow measures and the estimated 900,000 young working households that move each year, the potential intermediate market is respectively 420,000 (46 per cent) or 245,000 (26 per cent) of such households in England in 2004–05.

**Actual demand 2.29** The analysis above is an assessment of the potential market and not an actual demand-based assessment. Other households may actually demand affordable homeownership products but not feature in the above analysis (for example those wishing to purchase a larger property due to an expanding family); while others who do feature in the analysis may not actually desire or need a more affordable homeownership product.

<sup>16</sup> *Affordability and the intermediate housing market*, S Wilcox / Joseph Rowntree Foundation, 2006

**2.30** Many of those identified above as potential beneficiaries of more affordable homeownership products may have other (non-income based) sources of finances, e.g. savings for a deposit, inheritances, parental guarantees, and so on which mean that they do not require assistance. It has been suggested that around half of first time buyers under 30 are receiving some form of assistance from parents and relatives.<sup>17</sup>

**2.31** And we have seen that many households (22 per cent of private sector renters and 6 per cent of social sector renters) could theoretically already afford homeownership if they chose but have not done so. Such preferences might reflect the favouring of current consumption above saving or, in the case of the private rented sector, may simply reflect that for some households renting is a tenure of choice in its own right, especially amongst younger age groups.

**2.32** Finally, it is important to remember that affordability can vary significantly between local neighbourhoods. Some households might be able to afford to buy outright if they were to move to a less expensive area in the locality. In one analysis the proportion of younger working households who could not afford to buy in London was found to decrease from 56 per cent to 46 per cent if they were prepared to move to a cheaper adjoining area.

## CONCLUSION

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**2.33** Homeownership has grown into the tenure of choice for the great majority of households through a combination of social, economic and policy changes. However, there is an ‘intermediate market’ of households who, if they had entered the market ten years ago could reasonably have expected to be able to buy a home of their own, but today are unable to.

**2.34** The long-term solution is to make to make the planning system much more flexible and responsive to demand and increase housing supply. The Government has made a commitment to increasing new housing supply in England to 200,000 net additions per year over the next decade.

**2.35** But in the short-term, excluded households will only be able to access homeownership if their purchasing power can be improved, either through raising incomes or reducing the ongoing financing costs. As an example, improving households effective purchasing power by £3,000 a year (£250 a month) could allow 171,000 of these households to become homeowners if they wanted too. While there are various estimates of what the potential market for assistance might be, they do not give an indication of the actual demand that might be expected — though it clearly could be substantial.

**2.36** The next chapter examines how both the market and Government have responded to this potential demand from the ‘intermediate market’ by developing products that can improve households’ immediate purchasing power, offering a flexible route into homeownership.

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<sup>17</sup> *Will the real first-time buyers please stand up?*, J Tatch / Council of Mortgage Lenders, 2006

# 3

## MAKING HOMEOWNERSHIP AFFORDABLE

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**3.1** The previous chapter has illustrated that there are a significant number of ‘intermediate’ households that cannot afford to enter homeownership, and the impact that increasing the effective purchasing power of this group could have on homeownership numbers.

**3.2** Until comparatively recently, the options open to households have been stark. Households could either own 100 per cent of a home, or they could rent. The financial hurdle households have therefore needed to leap in order to be able to access homeownership has consequently been high. In recent years both the market and Government have attempted to respond to this demand and provide alternatives that enable more households to realise their homeownership aspirations.

**3.3** This chapter examines these schemes, their impact, and householders’ response to them. All of these schemes seek to reduce the financing costs for households, and they often involve some form of equity sharing — where a purchaser benefits from lower mortgage payments in exchange for sharing any appreciation in the value of their home with another party (either an equity loan provider or a shared owner). By trading some future capital gains for lower upfront financing costs homeownership can become more accessible to households on lower incomes. This is clearly very different from traditional homeownership products and this chapter therefore also considers whether shared equity products bring with them particular benefits or risks for households distinct from those that apply to homeownership more generally.

### MARKET RESPONSE

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**3.4** The market first began to look at innovative ways to address affordability problems for first time buyers over 30 years ago. These market schemes, not subsidised by Government, have tended to be offered either by financial institutions for use in the open market or by developers and house builders for particular new-build properties.

### Financial products

**3.5** A standard repayment mortgage consists of two elements — the interest payment on the loan, and the repayment of the principal. One way to reduce the immediate cost would be to pay only the interest and not the principal. Interest only mortgages were introduced in 1974, and by 1988 the proportion of first time buyer loans that were interest only, but with a specified repayment vehicle (e.g. an endowment) had risen to around 87 per cent. Interest only loans are still available.

**3.6** Shared appreciation mortgages (SAM), which have appeared at various times since the 1980s, typically offered the borrower lower — or no — monthly repayments (making them more affordable for intermediate households). In return the lender receives a share in the increase in the value of the property, when the property was sold.

**3.7** However, there were a number of complaints about SAMs sold during the 1990s. The rapid rise in house prices at that time meant that investors holding this equity could receive very large returns, while some borrowers found they were now unlikely to be able to move up the housing ladder to full ownership.

**3.8** More recent examples of SAMs have tried to address the issue of very large rises in house prices by capping the potential gain paid to the lender. The ‘Step Ladder’ mortgage offered by Mortgage Express in 2003 was an example of this approach.

**Box 3.1: Mortgage Express ‘Step Ladder’ mortgage**

With the Step Ladder mortgage a household could borrow 100 per cent of the purchase price but only paid interest on 70 per cent. Mortgage Express did not charge interest on the 30 per cent of the loan in exchange for a share of the annual increase in property value payable either when the property was sold, or remortgaged, or on the tenth anniversary of the loan, whichever was earlier. The share payable varied according to amount of the increase, rising up to a maximum cap of five per cent.

**3.9** The ‘Flexishare’ product launched earlier this year by Advantage (a Morgan Stanley subsidiary) is another example of the market’s continued interest in this area.

**Box 3.2: Advantage ‘Flexishare’ mortgage**

Advantage’s Flexishare product is targeted at those who can afford a mortgage of at least 65 per cent of the value of the property. This mortgage is topped up with a Residential Ownership Loan (ROL) of up to 30 per cent. So the household needs to find a minimum five per cent deposit.

There is a charge of 2.99 per cent on the ROL for the lifetime of the loan. When customers repay the ROL they repay the loan at its current open market value — so Advantage will share in any increase or fall in the value of the customer’s property.

**3.10** Guarantor mortgages, loans shared between groups of friends, and permanent interest-only loans that pass from one generation to the next, are other new products that have been launched by lenders in recent years to make home ownership more accessible. In addition, nearly all lenders are moving to ‘affordability models’ to establish what level of borrowing a household could support, which means some households may be able to benefit from larger loans than simple lending multiples might have allowed.

## Developer products

**3.11** Developers and house builders have often offered their own low cost home ownership schemes to first time buyers, unsubsidised by Government, but these have tended to be made available on only a limited scale and on specific sites, and often in response to slackening sales. So availability has tended to run counter-cyclically, i.e. more schemes have tended to be available when there is a downturn in the economy.

**Box 3.3: Barratt Homes ‘Dream Start’**

In mid 2005, Barratt Homes launched ‘Dream Start’, a shared equity scheme for first time buyers. Customers acquired 100 per cent stake in their home but only paid for 75 per cent, with the remaining 25 per cent held by Barratt, interest free for up to ten years. In total 800 households used this scheme to take their first step on the housing ladder before the scheme closed.

