**AmTrust Mortgage Loan to Value (LTV) Tracker**

**10 January 2018**

**Slight rate drop for high LTV borrowers but product choice remains ‘patchy’ at best**

* **Average rates drop below 4% for those with 5% deposit however they still pay two-thirds more for their mortgage each year.**
* **November’s increase in Bank Base Rate feeds through to 75% LTV mortgage rates but lenders opt not to add rate increases to 95% LTV products.**
* **Real product availability for 95% LTV now suits purchasers buying at average first-time buyer prices.**

The end of 2017 brought better news for first-time buyers in terms of Government support for affordable housing and increasing supply, plus cuts to stamp duty levels for those purchasing up to £300k, and the latest findings from the quarterly AmTrust Mortgage Loan to Value (LTV) Tracker also show improvements for those first-timers with smaller deposits as average interest rates fell slightly and the average first-time buyer house price stayed level.

The Bank of England’s Monetary Policy Committee (MPC) increased Bank Base Rate (BBR) in November last year however, while average products rates for 75% LTV mortgages did increase by close to the full 25 basis points, those for 95% LTV mortgages edged down.

December’s Autumn Statement also saw stamp duty cut completely for first-timer buyers up to a threshold of £300k, and AmTrust believe lenders might be responding to this news by keeping rates for low-deposit borrowers down in order to benefit from any greater interest in purchasing from first-time buyers.

However the AmTrust Mortgage LTV Tracker continues to show that, while the rate differential between 75% and 95% LTV mortgages has narrowed, those with small deposits are still continuing to pay on average two-thirds more for their mortgage products annually, than those who have been able to put down a 25% deposit. A recurring theme of all LTV Trackers throughout 2017.

Alongside these far greater costs of servicing a mortgage, product choice for 95% LTV borrowers is ‘patchy’ with some notable fluctuations in the number of products available, depending on the loan required and house purchase price.

The AmTrust Mortgage LTV Tracker reviews the average monthly mortgage payments for first-time buyers on average loan levels, comparing loans for those with a 5% deposit to those with 25%, and looks at the product availability for first-timers.

Average fixed-rates for 95% LTV mortgages, according to Bank of England data, continued to fall at the tail end of the year, dipping below 4% for the first time since March 2017. Conversely, average rates for 75% LTV mortgages rose to 1.62% - their highest level since August 2016 – with lenders appearing to have raised rates prior to the MPC’s decision with the average rate up from 1.4% in September, to 1.55% in November, and then 1.62% in November.

AmTrust’s research reveals that the average loan required by first-time buyers has gone up very slightly since the last quarterly tracker in September – up to £122,860 for those with a 25% deposit, and £155,622 for those with a 5% deposit.

With average rates of 1.62% for 75% LTV loans, and 3.96% for 95% loans this means high LTV first-time buyers will still pay 68.3% more than those with bigger deposits - £5,976 per year compared to £9,816.

**Table 1: Average monthly repayments: 75% LTV mortgages and 95% LTV mortgages\***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **75% LTV mortgage** | **95% LTV mortgage** | **Difference 75%-95%** |
| **Deposit** | £40,953 | £8,191 | £32,762 |
| **Loan** | £122,860 | £155,622 |   |
| **Interest rate November 2017 (average)** | 1.62% (1.42%) | 3.96% (4.02%) | 2.34% (2.6%) |
| **Monthly fixed payment (two years)** | £498 (£486) | £818 (£821) | 64.3% (68.9%) |
| **Annual payment** | £5,976 (£5,832) | £9,816 (£9,852) | 68.3% (68.9%) |

*Source: AmTrust Mortgage & Credit, Money Saving Expert, UK Finance, Bank of England*

*Figures in brackets – Q3 LTV Tracker results.*

*\*Based on an average first-time buyer house price of £163,813 (UK Finance – October 2017)*

AmTrust believes the cut to stamp duty for first-time buyers may well feed through into higher house prices – latest figures from the Halifax reveal that the price of an average UK house rose a significant 3.8% between June and November last year. Latest figures for November reveal that the average house price is £226,821, up from £218,390 in June.

Even if the trend for 95% LTV mortgage pricing continues to inch down, this increase in house prices will still mean mortgage costs remaining high and AmTrust believes any stamp duty saving might well be added to the offers first-timers have to make in order to secure the homes they want.

The likelihood remains that, as house prices continue to move upwards, first-timers will need to find both bigger deposits and take out larger loans in order to get onto the property ladder.

**Product numbers fluctuate – dependent on loan required and cost of home**

This iteration of the AmTrust LTV survey continues to review the number of actual product options available to first-time buyers with either a 5% or 25% deposit based on the price of an average first-time buyer house, the price of an average house as outlined by the November 2017 Halifax House Price Index, and the price of a house at the top of the first tier of stamp duty land tax. In order to do this, AmTrust uses one of the online mortgage search engines which include deals available to both mortgage advisers and direct-only.

