



Mortgage Affordability Takes On A New Dimension

A 3D rendering of a field of dark grey cubes on a light grey surface. One cube in the center-right is brightly lit from below, creating a strong glow and casting a shadow. The other cubes are dimly lit, creating a sense of depth and perspective.

Mortgage Affordability Report
April 2022

Foreword



The mortgage market continues to be as dynamic as ever. We have come off the back of unprecedented demand, fuelled by life in lockdown and the Stamp Duty incentive, within a low interest rate environment and lenders awash with funds to lend. This led to a price war that saw mortgage rates reach new heights of competitiveness.

Since then, a cost of living crisis driven by dramatic energy price rises has seen the economy hit by spiralling inflation, forcing the Bank of England to increase Base Rate and leading to mortgage lenders hiking interest rates on a regular basis.

All this is going to impact mortgage affordability, taking on a new dimension in a way we have not seen for many years.

This Report shows just how complex mortgage affordability is right now and how invaluable mortgage affordability platforms can be to mortgage brokers; saving them time and helping to provide clients with a swift and professional service.

We can see that assessing affordability is already embedded in brokers' ways of working, and has been for many years. Now the market expects to see more lenders embedding affordability into their thinking too, particularly when it comes to product design. The market has already seen some products take affordability into consideration, but there is more the industry can do in order to give even better consumer outcomes.

After all, mortgage affordability is the next big thing.

Andrew Montlake

Managing Director, Brand Evangelist & Spokesperson at Coreco Mortgage Brokers and Chairman of The Association of Mortgage Intermediaries (AMI)

Executive Summary

- Mortgage affordability is the next big thing and we are now entering a new dimension.
- It is more important than ever. It is more complex than ever. And with economic impacts, such as rising fuel prices, inflation and continued property price growth, mortgage affordability will become more prevalent for borrowers.
- Consumers are searching for “how much can I borrow” on Google and it is often the first question they ask a broker, followed by how much will it cost.
- Mortgage affordability is firmly grounded as a key starting point for broker’s initial client conversations. As the research discovered, brokers balance affordability with price for better outcomes for their clients.
- In many cases, brokers discovered lenders that they had not previously considered when they use a mortgage affordability platform to run calculations.
- 86% of brokers believe that mortgage affordability has become more complex than ever, with so many different lenders applying so many different rules.
- In a market that has been so busy, 76% of brokers stated that having accurate affordability was more important than ever. Accuracy is a key benefit of mortgage affordability platforms, and a significant outcome is time saving.
- On average, brokers save 47 minutes per case by using mortgage affordability platforms, which are becoming increasingly used by brokers. Moreover, it enables them to provide a better service to their client and help select the best lender for their circumstances.



- In 2021 we saw a price war. Such strategies are never sustainable in the longer term, and we are now beginning to see product innovation with mortgage affordability in mind. Nationwide, Generation Home, Aldermore, Vida and Kensington are a few lenders that have begun to lead the way.
- Product development will now need to be more joined up and incorporate mortgage affordability – making it far more 3-dimensional.
- Mortgage affordability platforms provide many benefits to brokers, such as time savings with fast and accurate results.
- The platforms also provide real benefits to lenders through rich data.
- There are benefits to product development and criteria tweaks that make a real difference based on data insight and not guess work or a me-too strategy.
- It delivers lenders greater operating efficiencies.
- It enables lenders to increase distribution and get smarter with marketing through technology.
- In a busy and competitive market, mortgage affordability is going to be far more talked about. Consultations on the topic are going on and the market must work together for the benefit of all.
- We are entering a new dimension of mortgage affordability and mortgage affordability platforms will make the transition easier for brokers and lenders alike.

Methodology

- This report was commissioned by Mortgage Broker Tools and carried out independently by Jeff Knight, director at Grey Matter Marketing Solutions who has been working in the mortgage market since 1997.
- The research sought to understand the role and importance of mortgage affordability from both a broker and lender perspective.
- This report is based on qualitative and quantitative research.
- From all the research and findings, it was clear just how important mortgage affordability is for those operating in the mortgage market.