**3.12** There are also cases in which land is provided expressly for development of affordable homes. Usually these are sites for which market housing would not normally gain planning permission (e.g. rural exception sites) or else are contributions extracted from developers as

part of the planning process (known as planning gain or section 106 agreements). In both cases the affordable housing provision is effectively being subsidised, but by the landowner rather than by Government. The planning requirement depresses the land value compared to what would have been realised if the land were developed purely for market housing. This contribution is usually retained as an equity share in the property. The householder may be charged a rent on the un-owned share of the equity. Sometimes the section 106 contribution may need to be topped up by a private equity loan fund, or Government grant, in order to be able to deliver sufficient units of affordable housing.

**Box 3.4: Assettrust**

Assettrust Housing is a private company investing in all forms of affordable homes including affordable housing for rent, intermediate or key worker rental and shared ownership units in England and Wales. The units they own are available to local authorities for rent or shared ownership purposes under prescribed section 106 or Nomination Agreements.

Assettrust enters into commitments to acquire new completed units from developers and land owners and are able to offer affordable housing solutions in situations where there is little or no government subsidy available. The homes that Assettrust owns are managed by local housing associations on their behalf, and let at rates comparable to those levied by housing associations in the local vicinity.

Assettrust's goal is to provide at least 10,000 new homes by 2009, without any government grant.

**3.13** One style of this land model involves provision of homes that can never be purchased outright ('affordable in perpetuity') and are generally provided by not-for-profit organisations. The main example of this is a Community Land Trust that owns or controls land, housing and other facilities for the benefit of the community. Under this broad banner there are a range of possible models and arrangements. It is common to have a high level of community involvement and restriction of homes to people with a local connection, and there may or may not be a partnership with a housing association or other organisation. The main feature is that the Trust keeps permanent ownership of the land and rights over the home, so that although the 'shared owner' buys a share of the home, they may not buy it outright and must sell their share at a fixed (low) price when they move via the Trust. This type of model can be particularly attractive in rural areas where re-provision (i.e. providing another affordable home using the receipt from sale of the first) might be difficult because of planning restraints. Community Land Trusts are currently a largely theoretical model in England.

**3.14** Overall, it is estimated that around 3,000 low cost homes were delivered through planning gain in 2005–06 without public grant.

## GOVERNMENT RESPONSE

**3.15** Over the years, Government at the national and local level has operated a number of different schemes for supporting households into home ownership, with a range of objectives:

- To free up the supply of social rented accommodation either directly or indirectly;
- To improve recruitment and retention of key public sector workers;
- To create sustainable communities;
- To enable more people to accumulate asset wealth;
- To widen choice and meet home ownership aspirations.

**3.16** Low cost home ownership schemes for social tenants can offer very clear benefits to Government. By enabling the tenant to take up homeownership a social tenancy is freed up. Usually this is a much more cost-effective means of providing a social tenancy than building a new social home. There are benefits to Government even if the tenant buys their existing home from their social landlord, as the receipts realised can be reinvested into a replacement unit of social housing. Where this enables a household in the private rented sector on Housing Benefit to move into a social home, there may be additional savings from reduced benefit costs and private rents are higher.

**3.17** The benefits are similar for those households on local authority housing lists that would have been a priority for a social tenancy, as this reduces demand. Because the benefits to Government from assisting social tenants and those on waiting lists can be so substantial, it can justify higher levels of support than for other groups.

**3.18** There are also certain circumstances that can justify targeted support for specific groups of public service workers. Certain public sector professions in specific parts of the country can find themselves disadvantaged compared to private sector workers because they are paid according to national pay scales which may not adequately reflect variations in local costs, particularly housing costs. Their inability to access homeownership in these areas can result in recruitment and retention difficulties that impact on delivery of key public services. Support is not extended to private sector employees, even where they are contracted to deliver public services (e.g. transport), as their employers are free to respond to local variations in costs and reflect these when bidding for public sector contracts.

**3.19** Sometimes a case can be made for assisting households to move out or into specific areas as part of a project to regenerate a neighbourhood or local housing market. For example, higher income households can be encouraged to move into a predominantly social rented area by offering discounts or other support. This can help provide stability to an area, and raise local perceptions.

**Box 3.5: Sheffield Council's 'Homesteading' scheme**

In 2003, in order to address significant problems with declining demand for its properties on a number of large council estates, Sheffield Council expanded its Homesteading scheme as a means of diversifying tenure and improving estates and housing stock in those areas it thought could have a sustainable future.

The scheme was targeted on difficult to let council properties with a market value of up to £40,000. Discounts, capped at £12,500 or 50 per cent of the market value, whichever was the lower, were available to private sector purchasers who undertook to carry out the basic essential repairs and improvements necessary to bring the property up to a decent standard, and who could demonstrate that they could sustain the ongoing costs of owner-occupation. A covenant required the work to be completed within two years and specified that the purchaser would have to pay back part of the discount if they sold the property on within three years.

**3.20** Government has also, on occasion, included broader objectives such as widening choice, meeting aspirations, or wealth redistribution, but these have usually been subsidiary to those detailed above and, with the exception of the Right to Buy, have not driven the design of schemes.

## Evolution of Government assistance

**3.21** In 1980, the Government gave council tenants a Right to Buy their homes with a discount based on length of tenure but subject to a maximum limit. More than 1.7 million council tenants subsequently bought their homes, and another 170,000 transferred housing association tenants did so under the Preserved Right to Buy. In 2004, Right to Buy rules were amended to tackle exploitation by companies, and the shared ownership version, Rent to Mortgage, was discarded because of its complexity and administrative cost.

**3.22** The Right to Acquire scheme was introduced in April 1997 to enable housing associations' tenants to buy their home at a discount. The scheme only applies to properties built with public funds from 1 April 1997 or properties transferred from a local authority to a housing association after the same date. The discount is generally lower than Right to Buy and does not increase with length of tenure. Approximately, 65 per cent of housing association tenants live in homes that qualify.

**3.23** The Cash Incentive Scheme was introduced in 1989 to free-up local authority tenancies for re-letting to those still in housing need. The scheme could be targeted to release specific properties (e.g. 3 bed houses) or people. Grants were means tested. Whether to run a Cash Incentive Scheme and the actual grant levels offered were at the discretion of local authorities.

**3.24** Do-it-yourself Shared Ownership (DIYSO) was rolled out in 1992. The scheme enabled purchasers to buy a home in the open market anywhere in England on shared ownership terms. The amount of equity initially purchased varied between 25 and 75 per cent, and the household would pay a subsidised rent to a housing association on the rest. The scheme was withdrawn in 1999 after the decision was taken to focus on equity loan products and new build shared ownership, which represented better value for money.

**3.25** The Government's conventional Shared Ownership scheme was similar to DIYSO, except the householder had to purchase a property purpose built by a housing association.

The initial equity purchase could be between 25 and 75 per cent with subsidised rent charged on the rest. Priority was given to existing local authority and housing association tenants and those on waiting lists.

**3.26** The Government first started to deliberately assist public sector key workers in 2001. The Starter Home Initiative aimed to help around 10,000 key workers to buy homes in urban and rural areas where high prices would otherwise prevent them from living in or near to the communities they served. Assistance took the form of equity loans, interest free loans or shared ownership, varying from area to area dependent on the type of scheme being offered by local scheme managers. A second round of the scheme provided £10,000 equity loans for key workers to buy their first homes in high cost areas outside London.

