

Long live the borrower – long lend the lender

Charlie Blagbrough
Policy Adviser

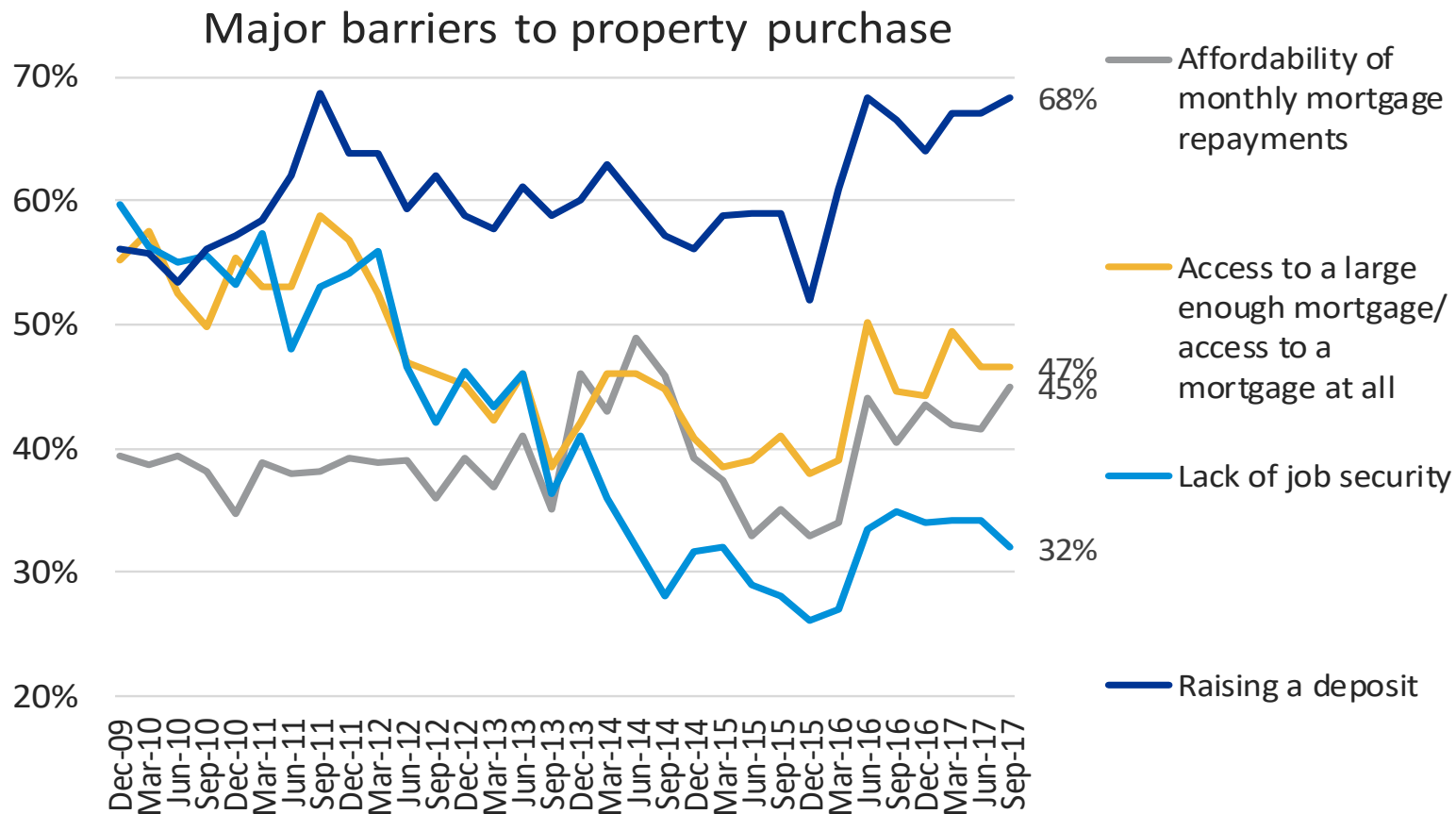
 Building Societies
Association

Introduction

1. Background to BSA work
2. Increasing longevity and the changing mortgage landscape
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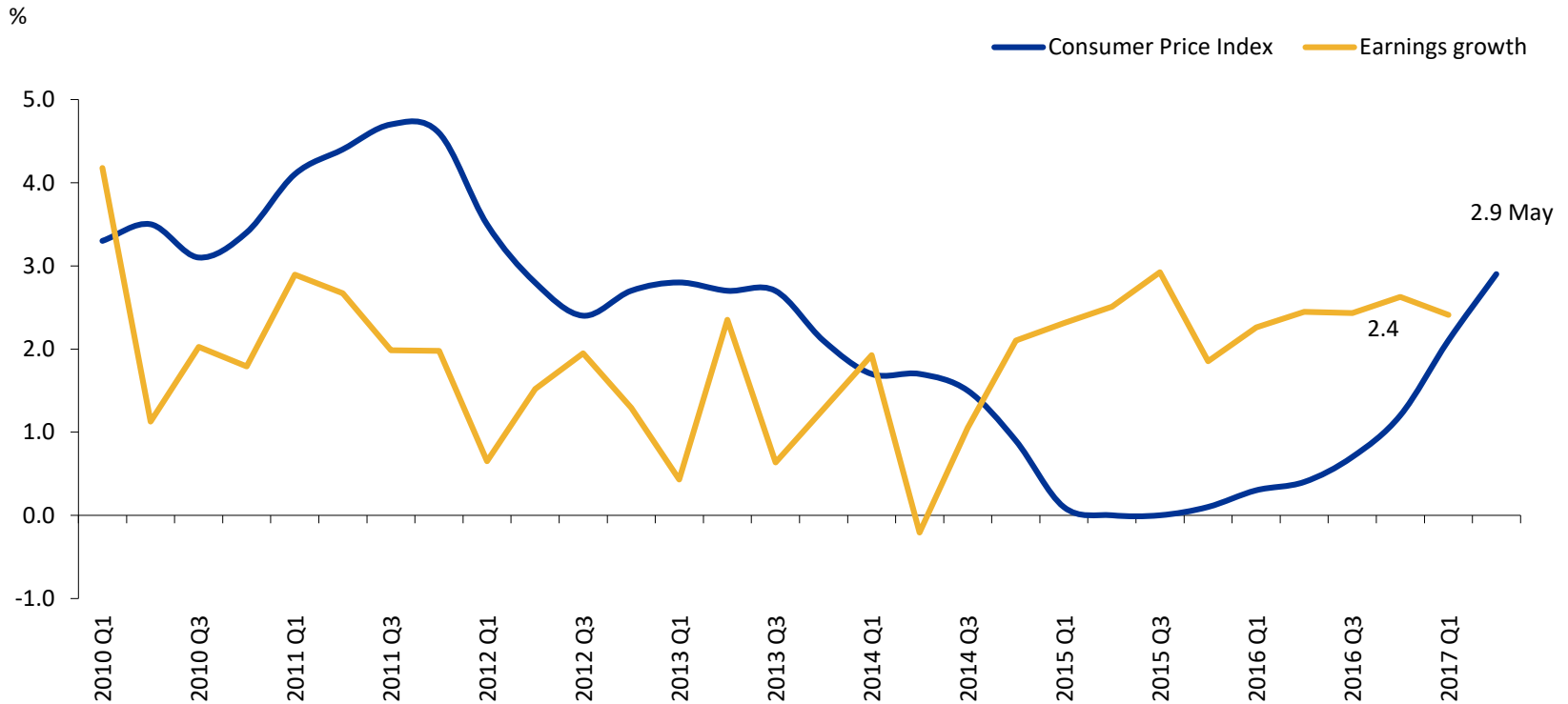
Background

Pressures are growing in the housing market



Source: BSA Property Tracker September 2017

The household income squeeze is on



The Media Spotlight

Since MMR the press has been regularly covering this issue.

Questionable what effect MMR has really had:

- UKF data for H1 2017 shows 40% of building society borrowers will be >65 at maturity.
- BSA members: Smaller lenders were already underwriting individually and assessing affordability.
- On max age criteria, building societies are at the liberal end. A number have no max age.



Building societies lead the way.....

The Cambridge removes upper age limits

The Cambridge Building Society has followed Skipton by removing upper age limits on its buy-to-let and residential mortgage ranges.