Even though first-timers are now immune from stamp duty costs, for homes up to a value of £300k, AmTrust has maintained its look at product availability for those seeking to purchase at £250k in order to review how this changes as house prices increase.

The latest research revealed that there has been a further fluctuation in product choice – this time for those wanting to purchase a home at the value of Halifax’s average UK house price (£226,821), with a significant dip in product numbers, previously not seen.

In previous iterations of the LTV Tracker, product numbers were incredibly low for those wanting loans for properties priced at the average first-time buyer level but with only a 5% deposit to put down. In this iteration however, loans for properties priced at £163,813 have grown significantly – up from just one product to 66 for two-year deals, and from six to 164 for those willing to look at a range of terms.

The big drop has come for those wanting larger loans with smaller deposits, perhaps showing that lenders are less likely to provide larger mortgages to those first-timers who only have a 5% deposit available to them and want to purchase a higher-priced property.

Product choice however for those wanting 95% LTV loans is still incredibly small across the board compared to those first-time buyers who are able to find a 25% deposit. Hundreds, if not thousands, of products are available to such borrowers. AmTrust believes lenders continue to aim the bulk of their first-time buyer product range at those with larger deposits.

**Table 2: Number of products currently available at 75% and 95% LTV at three different house price levels**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **House price** | **75% LTV – two-year term/all mortgage deals** | **75% LTV – all terms/all mortgage deals** | **95% LTV – two-year term/all mortgage deals** | **95% LTV – all terms/all mortgage deals** |
| **£163,813****(UK Finance – average price of a first-time buyer home Oct 2017)** | 381 products(365) | 907 products(905) | 66 product(1) | 164 products(6) |
| **£226,821****(Halifax House Price Index – average UK property price Nov 2017)** | 381 products(363) | 908 products(900) | 1 products(59) | 7 products(150) |
| **£250,000****(Upper threshold of first Stamp Duty Land Tax tier)** | 578 products(560) | 1,347 products(1,353) | 64 products(59) | 161 products(150) |

*Source: AmTrust Mortgage & Credit, Money Saving Expert, CML, Bank of England, Halifax*

*Figures in brackets – product numbers Q3 LTV Tracker results.*

**Pad Bamford, Business Development Director at AmTrust Mortgage & Credit, commented**:

“The end of 2017 was undoubtedly an interesting period for first-time buyers with numerous announcements and measures aimed at them, either directly or indirectly. Certainly, the Government’s measure to cut stamp duty for first-timers would have been warmly received however one wonders just how many new purchasers this will bring to the market, with there being a widespread belief that the measure only really helps those who were going to purchase anyway.

“Also, with existing homeowners’ also set to benefit in the form of increased house prices, it may well be that any stamp duty saving simply goes towards the need for higher offers to be made by first-timers in order for them to secure the homes they want. Time will tell if the stamp duty cut truly brings more new blood into the marketplace.

“In the meantime, our Tracker reveals that some potential bad news for first-time buyers – namely November’s increase in BBR – has yet to filter into increased average product rates. Indeed, rates for higher LTV mortgages actually dropped with lenders seemingly choosing not to inflict any rate rise on 95% LTV borrowers, while those seeking 75% LTV loans did see a rise in pricing somewhat akin to the 25 basis points increase in BBR.

“It means that the differential in pricing between higher and lower LTV products has continued to narrow slightly however, as our research shows, those with smaller deposits will still pay considerably more than their larger deposit counterparts.

“In terms of product choice, those seeking 75% LTV mortgages can still choose from in most cases, hundreds of loans, while those at the higher LTV level remain stuck with a much poorer and increasingly patchy choice. It means that the mortgages first-timers are most likely to need – high LTV ones – are still nowhere near the level we would hope to see.

“The latest figures from UK Finance on first-time buyer activity throughout 2017 appear to show further growth, with the anticipation that there will be more first-timers purchasing than home movers in 2018. However, potential first-time buyers with small deposits are hamstrung in today’s mortgage market.

“Until more lenders recognise the importance of product choice in this part of the market, and perhaps utilise mortgage insurance in order to de-risk their offerings, then first-timers are still going to need large deposits in order to secure anything close to a competitive mortgage. Compared to those with 25% deposits, these borrowers are undoubtedly the poor relations and we really need to see some joined-up thinking in the year ahead in order to ensure ongoing Government measures -designed to improve the lot of the average first-time buyer - are not scuppered by poor product availability.”

* **ENDs -**

**Methodology**

The AmTrust Mortgage LTV Tracker has been developed to analyse monthly, quarterly and annual data from the Treasury, the Bank of England and the UK Finance on product availability, mortgage rates and LTVs.

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