**3.27** The Starter Home Initiative was replaced in 2004 by the Key Worker Living programme which aimed to provide help for households at different life stages – homeownership for first time buyers, larger properties to meet the household needs of existing home owners, shared ownership schemes and properties for rent at affordable prices. Key Worker Living was also more tightly targeted at front line public sector key workers.

**3.28** In England the Government supported shared equity products were consolidated into the current HomeBuy range from April 2006. HomeBuy builds on the previous shared ownership and HomeBuy equity loan schemes. It merges the principles and best practice of these products to create a more coherent, streamlined and affordable suite of options for purchasers. The scheme consists of three products: Social, Open Market, and New-Build HomeBuy.

#### Box 3.6: HomeBuy

Three shared equity products are available through the Government's HomeBuy programme:

- Open Market HomeBuy – supports outright purchases on the open market with assistance in the form of an equity loan – boosting household's purchasing power by up to 25 per cent. This product was relaunched in October 2006 in partnership with four private lenders.
- New-build HomeBuy – is a shared ownership scheme offering the opportunity to part-buy, part-rent a new build property. Typical shares purchased in the home are around 40 per cent.
- Social HomeBuy – offers social tenants the opportunity to part-buy a minimum share of 25 per cent in their existing home at a discount, and pay a rent on the outstanding equity. This is currently a voluntary pilot scheme.

## Impact

**3.29** Between 1997 and 2006, Government backed shared equity schemes have enabled more than 80,000 households to buy their own home.<sup>1</sup>

### Achieving objectives

**3.30** The National Audit Office's (NAO) recent report into low cost home ownership schemes found they were, in general, meeting their objectives and offering value for money.<sup>2</sup> In 2004–05 15 per cent of households helped into homeownership using Government backed shared equity products were local authority or housing association tenants, and providing that support was significantly cheaper than provision of new rented units.

<sup>1</sup> DCLG

<sup>2</sup> *A Foot on the Ladder: Low Cost Home Ownership Assistance*, National Audit Office, 2006

**3.31** Although housing is one of many contributing factors to career and location decisions there is some evidence that schemes have been successful in retaining key workers in areas with high house prices: 49 per cent of Starter Home Initiative purchasers<sup>3</sup> and 62 per cent of key worker HomeBuy purchasers<sup>4</sup> believed the scheme had encouraged them to stay in their current employment. The vast majority of employers were very positive and felt it had contributed to a decline in turnover and wastage rates from previous years. Most were also very supportive of the clawback element of the scheme if the key worker were to leave eligible employment.

**3.32** The NAO report found that the households being helped typically had incomes from £20,000 to £38,000 and between £5,000 and £10,000 lower than first time buyers as a whole and would not otherwise have been able to afford to buy a home.

**House price inflation** **3.33** Low cost home ownership schemes have a significant impact in addressing housing affordability for the individuals benefiting directly from the schemes. And while there will be an impact from this assistance on overall house price inflation (to the potential detriment of those households not being assisted) the actual effect will be small given the overall size of the housing market and the many other factors that impact on it.

**3.34** While there may be a local price effect, this will depend on the previous tenure of the homeowner and possibly the design of the scheme. If the homeowner has previously been in the private rented sector then we would expect — assuming no other change in demand for that tenure — that the property previously occupied will be sold, and so the impact on supply and thus prices will be minimal.

**3.35** If the homeowner had been in the social housing sector then it is unlikely the property they moved from would have been sold, given the current shortfall in affordable housing provision. In this case the inflationary impact will depend on the previous tenure of the household moving into the vacated social tenancy. If that household had been in the private rented sector then, as before, the impact on supply and prices would be minimal.

**3.36** It has been suggested that the inflationary effect of new-build schemes will be zero. However, this will only be true if the Government subsidy has procured an additional unit of housing that would otherwise not have been built. This will not always be the case in practice and the low cost homeownership properties may simply have substituted for market priced properties that would otherwise have been built on the same site.

**3.37** The impact of these schemes should also be seen in the context of the policies that might otherwise have had to be employed to deliver the same outcomes, and which might have a wider impact on house and general prices.

<sup>3</sup> *Evaluation of the Starter Home Initiative*, ODPM, 2003

<sup>4</sup> *Evaluation of Key Worker Living: Final Report*, DCLG, 2006

## RESPONSE OF HOUSEHOLDS

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**3.38** Crucial to the success of both market and Government provision is the reaction of households to these products which will be determined by a range of factors, some generic, and others specific to a particular scheme.

### Is shared equity good value?

**3.39** Shared equity schemes provide households with an opportunity for home ownership that may not otherwise have been possible. By enabling households to partially insure against future rises in housing costs and to build up an asset that is linked to house prices, part-ownership provides a route into full homeownership. This transition will be easier, the larger the size of the initial share purchased by the customer. Recent experience in Government schemes has been that households' next step has been to purchase outright, rather than move up towards outright ownership in smaller steps.<sup>5</sup>

**3.40** While part ownership confers some of the benefits of full ownership, it also transfers most of the risks — in terms of maintaining the property and keeping on top of the mortgage payments. However, part ownership may also reduce households' exposure to negative equity if housing prices fall.

### Complexity and sustainability

**3.41** Shared Appreciation Mortgages (SAMs) have been associated with problems in the past. The way these products were structured meant that lenders received a percentage of the growth in the value of the property and consumers did not understand their impact over the cycle.

**3.42** However, the experience in Government schemes has been very positive to date. HomeBuy agents carry out affordability checks to ensure that purchasers can sustain home ownership. The value of this work is reflected in the low rate of repossessions on Government schemes. Recent analysis indicates that only seven out of 22,500 key worker homes had been repossessed between 2001 and September 2006. These affordability and eligibility checks have ensured sustainable home ownership.

### Choice and location

**3.43** The experience of Government funded schemes has been that households much prefer schemes that allow them the flexibility to choose a home on the open market, rather than have their choice constrained to a subset of new-build properties.

**3.44** The Open Market HomeBuy scheme for those who can afford a 75 per cent share has been extremely popular and oversubscribed. Take up of New-Build HomeBuy, offering shares as low as 50 per cent, has been more mixed, depending on the location and tenure mix of the site.

**3.45** This reflects the difficulty of ensuring that the right properties are built in the right places to meet need and individual preferences.

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<sup>5</sup> DCLG: preliminary data from National Housing Federation's Home Ownership Advisory Panel

## A more diverse spread of investment

**3.46** Under the current system of home financing, i.e. buying with a mortgage, families tend to store nearly all of their wealth in their home. For example, most first time buyers use all their savings as a deposit, and then spend the next few years using a significant proportion of their income to service a mortgage. However, this large concentration of wealth in housing means that most first time buyers will be exposed to a substantial level of house price risk.

**3.47** We explained in Chapter 1 that housing is far from being a ‘risk free’ asset. Based on past experience house prices tend to move in line with labour income. In a boom both will tend to be going up, whereas in a downturn they will both tend to be declining. Additionally, because houses usually have to be bought by taking on a large amount of debt, households are very exposed to interest rate risk. Again, in the past interest rates tend to increase when house prices decline, rather than offset the shock.

**3.48** By enabling households to get a foot on the housing ladder without having to resort to potentially unsustainable income multiples, shared equity schemes could enable vulnerable households to take a more balanced exposure to interest rate and house price risks.