Ryan Bembridge January 15, 2016




THE SUNDAY TIMES

At last! You can take out a mortgage over 65

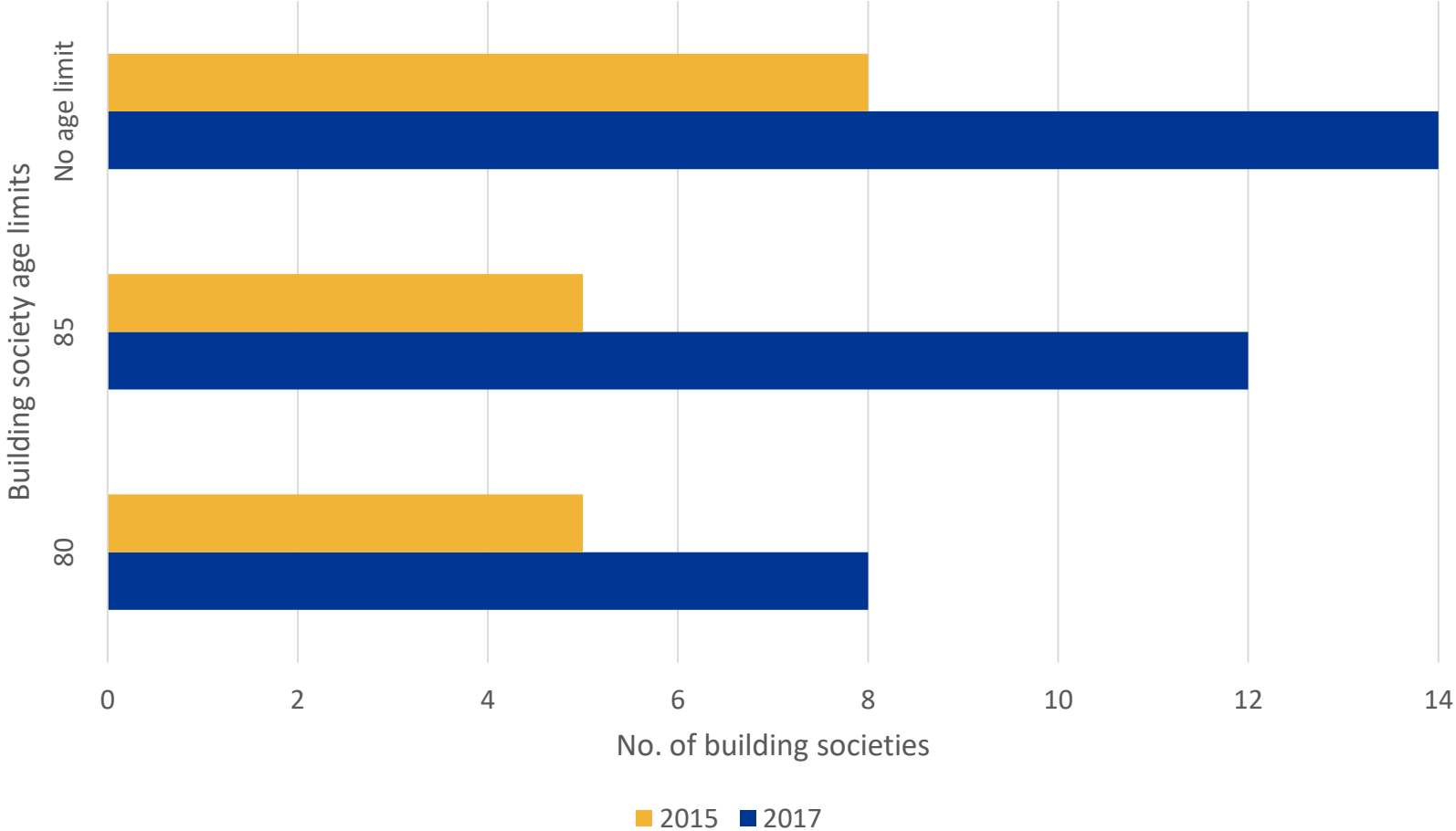
After a long clampdown, lenders are finally starting to relax their rules to help older borrowers

