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

**11 October 2018**

**LTV Tracker reveals increased
product choice for first-timers**

* **Product numbers across all reviewed options increases for the first time since the LTV Tracker was established.**
* **Average rates drop for those with only 5% deposit but significant disparity in product options for those with 25% continues.**
* **Cost of monthly mortgage payments for first-time buyers drops back to October 2017 levels.**

Product numbers for those purchasers with both 5% and 25% deposit levels have increased across all mortgage options for the first time since the LTV Tracker was introduced, however those with smaller deposits continue to pay over 50% more each month than their larger deposit counterparts.

These were among the latest findings from the quarterly AmTrust Mortgage Loan to Value (LTV) Tracker, which 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 also looks at the product availability for first-timers.

Despite two increases in Bank Base Rate (BBR) over the last 12 months, product pricing has stayed consistent with this quarter’s LTV Tracker showing a significant 34 basis points drop in the average rate for a 95% LTV mortgage.

Average rates for those with a 25% deposit only increased by 1 basis point up to 1.75% this quarter from 1.74% back in July. The rate differential between 75% and 95% LTV loans has therefore narrowed from 2.21% last time to 1.86%, showing a much more competitively-priced high LTV sector than in recent years.

However, first-timers with only a 5% deposit can still expect to pay over 50% more each month for their loans. Those with smaller deposits pay (on average) £821 per month/£9,852 each year, while those with 25% deposits pay (on average) £527 per month/£6,324 per year.

AmTrust believes that, as the year comes to a close, there will be greater competition in the high LTV sector as lenders seek to secure increased business from first-timers and greater margin on their loans. Even with further increases to BBR, product pricing for lower-deposit mortgages may sustain their competitiveness as lenders look to increase business share in this part of the market.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **75% LTV mortgage** | **95% LTV mortgage** | **Difference 75%-95%** |
| **Deposit** | £42,647 | £8,529 | £34,118 |
| **Loan** | £127,941 | £162,059 |   |
| **Interest rate August 2018 (average)** | 1.75% (1.74%) | 3.61% (3.95%) | 1.86% (2.21%) |
| **Monthly fixed payment (two years)** | £527 (£516) | £821 (£834) | 55.7% (61.6%) |
| **Annual payment** | £6,324 (£6,192) | £9,852 (£10,008) | 55.7% (61.6%) |

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

*Figures in brackets – Q2 2018 LTV Tracker results.*

*\*Based on an average first-time buyer house price of £170,588 (UK Finance – July 2018)*

**Product numbers continue to fluctuate**

Greater lender interest in first-time buyer business is also being reflected strongly within the market, with a growing number of products for both 75% and 95% LTV borrowers.

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 from UK Finance figures, the price of an average house as outlined by the August 2018 Halifax House Price Index, and the price of a house at the starting tier of stamp duty land tax, £300k. Below this amount first-time buyers do not need to pay any stamp duty.

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.

The latest research shows the first increase in product numbers across all product sectors, both 75% and 95% LTV and two-year and all-term deals, since the establishment of the LTV Tracker.

Two-year product options for 95% LTV have hit three figures for the first time (for those wishing to purchase an average first-time buyer home and the average-priced UK house), while all 75% LTV product numbers also increased.

AmTrust does however point out that the disparity between those with a 25% and 5% deposit is marked with hundreds, often thousands of products targeted at those with larger deposits. It is however encouraged by the greater number of products available to low-deposit borrowers and the falling average costs for this group.

There is however still concern that the single biggest obstacle facing potential first-timers remains saving for a big enough deposit to secure an affordable mortgage, plus product numbers in the 95% LTV range do not necessarily translate into increased levels of mortgage lending to this borrower demographic.

AmTrust continues to urge lenders to use credit-risk mitigants, such as private mortgage insurance, in order to boost their levels of low-deposit mortgages and to continue pushing down the rate differential between high and lower LTV products.

**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** |
| **£170,588****(UK Finance – average price of a first-time buyer home July 2018)** | 744 products(734) | 1,597 products(1,551) | 105 product(97) | 258 products(238) |
| **£225,995****(Halifax House Price Index – average UK property price September 2018)** | 757 products(734) | 1,619 products(1,551) | 102 products(94) | 251 products(232) |
| **£300,000****(Stamp Duty Land Tax tier – FTBs pay SDLT over this amount)** | 750 products (732) | 1,619 products(1,548) | 92 products(79) | 229 products(204) |

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

*Figures in brackets – product numbers Q2 2018 LTV Tracker results.*

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

“As we move into, what is traditionally, a very competitive time for the mortgage market there is a lot to be encouraged about in this quarter’s LTV Tracker. Lower average rates translate into lower monthly and annual payments for those borrowers with a 5% deposit, plus the differential between those with a bigger deposit has been narrowed, and we have seen a continued increase in the number of products available to high LTV borrowers.

“Such positive movement is, of course, to be welcomed however we are still concerned on a number of fronts. Saving for a deposit remains the biggest barrier to overcome and we are still at a point where many potential first-timers can only get on the housing ladder with the support of the Bank of Mum and Dad. While product numbers have moved upwards for high LTV borrowers, compared to those available at 75% LTV, they are but a drop in the ocean.

“It means that, not only do first-timers have to save a significant deposit in order to find more product options but they might not meet the affordability criteria – even if they have a 5% deposit – because the monthly mortgage cost is that much more.

“Government support to first-timers has improved, with cuts to stamp duty and the ongoing extension of the Help to Buy Scheme, but at some point the market has to stand on its own two feet and if lenders were able to use tools such as private mortgage insurance to mitigate their risk, not only would they be able to offer more product choice but they could bring pricing down closer to the levels that those borrowers with bigger deposits benefit from.”

* **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.

**Media contacts:**

For more information, please contact:

Patrick Bamford, AmTrust Mortgage & Credit

Patrick.bamford@amtrustgroup.com, 020 7152 1384, 07920 702154

Rob Griffiths, Public Relations for AmTrust Mortgage & Credit,

White Dragon Communications, rob@whitedragoncomms.co.uk, 07983 641566

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AmTrust International’s Mortgage & Credit team focuses on mortgage insurance in the UK and Europe, working with building societies, banks and other financial institutions. It has been offering flexible mortgage insurance solutions to suit different lender requirements, whether that is on a loan-by-loan basis or at a portfolio level, since 1993. Its protection to lenders makes high loan-to-value mortgage loans (where the borrower does not have a large deposit) available to good credit-quality borrowers. The Mortgage & Credit team has unmatched expertise and capacity including a unique arrangement with highly rated reinsurers.

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For further information on the AmTrust Group please contact Denise Johnson, European Marketing Manager on +44 (0)115 934 8973 or visit [www.amtrustinternational.com](http://www.amtrustinternational.com)