## CONCLUSION

**3.49** This chapter has highlighted how both the market and Government have responded to the needs of the intermediate market. Most of the schemes offered have tended to involve some form of equity sharing, and this has a different pattern of benefits and risks for households compared to normal mortgages, and households have not necessarily understood this in the past. When available, households have also expressed clear preferences for schemes that maximise choice.

**3.50** The Government’s subsidised schemes have already assisted more than 80,000 households into homeownership since 1997. In contrast, private sector activity has been much lower and the small contribution of unsubsidised market schemes to date is an obvious concern to Government. The next chapter therefore examines whether there are market or state barriers holding back the development of market schemes and the Government’s ambitions for market provision.



# 4

## MARKET OPPORTUNITIES

**4.1** The previous chapter highlighted how shared equity schemes can successfully increase the purchasing power of households, allowing previously excluded households into homeownership. There are clearly many households still wishing to access homeownership but unable to afford it. Equally, the growth in the buy-to-let market shows there is an appetite to invest in residential property. Yet private sector activity shared equity investments has been relatively small to date. This chapter explores what factors might have been holding back greater provision of shared equity products by the market.

### UNDERSTANDING THE MARKET

**4.2** A key issue for the Task Force has been to understand why the market response to the potential demand of ‘intermediate’ market has been so limited to date, and whether there are particular barriers that are holding back the development of shared equity products. To facilitate this, the Task Force held confidential discussions with a number of institutions who were interested in holding equity related investments themselves or producing equity related products for institutional or retail investors.

**4.3** Box 4.1 explains that there is currently a small, fragmented market in provision of equity loans, mainly based on bespoke deals. Yet there are some natural holders of equity loans who would be interested in investing in this market, and individuals who might like to hedge some of the risk of homeownership. The Task Force sought to explore what issues might be hindering the joining up of these interests and the development of a larger market. These are discussed in the following section along with the Task Force’s conclusions

#### **Box 4.1: Structure of the equity loan market**

At present the largest quoted residential property owner in the UK is Grainger Trust, which holds a variety of property related investments in which the growth in equity forms a substantial proportion of the total return. These include:

- Rented property with sitting tenants, where the rents are regulated;
- Equity stakes held as a result of providing home reversion schemes.

Certain banks providing mortgages have an actively traded market for equity stakes as part of their internal treasury management arrangements i.e. parts of the bank that hold or expect to hold equity in residential property can liquidate it by selling to another part of the bank. There appeared to be a good understanding of the market price for such products within banks.

Some pension funds are attracted to holding equity in residential property because:

- There is a positive correlation between income growth and increases in house prices
- House price volatility is dramatically less than stock market volatility.

At the same time there are many households with relatively large exposure to the housing market that might potentially like to hedge the risk (by selling).

Yet there is an absence of a recognised system for futures trading in housing. The growth of a secondary market in equity loans would reduce the opportunity costs of holding equity and consequently the price.

## POTENTIAL BARRIERS

### Risks and uncertainties

**4.4** The Task Force found that there was a lack of understanding in some firms around how to structure and distribute house price risk so that it generates the return financial institutions expect. Related to this is the issue that, unlike for most other assets, there is no market in residential property futures and options in which investors can hedge their investments. There has also been uncertainty as to the regulatory treatment that would apply which can influence both the pricing and reputational risks lenders can face. And the low volume of activity to date means firms have little data on consumer behaviours and the likely balance of risks and returns.

**Property Derivatives 4.5** However, the property derivatives market in the UK is developing, although activity is at present restricted to a relatively small number of institutions trading over-the-counter products between themselves, which are based on a number of different indices, depending on the preferences of those taking part. The Land Registry has recently launched a new and improved house price index, which may prove useful in the creation of both over-the-counter and exchange-traded derivative products in the future. **Further action is unlikely to be necessary since derivative products are currently based on a mixture of official and commercial indices, and this will probably continue to be the case.**

**4.6** Additionally, the recent launch of 'Flexishare' by Advantage (a Morgan Stanley group company) demonstrates that a shared equity mortgage product can be developed that offers the returns investors expect. We understand that other financial institutions are watching the take-up of this product closely.

**Behaviour of consumers 4.7** A further uncertainty was about the way households will react when owning a home with shared equity. Will this client group be more likely to fall behind with mortgage payments than other typical first time buyers? And how quickly will households taking on shared equity products staircase up towards 100 per cent ownership? Issues like these affect the returns investors can expect to receive and will affect the pricing of the products. However, the low volume of market activity to date means firms have little data to inform their decisions and in that case will naturally be cautious.

**4.8** Having enabled 40,000 households to access homeownership through shared equity schemes between 1999 and 2005, the Government has a stock of real world data on the characteristics and behaviours of the households that have used its products. **The Government will publish information gathered on the intermediate market alongside this report and will also make available: data on the type and behaviour of customers purchasing homes, as it becomes available<sup>1</sup>; and the results of a qualitative study looking at the factors influencing households' decisions to take up publicly funded shared equity products in Spring 2008. Weblinks to sample legal documentation for the Government's shared equity and shared ownership products will also be provided.**

**Reputational risks 4.9** The problems that have been associated with Shared Appreciation Mortgages (SAMs) in the past may act as a constraint to the future growth of the market. However, suitable product design combined with appropriate financial services regulation can address these concerns to the benefit of consumers and lenders.

<sup>1</sup>Individuals will not be identifiable and their confidentiality will be respected

**4.10** The example given in Chapter 3 (Box 3.1) of the ‘Step Ladder’ mortgage from Mortgage Express, illustrates how lenders can deliberately set limits to their potential returns, and in the process reduce their exposure to that type of reputational risk.

**4.11** For most people, choosing a mortgage will be one of the biggest financial decisions of their lives. It is essential that they are able to make informed decisions, are properly protected and have access to appropriate mechanisms of redress if things go wrong. Regulation has a key role to play in helping consumers understand the arrangements they are entering into and establishing confidence in the market.

**4.12** Regulation will also be important to firms’ consideration of the products they make available. Where there is uncertainty, or a regulatory gap, firms will be cautious about risking their established brand names.<sup>2</sup>

**4.13** Since 2004, the Financial Services Authority (FSA) has held responsibility for the regulation of residential mortgages, including shared appreciation mortgage products. Its mortgage regime is designed to allow consumers to shop around and compare products easily, so that they are properly informed about the risks and features of different mortgages. The FSA has set rules regarding the information that has to be disclosed to consumers before, during and after sale, as well as rules on how consumers should receive advice.

**4.14** Some types of lending, such as shared equity schemes, may be more complex for consumers to understand, or have different risks compared to conventional mortgages.

**4.15** Consumers must now receive tailored pre-sale information in the case of shared appreciation mortgages, than would be the case for a conventional mortgage. The FSA has worked closely with the firms involved in the Open Market HomeBuy scheme to help develop an appropriate Key Facts Illustration that consumers must receive before they purchase a mortgage. It clearly sets out the lender’s right to receive a share in the growth of the property’s value. It will also include a specific ‘risk warning’ asking consumers to think carefully about implications of this for them and their estate.

**4.16** The FSA has now published a direction on their website, which sets out how the rules may be modified to accommodate the scheme. This will be a useful starting point for firms wishing to offer their own shared equity products.

### Capital adequacy requirements

**4.17** Banks and building societies’ need to hold capital to help ensure financial stability and to protect their depositors. These capital requirements are set out in European directives: the main directive is the Banking Consolidation Directive and from 2007 a new Capital Requirements Directive will come into force.