NEWS

Dudley Building Society scraps upper age limits

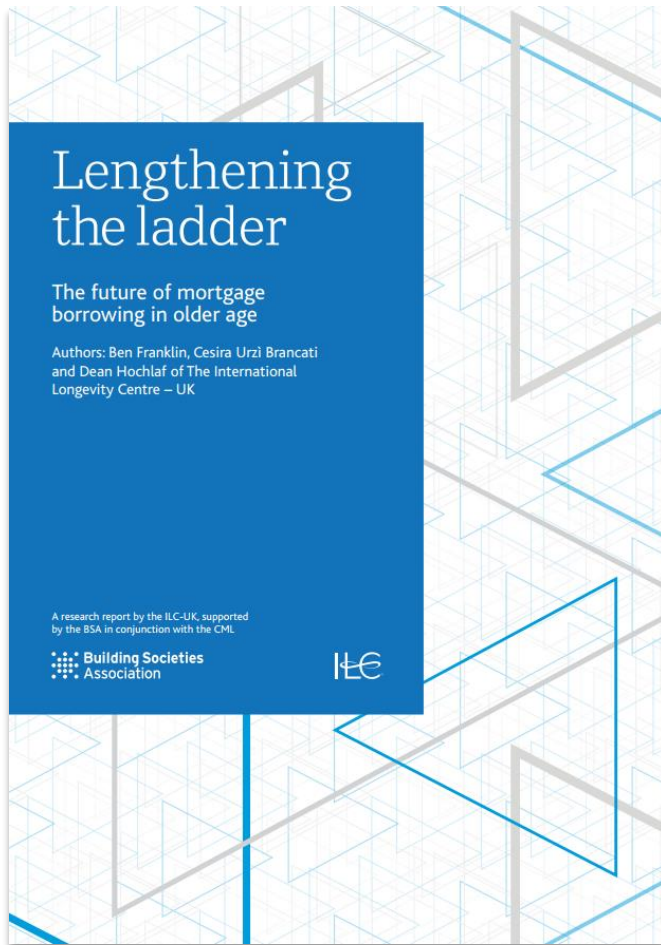
Dudley Building Society has removed upper age restrictions across its entire range as it looks to cater for older clients.