Broker Research



Broker survey
425 respondents



16 one-to-one deep
dive telephone
interviews conducted

Lender Consultation



Mainstream Lenders



Specialist Buy to Let
and Residential
Lenders



Regional Building
Societies



Challenger Lenders

Industry Interviews



Key conversations
with trade bodies
and other authorities

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Key Benefits and Opportunities of
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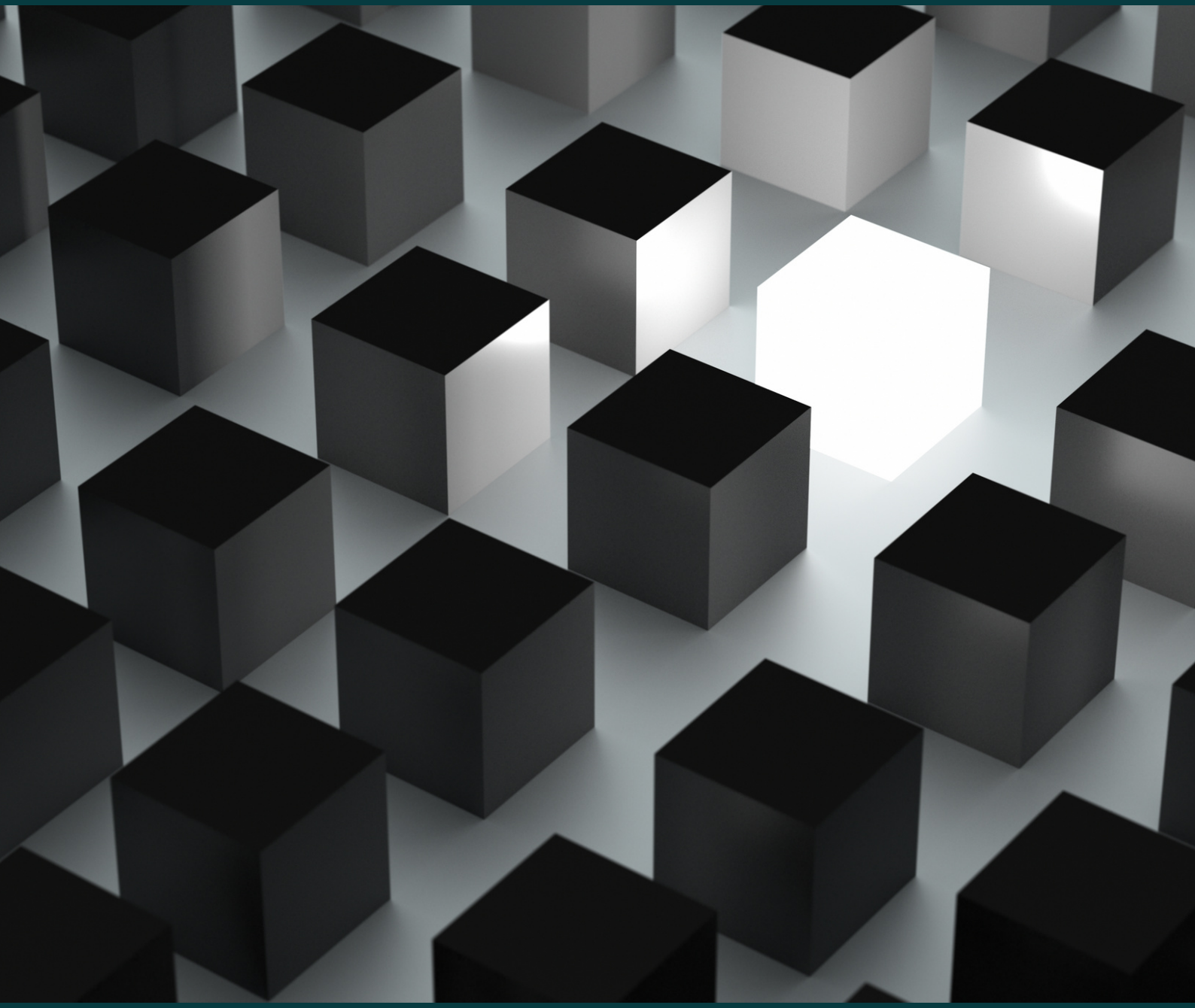
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Mortgage Affordability and the
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Section One