**4.18** This directive requires banks and building societies to hold capital against all the loans they have on their books. The amount of capital required for each loan varies depending on how risky the loan is considered to be. This means that the overall level of capital a bank or building society holds is sensitive to the underlying risk of the loans. The proportion of each loan that the bank or building society must hold capital against is called a ‘risk weighting’. Under the Capital Requirements Directive, risk weightings will be set in two ways: under the ‘standardised approach’ the Directive sets fixed weightings; and under the ‘advanced approach’ firms can set their own weightings based on their historic experience of how these loans perform. Many firms will use the standardised approach and a few large firms are expected to qualify for the advanced approach.

<sup>2</sup> See, for example, *What Influences Mortgage Products?*, Council of Mortgage Lenders, 2005

**4.19** Risk weightings matter to lenders and consumers because they can affect the pricing of the loans. Although lenders are free to decide how to price products to deliver an adequate return, a higher risk weighting for a particular loan may well lead to a higher price being charged. The exact risk weighting to be used will depend on how the products are structured and on the terms of the directive. If it is not immediately clear how the directive treats a particular product, the FSA may need to give advice on the correct capital treatment.

**4.20** As part of the guidance on the regulation of shared equity products, **the FSA has produced guidance on the capital weighting treatment for the expanded Open Market HomeBuy product, a summary of which will be published by Government alongside this report.**

#### Consumer education

**4.21** One of the FSA's statutory objectives is to promote public understanding of the UK financial system. In support of the Government's Open Market HomeBuy scheme, the FSA published in September 2006 a consumer factsheet.<sup>3</sup> The factsheet sets out the important points that consumers need to think about when considering borrowing through the Open Market HomeBuy scheme. It details how the scheme works, and offers worked examples of how the equity loan would be repaid if the value of the home increases, falls or stays the same. Finally, the factsheet also emphasises that consumers should shop around for their mortgages and consider seeking independent financial advice. The information and advice contained in the FSA's factsheet could be adapted to promote understanding of a wide variety of shared equity schemes.

### Taxation

#### Real Estate Investment Trusts

**4.22** The Real Estate Investment Trust (UK-REIT) regime will come into being on 1 January 2007. The Government's primary objective for the regime in the area of residential property is to encourage institutional investment in the private rented sector which should in turn lead to more professional management and higher standards. As the UK-REIT regime is currently framed, only property rental income is allowed within the tax-exempt ring fence. In practical terms this means that shared ownership schemes, where the UK-REIT receives rental income are allowable, but shared equity schemes where interest income is received are outside the ring fence.

**4.23** The Government is aware that a group of housing associations are considering the establishment of a residential UK-REIT next year, and it is possible that some of the property held by this vehicle will be in existing or new shared ownership schemes. **The Government will issue guidance clarifying what types of activity fall within the tax-exempt ring-fence of a UK-REIT.**

#### Capital appreciation

**4.24** Under International Accounting Standards (IAS), banks are required to show assets held in connection with their trading activities (so called circulating assets) at fair value on their balance sheets, and to reflect annual changes in fair value in their Profit and Loss accounts each year. The definition of profits for tax purposes follows the IAS measure of profits. This treatment applies equally to any shared equity assets the banks may hold, and means they will be taxed on any increase in value (and equally will get tax relief on any falls in value).

**4.25** Some banks have pointed out that they are being required to pay tax on a gain they have not realised yet, and that this could limit the amount of shared equity business they could

<sup>3</sup> *FSA Factsheet: Open Market HomeBuy scheme*, Financial Services Authority, 2006

take on. However, property is not unique in having this treatment — the same is true of the many types of circulating assets under IAS, such as zero coupon bonds and several kinds of derivative contracts.

**4.26** The Government is not convinced that this problem is of sufficient magnitude to justify a change, which would go against Government policy of following the accounts for tax purposes where this is possible. The expectation is that banks have sufficient liquid assets to be able to pay tax on changes in fair value even if the asset in question has not been sold yet. It is also expected that in future banks will tend to securitise their exposure to these assets and sell this on to third-party investors.

**4.27** More generally, Government will continue to monitor development of the shared equity market, and gather further evidence and views from stakeholders on whether taxation might be a barrier to the development of the shared equity market.

## Competition and innovation

**Crowding out** **4.28** There were suggestions that non-grant funded private sector providers were in some instances being crowded out by housing associations benefiting from grant subsidies. Examples were given of ‘gazumping’ by housing associations that appeared to simply substitute grant-funded provision for equivalents that would have needed no direct subsidy.

**4.29** The Government has asked the Housing Corporation to investigate and, if necessary, draw up protocols and guidance to prevent wasteful competition between grant-funded and other affordable housing providers. Meanwhile, the Corporation will continue to work with local authorities to ensure their investment in affordable housing is complementary to the provision of non-grant funded affordable housing. The Corporation has recently published an economic appraisal tool to assist all parties to the development process in ensuring that grant is used as efficiently as possible to benefit those in need.

**Innovative models** **4.30** It was also suggested to the Task Force that local authorities or other bodies can sometimes be unwilling to accept new models of shared equity provision, or be resistant to provision by ‘for-profit’ organisations, preferring to deal solely with preferred partner housing associations, such as with the provision of affordable homes required as a ‘section 106’ developer contribution (planning obligation).

**4.31** Developer contributions may for example involve land on or off the site for affordable homes or a financial contribution in lieu (the presumption in planning guidance is for contributions to be ‘in-kind and on-site’). Some developers have proposed meeting the requirement with their own shared equity product instead of housing association HomeBuy products. This could potentially represent a good deal for local authorities, but should not be used as a substitute for social housing and delivering mixed communities.

**4.32** Some investment companies have also suggested new models of affordable housing, working in partnership with local authorities, developers and housing associations. The suggested models vary, but in each case are based on the company owning the home long term, raising private finance on the basis of a guaranteed rent, and providing low cost and high standard homes without grant input. These models could be very helpful in meeting assessed need.

**4.33** The Government wishes to encourage best practice in the use of section 106 to increase affordable housing provision and improve the planning process. Planning Policy Statement 3 and accompanying documents will contain guidance on the delivery of affordable housing through the planning process, and the Government has (with the Law Society) published a model planning obligation agreement and guidance on drafting affordable housing provisions.

**4.34** Government strongly believes that local authorities must be prepared to work with a wide range of affordable housing providers (with or without grant). They should not seek to unjustly inhibit new and innovative provision. The priority is provision of homes that are suitable for those eligible for affordable housing, and that offer good value for money.

#### Community Land Trusts

**4.35** In Chapter 3 it was noted that many local people and local authorities are considering how new affordable housing could be delivered by Community Land Trusts without grant, and held for the community in perpetuity. The Government believes that Community Land Trusts are a potential to empower communities and provide additional affordable homes, and they may be a useful part of a ‘mixed economy’ of different affordable housing providers and models. The Government is supportive of schemes that can be shown to be genuinely meet assessed local need, have local support, encourage homeownership and mixed communities, and meet the standards required of affordable housing. We recognise that establishing and managing a Community Land Trust relies on quite specific circumstances, including a committed and skilled local group and a gift of land, and that there can be practical difficulties. Effective partnership working with housing associations, local authorities and developers may help address these issues. We believe that Community Land Trusts are unlikely to deliver significant numbers of homes across the country in the near future, but could make a valuable contribution to addressing the needs of some specific communities.

**4.36** The Government (through the Housing Corporation and others) will continue supporting projects to help communities use Community Land Trusts to deliver grant-free affordable housing, and where appropriate, will support the development of pilots and ‘toolkits’.