Age limit breakdown



Increasing longevity and the changing mortgage landscape

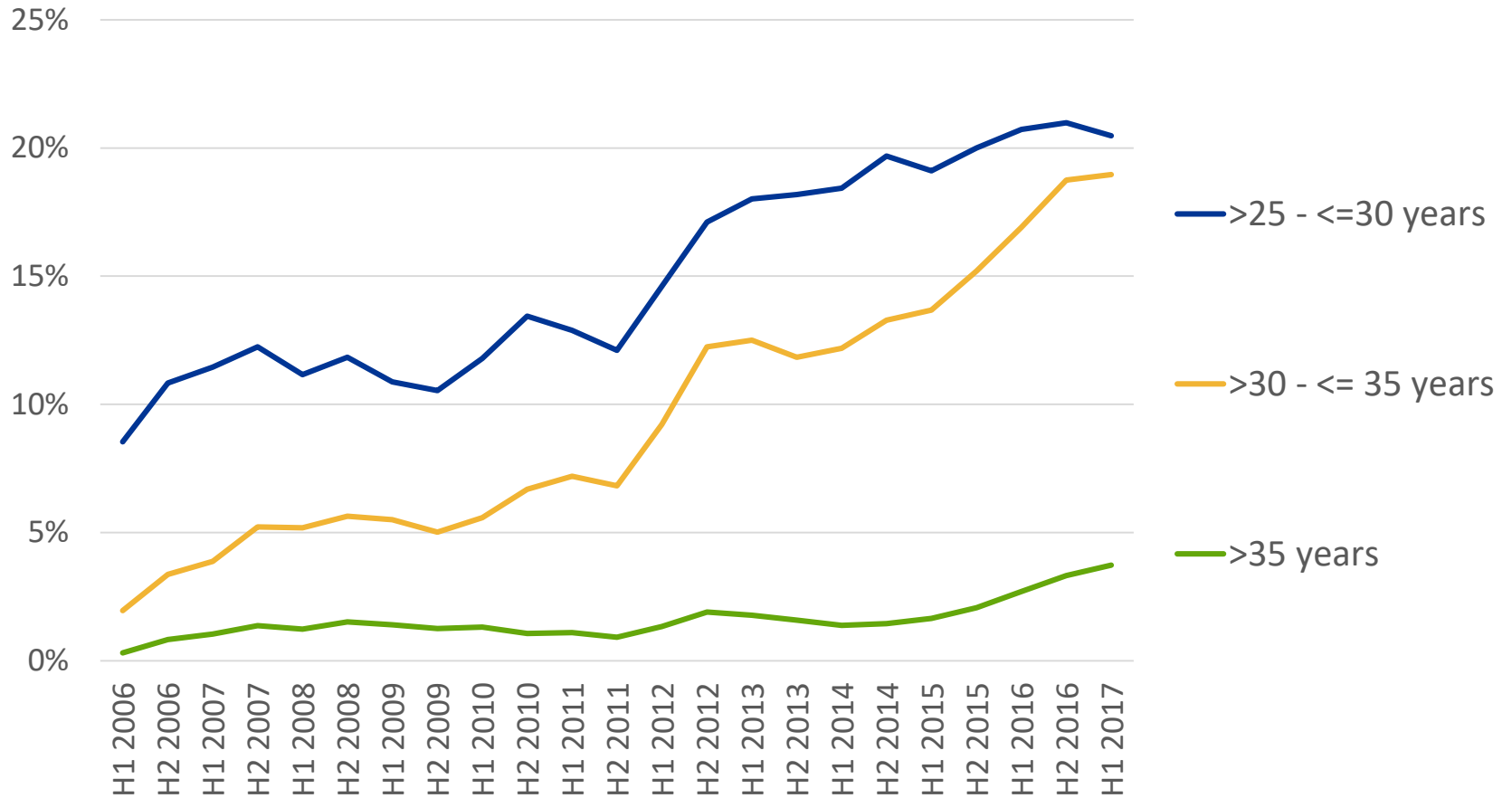
Demographic and economic pressures too



- Lack of housing affordability
- Stagnating incomes
- Ageing population
- People borrowing later in life, and over longer terms
- Forecast that mortgage debt in over-65s will double to almost £40bn by 2030

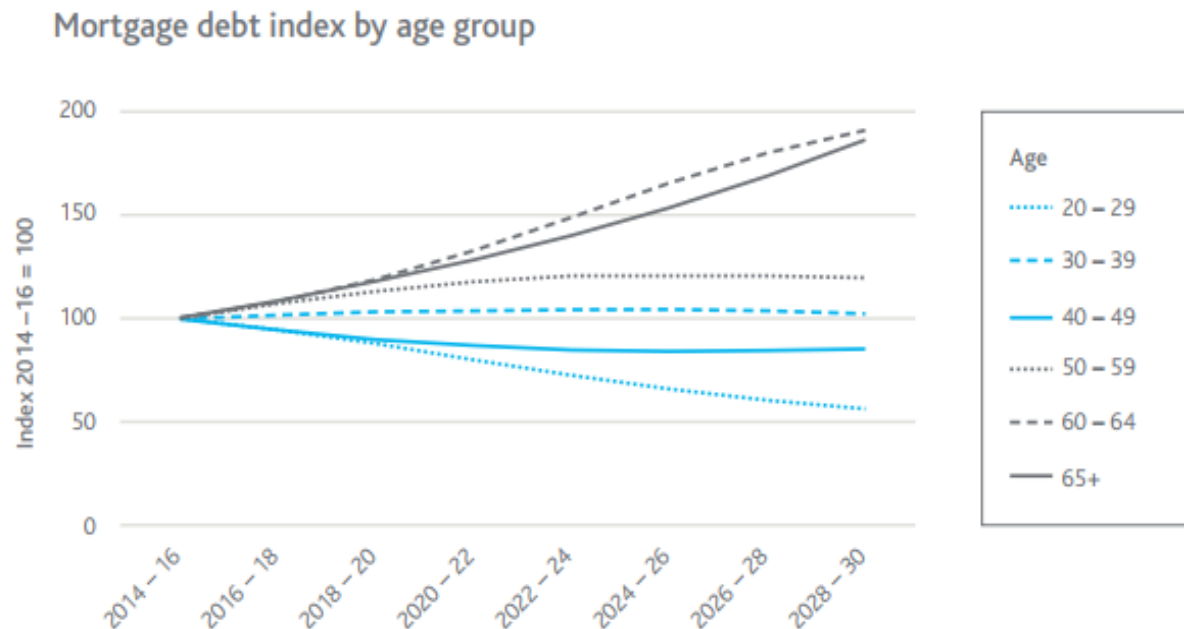
Is a 25-year term still the norm?