## FUTURE DEVELOPMENT

**4.37** The Task Force is confident that the market for equity in residential property is set to grow and that an increasing range of private shared equity products will start to appear that may meet the needs of rising numbers of households in the intermediate market. Of those private schemes already available, Assettrust (see Box 3.4) is reported as intending to deliver 10,000 units of affordable housing by 2009, around half of which will be shared equity products. And the ‘Flexishare’ product (see Box 3.2) launched earlier this year by Advantage (Morgan Stanley group) could assist many thousands more.

**4.38** The ‘Flexishare’ scheme is potentially affordable to around 500,000 households who are currently renting and could not otherwise afford home ownership, although this product would be most appropriate for those with stable and rising incomes to enable rapid stair-casing to full ownership.

**4.39** As the market develops and the risks and returns for lenders become better understood we expect that unsubsidised schemes will become more affordable to a wider selection of households, and that the deals offered will become even more competitive. In particular, a secondary market in shared equity will need to develop, if the pricing is to be as

keen as possible. And our discussions with a range of organisations interested in investing in this market suggest that the supply of shared equity products is set to become increasingly responsive to demand.

**4.40** In view of this, and as a result of the steps taken set out in this chapter, **the Government has an ambitious vision for the expansion of shared equity and a stronger role for the private sector. The Government believes the financial community and developers can rise to the challenge of bringing forward non-grant funded schemes that could assist between 35,000 and 45,000 people by 2010.**

## CONCLUSION

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**4.41** This chapter has identified the key issues that could be holding back greater provision of shared equity products by the market and how Government is addressing them.

**4.42** The Task Force is clear that the public/private partnership to develop the expanded Open Market HomeBuy equity loan product has tackled a number of institutional and regulatory barriers to the provision of shared equity products — as well as bringing major financial institutions into this market for the first time. The Task Force believes that the lessons learned in launching this subsidised scheme will assist private sector organisations looking to develop their own shared equity products for the market.

**4.43** The Task Force is confident that market provision is set to expand significantly over the next four years and that this growth has been facilitated by the work undertaken by Government to develop its own shared equity products.

**4.44** The concluding chapter sets out how the Government intends to build on this, by improving the design and delivery of its shared equity products, raise efficiency and reform procurement, and encourage greater partnerships with the private sector, so as to assist many more households over the coming years. It also considers the implications of increased provision of shared equity products by the market for who should be assisted by the state, and sets clear priorities for future Government assistance.



# 5

## GOVERNMENT ASSISTANCE AND PRIORITIES

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**5.1** The previous chapter explained how Government has been working to remove any barriers hindering the further development of shared equity products by the market. As shared equity becomes a more recognised means for large institutions and individuals to invest in residential property, it is anticipated that a secondary market in which equity shares can be traded will develop, and that the pricing of equity loans will become more competitive. Increasingly therefore, the Government expects that the aspirations of those closest to homeownership will be met in the market, reducing the need for Government support for these groups.

**5.2** This final chapter therefore sets out how the Government will seek to target its assistance at those whose needs will not be met through private shared equity schemes — in the longer-term by increasing the overall supply of housing to better meet demand — and in the shorter-term by working in partnership with the private sector to expand Government-backed low cost home ownership provision, and implementing measures to improve the efficiency and effectiveness of public provision. This will enable resources to be stretched further and deeper, making it possible to help more households on lower incomes to realise their aspirations.

### IN THE LONGER TERM

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**5.3** Meeting the Government's ambitions of securing a decent home for all at a price they can afford, will mean over the long term substantially increasing housing supply. Kate Barker's Review of Housing Supply concluded that a consistent under-supply of housing was a major factor contributing to the UK's historically high upward trend in prices and to instability in house prices in previous decades. Therefore, to reverse this trend, improve affordability and help those currently priced out of the market to become home owners, the Government committed itself to a step change in housing supply; setting a target of 200,000 net additions a year by 2016.

**5.4** The Government is making good progress towards meeting this target. The latest housing figures show 168,000 net additions in the year to March 2005 — up from around 150,000 in 2004. However, demographic change and population growth indicate that to improve affordability over the long-term the Government will need to go even further in increasing supply.

**5.5** To help meet this challenge the Government is publishing later this year a new Planning Policy Statement on Housing (PPS3) which will ensure that local and regional plans are more responsive to housing markets and prepare and release more land to meet future housing requirements.

**5.6** Reinforcing this policy, 29 areas across the country have now been named as New Growth Points with the potential to contribute around 100,000 additional dwellings by 2016, an increase of around 32 per cent on previous plans for housing supply in these areas.

**5.7** To support and incentivise local authorities in meeting their housing targets, the Government plans to introduce a new Housing and Planning Delivery Grant on which it has recently consulted. In addition, a new National Housing and Planning Advice Unit will begin

work early in the New Year, providing expert advice to regional planning bodies, better allowing them to incorporate an understanding of the relationship between housing supply and affordability.

## IN THE SHORTER TERM

**5.8** The Task Force believes there is considerable scope to assist many more households from within the existing level of resources. And the Task Force has also become aware of some issues around the design of schemes and understanding of tax issues that could have been holding back use of more effective solutions for meeting housing need. These are discussed below.

### Improving efficiency and effectiveness

**5.9** Government investment in low cost home ownership schemes has increased substantially in recent years and by 2007–08 will be running at £510 million a year. On top of this, we will increasingly see the legacy of this Government's past investment in affordable housing feeding through into new projects as households staircase up to full homeownership, releasing further resources for reinvestment. Part of the remit of the Task Force has been to consider what more could be done to improve the efficiency of these schemes and in the process increase the numbers Government is able to assist.

**5.10** A recent National Audit Office (NAO) report into low cost home ownership provision made a series of recommendations to improve efficiency.<sup>1</sup>

**Targeting 5.11** The NAO highlighted the benefits of targeting social tenants with low cost home ownership products, enabling these households to move into homeownership and in the process freeing up social homes for other tenants. The launch of the Social HomeBuy product, a pilot scheme specifically targeted at social tenants demonstrates the Government's commitment to expanding the opportunities for homeownership to those currently renting in the social sector. The evaluation of this pilot will help to inform Government's assessment of the potential to extend initiatives of this kind.

**5.12** Professor John Hill's independent assessment of social housing will also consider how social housing can act as a springboard into ownership for those who only need it for a short time. John Hill is due to report to the Secretary of State by the end of the year.

**5.13** It is equally important that customers participating in Government schemes are contributing as much of the necessary financing as possible, so that funds are targeted at those who need them most. The NAO suggested that housing associations should follow the lead of the private financial institutions in adopting affordability criteria to assess how much borrowers can afford and sustain. This will ensure the consumer is buying as much as they can safely manage, while ensuring Government can stretch resources to help as many households as possible. **The Government will work with the Housing Corporation and the housing association sector to introduce affordability assessment criteria on its schemes by 1 April 2007.**

**5.14** The Government will also be keeping the targeting of key worker assistance under regular review. Pay and recruitment policies change over time, as do conditions in local housing markets, and this will be reflected in changing patterns of recruitment and retention

<sup>1</sup> *A Foot on the Ladder: Low Cost Home Ownership Assistance*, National Audit Office, 2006

problems in the public services. It will therefore be important to reassess which groups should be assisted on a regular basis so as to ensure the programme addresses current rather than historic needs.

**Better procurement** **5.15** The Housing Act 2004 made it possible for the Housing Corporation to fund organisations other than registered housing associations to deliver affordable housing, increasing the scope for competition, and encouraging innovation and the development of new partnerships. The benefits of this are already being felt and the Housing Corporation is now exploring with stakeholders a range of further options for improving procurement and increasing its efficiency and effectiveness in the delivery of affordable housing. Their proposals include:

- Introducing a more regular engagement with the market, in addition to their main bidding rounds. While 50 to 80 per cent of available funding would be allocated on a biennial basis, remaining resources would be allocated at additional points in the two-year cycle. This would enable partners to be more responsive to land acquisition and development opportunities, remove incentives for speculative entries, and better align with delivery organisations own business cycles.
- Moving to longer-term funding agreements on strategic sites. Certainty of funding into the long-term could support strategic planning and enable delivery organisations to realise better supply chain management, support investment in modern methods of construction, and enable more competitive bids.
- Building stronger relationships with selected delivery organisations. Those enjoying ‘Partnership Plus’ status would be expected to minimise the grant required to deliver high quality homes in return for freedoms and flexibilities that might allow for better programme management and delivery.
- Alternative investment approaches, including fixed-term affordable housing (removing assumptions of provision in perpetuity), which could draw in additional private finance.

**5.16** Whatever approach is adopted, the Government believes there is scope to make considerable gains here. **The Government will be setting the Housing Corporation a target in the Comprehensive Spending Review to deliver efficiency gains of at least 18 per cent over three years, for reinvestment in delivering more affordable housing.**

**Capturing equity uplift** **5.17** Rising property prices in recent years have led many housing associations to make large gains when households in low cost homeownership schemes have exercised their right to purchase the remaining share of their homes. The NAO estimates that between 1999 and 2005 housing associations have benefited from additional receipts worth up to £56 million from purchasers who bought the remaining share of properties which had been funded by Housing Corporation grant.

**5.18** The NAO also estimates that housing associations’ interest in the properties bought in that period are potentially worth between £610 million and £720 million at current house prices, after allowing for the original cash value of the taxpayer’s and housing associations’ investment in these properties. While associations are reinvesting returns generated from staircasing receipts and borrowing against their equity loan portfolio to deliver more affordable housing, it is not clear that these resources are necessarily being directed towards Government priorities or to areas of greatest need.

**5.19** The Government will work with the Housing Corporation and housing associations to ensure that the equity uplift from its investment in low cost home ownership schemes is fully captured and recycled to expand affordable housing provision.

**Public sector land** **5.20** The Government's response to the Barker Review included the establishment of a separate taskforce to examine cost-effective options for releasing more public sector land to facilitate housing growth. The taskforce has now set an increased ambition for housing delivery from surplus public sector land, along with a number of recommendations that will accelerate the release of this land for housing and improve the quality of developments.

**5.21** The Government will also explore how we can make it more effective for local authorities to develop shared equity homes, built on the authorities' own land, and whether there are any barriers that ought to be removed.

**5.22** English Partnerships also has work underway to develop a web-based tool which will provide local authorities with all of the documentation and guidance needed to enable them to run competitions similar to Design for Manufacture on their own land, should they wish to. English Partnerships anticipate the tool kit will be available by the end of the year.

## Taxation

**5.23** Some charitable housing associations expressed concern that it was currently unclear as to whether they would be taxed on profits made from shared ownership schemes.

**5.24** Government will update its guidance to charitable housing associations on the tax treatment of revenues arising from the provision of low cost home ownership products.

## Planning gain

**5.25** Delivery of affordable housing with a developer contribution through planning obligations (section 106 agreements) has increased in recent years — contributions rose from 11,000 in 2000–01 to 18,000 by 2004–05. The percentage of developments with affordable housing contributions continues to rise.

**5.26** However, there is considerable variation between areas in the level of contribution. There may be scope for further improvement in many areas, and it is likely that many local authorities could improve their systems and skills (e.g. in negotiation and learning from best practice). Simply raising affordable housing targets may risk making sites unviable or reduce market-housing provision.

**5.27** As previously noted in Chapter 4, the Government wishes to encourage best practice in the use of section 106 to increase affordable housing provision and improve the planning process. Planning Policy Statement 3 and accompanying documents will contain guidance on the delivery of affordable housing through the planning process, and the Government has (with the Law Society) published guidance on section 106 and a draft agreement. The Housing Corporation has also published an economic model to help in negotiation of a financially viable level of section 106 and ensure effective targeting of grant on section 106 sites.

**5.28** The measures the Government is taking to increase overall housing supply will result in the bringing forward of more land for housing development, and increased section 106 contributions of affordable housing. Section 106 is likely to remain a major feature of shared equity delivery, as long as the market remains buoyant.

## New-build vs. open market models

**5.29** Government has tended to prefer new-build delivery options on the basis that they add to overall housing supply and therefore have no impact on house price inflation. The work of the Task Force however has shown that the picture is more complex than this — not all new-build low cost homeownership properties will actually add to overall supply, while some open market solutions will have a minimal impact on house price inflation, depending on the previous tenure of the purchaser. Consumers also express a clear preference for the greater choice offered by open-market models.

**5.30** There is still a compelling case for new build solutions (in order to ensure mixed communities in new developments, and in rural areas where re-provision may be difficult) but **Government believes there should not be a presumption against schemes that fund open market options**, and there must continue to be a strong local emphasis on increasing overall housing supply.

## Private sector leverage

**5.31** There is scope for much greater private sector involvement in Government shared equity schemes. On 2 October this year, Government re-launched its Open Market HomeBuy scheme in partnership with four lenders: Bank of Scotland, Nationwide, Yorkshire Building Society and Advantage.

**5.32** Participating lenders are offering a regular mortgage combined with an equity loan of 12.5 per cent, alongside a Government equity loan of up to 12.5 per cent, which will be provided via HomeBuy Agents. No charge is levied on either of the equity loans for the first five years. After five years the homeowner could be charged a maximum of three per cent interest on the lender's equity loan, rising up to — but not exceeding — the lender's standard variable rate after 10 years. When repaying the equity loans, the homeowner will have to share any increase in the property's value with both the lender and the HomeBuy Agent.

**5.33** Other lenders are free to join the scheme over time — expanding the range of choice available to buyers.

**5.34** The involvement of private lenders in Open Market HomeBuy has significantly reduced the cost to government (from an average of around £50,000 to around £25,000) enabling us to double the number of households we help with the same amount of public subsidy.

**5.35** The current pilot runs to 2007–08. The Government will continue to work with its partners to improve the features of the Open Market HomeBuy product range over the coming months, and in particular, **the Government will seek to develop an option for households able to purchase around 50–70 per cent shares — extending the reach of the scheme to those on lower incomes.**

**5.36** Increased private provision of shared equity schemes serving those closest to the market will enable Government to expand the opportunity for lower income households who can only afford to sustain a smaller share of a property. By leveraging in private finance in support of its schemes the Government would hope to maintain the average grant rate per household, despite them benefiting from more assistance overall.

**5.37** The Government will launch a competition in Spring 2007 for new and existing lenders to join in a 2008–09 to 2010–11 round of this scheme. In the process we hope to stimulate the market more widely, increasing the range of lenders and, in the long term, reduce further the government’s equity share.