Mortgage terms over 25 years



Source: UK Finance Regulated Mortgage Survey

The changing shape of the mortgage market...



- Unless something changes radically, mortgage debt in over-65s is set to double by 2030
- FCA recognises this with retirement interest-only consultation

...so is this the future of home ownership in the UK?



© Private Eye 2016

The traditional (old fashioned?) home buying market

Buy in your twenties

Trade up in your thirties and forties

Pay off debt in your fifties and sixties

Enter retirement with no mortgage debt

The future/new normal?

Buy in your late thirties and forties

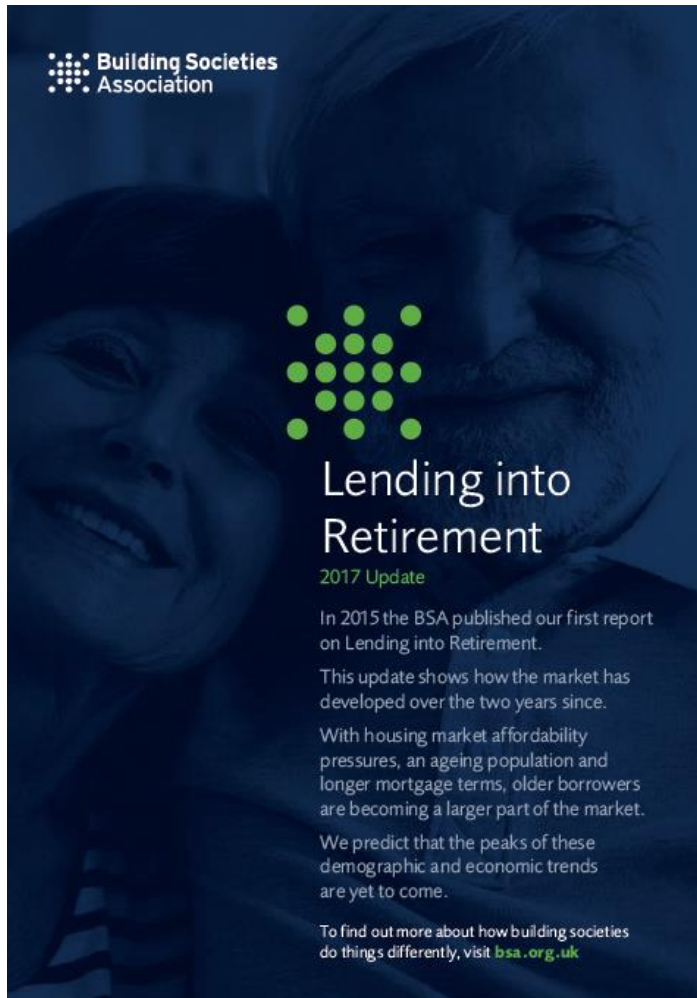
Longer mortgage terms from the outset

Trade up in later life

Repay part of the mortgage from retirement income, or borrow more to fund needs in later life

Lending into retirement 2017 update

The scores are in....



In the first half of 2017, building societies saw:

- 59,668 mortgages sold which will mature when borrower is 65+. A 45% Increase compared to the first half of 2015
- 43% of new mortgages were for terms over 25 years compared to 34% in H1 2015
- 162% increase in mortgage maturing between ages 79-84 vs H1 2015

**What next for
product
development?**

Lifetime mortgages v mortgages lasting a lifetime

Capital and interest mortgage

- › Working age borrower
- › Borrower builds up housing equity through monthly repayments

Interest only

- › Income likely to fall in retirement
- › Borrower may wish to pay interest, but not the capital for cost of living reasons

Lifetime mortgage

- › Borrower wants to draw an income from housing equity
- › Housing equity could fund social care, making adaptations to the home or support retirement income
- › Outstanding capital paid on death or entering full-time care

- What is the proper territory of a traditional mortgage vs. a lifetime mortgage?
- What should the advice standard be?
- Do traditional mortgage products need to evolve to include extra protections?
- FCA consultation on retirement interest-only mortgages – extra disclosure around tax and benefits.
- Affordability is really crucial – as are extra consumer protections.

Any Questions?