**First Time Buyer Initiative**

**5.38** Initial market testing indicates that there could be a number of firms interested in investing in acquiring English Partnerships’ retained investment the First Time Buyer Initiative once the portfolio had achieved a critical size. **English Partnerships will explore options with investors to securitise the First Time Buyer Initiative loan book.**

## SETTING PRIORITIES

**5.39** Together, Government working with the market can assist many more households to realise their homeownership aspirations. But given the potential size of the ‘intermediate’ market, and the available resources, there will inevitably be many more households seeking assistance than can be directly helped by Government in the short-term. The Government recognised there would be a need to prioritise assistance, reflecting the social, market and/or economic benefits that would arise from helping different groups into homeownership.

**5.40** The case for assisting social tenants is very clear. The cost in government grant of providing a new social tenancy is around £61,000 nationally, rising to £100,000 in London — significantly more than any low cost home ownership option.

**5.41** There is also a strong case for reducing demand for social tenancies by helping those on waiting lists where we can be clear that they were genuinely likely to access social housing. But more work is needed to ensure this is the case, as was highlighted by the NAO.

**5.42** The recent key worker evaluation showed clear benefits to public sector employers in addressing acute recruitment and retention issues.<sup>2</sup> 62 per cent of those accessing Open Market HomeBuy and 58 per cent of key workers accessing New Build products stated they are more likely to remain in their occupation as a result.

**5.43** Private sector key workers are not included within the eligible groups as the prime objective is to support improvements in public services. It is the responsibility of private and voluntary sectors to address their own recruitment and retention issues.

**5.44** Conversely, in areas of low housing demand there can be a case for shared equity to improve tenure mix and support regeneration and renewal programmes.

**5.45** In future, Government will look to target its assistance at — in order of priority:

1. Freeing up or avoiding social tenancies
2. Addressing problems in local and regional housing markets (e.g. certain public sector key workers)

<sup>2</sup> *Evaluation of Key Worker Living: Final Report*, DCLG, 2006

Subject to the availability of funding, it may also be appropriate to broaden housing options for other public sector workers and households with a strong local employment connection who are unable to afford to buy a suitable home in their travel to work area. Decisions on the appropriate balance of resources between priority groups will be taken as part of the Comprehensive Spending Review.

**Ensuring good advice** **5.46** Given the increasing focus in Government schemes on assisting more households on lower incomes into homeownership, ensuring they receive good advice is crucial.

**5.47** Better financial advice must be an integral feature of the HomeBuy programme as a while. Government will work with the Housing Corporation, local authorities and housing associations to ensure a consistently high standard of advice is given to low cost home ownership purchasers.

## NEXT STEPS

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**5.48** The findings and conclusions of the Task Force will be reflected in the Comprehensive Spending Review.

**5.49** Taking together the various improvements in procurement and other efficiencies, Government expects to be able to assist an extra 20,000 households from within the existing baseline by 2010. Including the numbers now expected to be assisted by market products and a stronger role for the private sector raises the number still further. **The Government now expects well over 160,000 households to have been assisted into homeownership through either private or public shared equity products by the end of 2010, double original expectations.**



## Objective

**A.1** The objective of the task force is to consider the case for Government intervention in the housing market to assist ‘intermediate’<sup>1</sup> households into homeownership using shared equity products.

## Terms of Reference

**A.2** The taskforce will:

- Review, confirm, and if necessary update the evidence on the number and characteristics of the ‘intermediate’ households affected.
- Assess the benefits and risks, for individuals, the housing market, the mortgage market, and the wider economy of enabling homeownership for this group through the use of shared equity products.
- Identify whether there are market or state failures holding back the development by the private sector of shared equity products for this group, together with options for reform if necessary.
- Take proper account of the regulatory regime that applies to these shared equity products, and how any proposed reforms would impact on that.
- If products for some of this group would only be viable with public subsidy quantify the numbers affected, the level of investment that would be required, and the most cost effective subsidy route for the Exchequer.
- Determine the net social, market or economic benefits arising from homeownership that would justify public investment for some, if not the entire intermediate group. Given limited and finite resources set out clear priorities for public assistance within the ‘intermediate’ group.
- Determine whether the same level of public investment channelled through new-build solutions or for open market purchase have significantly different impacts on the housing market.
- Produce a report by end 2006 to inform the Comprehensive Spending Review.

**A.3** The work of the taskforce will include:

- Establishing an advisory panel to inform and/or test taskforce emerging findings. Membership of the panel to include experienced practitioners and academics with representatives from finance industry, house builders, Local Authority and housing association sectors.
- Identifying which shared equity products have been or are currently in use, or that are in development in both public and private sectors and their affordability to individuals currently in the ‘intermediate’ group.

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<sup>1</sup> Households with incomes too high to qualify for housing benefit but too low (with conventional mortgage financing) to buy at the lowest decile for 2 and 3 bedroom homes

- Estimating potential take-up of current or in-development commercial models and their impact on the current 'intermediate' group.
- Modelling and assessing the impacts of increased use of shared equity on local, regional and national housing markets, the mortgage market and the wider economy. This analysis to include likely impacts on labour mobility and the Private Rented Sector.
- Establishing the regulatory requirements for different shared equity products.
- Establishing to what extent the ongoing risks and obligations of homeownership are sustainable for members of the 'intermediate' group and define those for whom homeownership would be unsustainable.
- Establish practicality and value for money of different products for delivering public subsidy if justified.

**A.4** The work of the taskforce will not include:

- Consideration of other forms of personal support (e.g. benefits, personal tax allowances, tax credits, etc.)
- Consideration of other products for sustaining home ownership (e.g. insurance, sinking funds, etc.)
- Consideration of other factors impacting on cost of house purchases (e.g. stamp duty, VAT, legal and estate agent fees, etc.)

# B

## MEMBERSHIP OF THE TASK FORCE AND ADVISORY PANEL

**Task Force members** **B.1** The Task Force membership was drawn from Ministers and officials of the Department for Communities and Local Government and HM Treasury, who in turn drew on the knowledge and experience of many other colleagues during their work.

### **DCLG**

Yvette Cooper—Housing Minister

Lise-Anne Boissiere

Scott Dennison

Andrew Morrison

Julie Pearce

Sally Randall

Peter Rubak

John Snowdon

Andrew Wells

### **HM Treasury**

John Healey—Financial Secretary

Angus Armstrong

Sue Catchpole

Keith Jackson

James Paton

Ray Shostak

**Advisory panel members** **B.2** Advisory panel members were appointed for their personal knowledge and experience of homeownership issues, rather than as representatives for particular organisations, firms, or sectors. Their role was to provide a source of independent advice and challenge to the Task Force, which has been grateful for their input and assistance. The report though represents the views of the Task Force, not the advisory panel. The panel members were:

Kate Barker – Bank of England

Paul Beardore – Rochdale MB Council

Glenn Bramley – Herriot Watt University

Andy Caton – Yorkshire Building Society

Neale Coleman – Greater London Authority

Julie Cowans – Joseph Rowntree Foundation

Kate Davies – Notting Hill Housing Trust

Susan De Mont – Financial Services Authority

Janet Ford – University of York

William Hill – Schroders

Rob Hopkins – Regenter Group

Graeme Moran – Metropolitan Housing Trust

Paul Pedley OBE – Redrow plc

David Pretty – Barratt Homes

Steve Rumbelow – Manchester Council

Adam Sampson – Shelter

Sarah Webb – Chartered Institute of Housing

Mark Webster – Nationwide Building Society

Professor Steve Wilcox – University of York

Peter Williams – Council of Mortgage Lenders

Piers Williamson – The Housing Finance Corporation



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