Mortgage Affordability, Mortgage Brokers and the Advice Process



Mortgage Affordability, Mortgage Brokers and the Advice Process

Key points at a glance

Brokers Balance Affordability With Price For Better Outcomes

Affordability is firmly grounded as a key starting point for broker-client conversations

Mortgage Affordability Platforms Are Embedded in Broker Use

70% of brokers using a platform for at least two-thirds of cases or more

Brokers are thorough and double check results on lender websites

88% of brokers either always or sometimes double-checked results on lender websites - giving lenders powerful marketing opportunities

Quick Adoption of Mortgage Affordability Platforms

70% of brokers surveyed use a platform, more can be done to raise awareness.

Mortgage Affordability is More Complex Than Ever

86% of brokers surveyed said they agreed or strongly agreed with this statement.

Having Accurate Affordability Calculations Is More Important Than Ever

A staggering 76% of brokers claimed that having accurate affordability calculations was more important than ever now.

Brokers Balance Affordability with Price for Better Outcomes

"How much can I borrow" is one of the most searched mortgage related terms on Google and often the first question a client asks a broker.

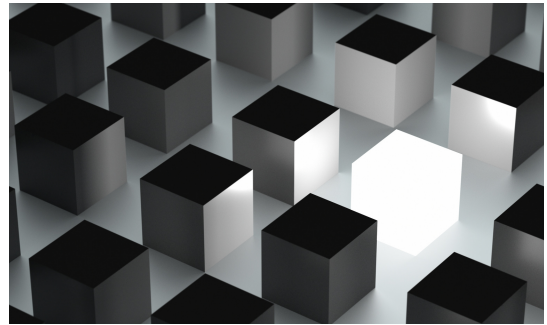
"Whilst every broker is different and works in their own way, but for many, the assessment of affordability is the starting point for client conversations.

"I use affordability to set the scene with the client. This is the first thing I do"

Mortgage Broker, Huddersfield.

Mortgage affordability calculations are a vital part of determining what lender and product serves the best interest to the consumer.

This will be balanced with other considerations, such as price, criteria and service. However, affordability is firmly grounded as a key starting point. Technology can now help brokers do this with increased speed and efficiencies, delivering better outcomes for consumers.



"It is a starting point and gives a reason to use that lender."

Mortgage Broker,
Nottingham

"My process is affordability - criteria - and price."

Mortgage Broker
Surrey

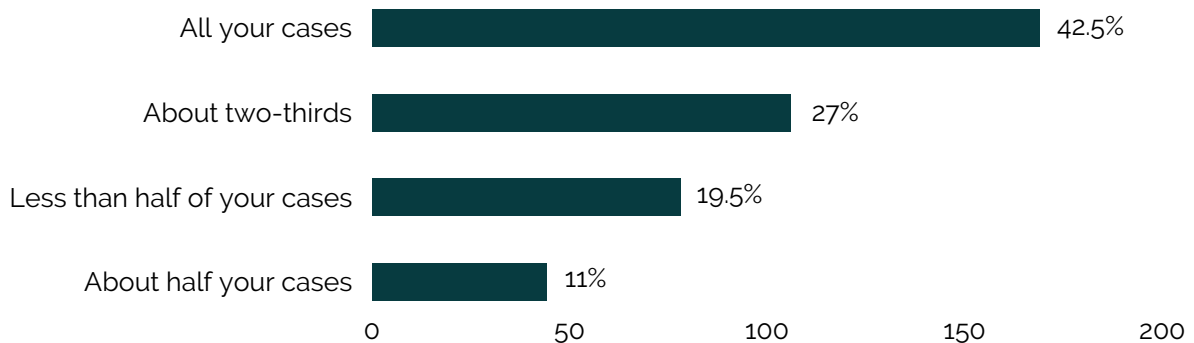
Mortgage affordability is firmly grounded as a key starting point for broker-client conversations

Mortgage Affordability Platforms are Embedded in Broker Use

Brokers who use mortgage affordability platforms, do so for the vast majority of their cases. Approximately **70% of brokers** use a platform for at least two-thirds of cases or more (the proportion is higher for MBT users at 77%).

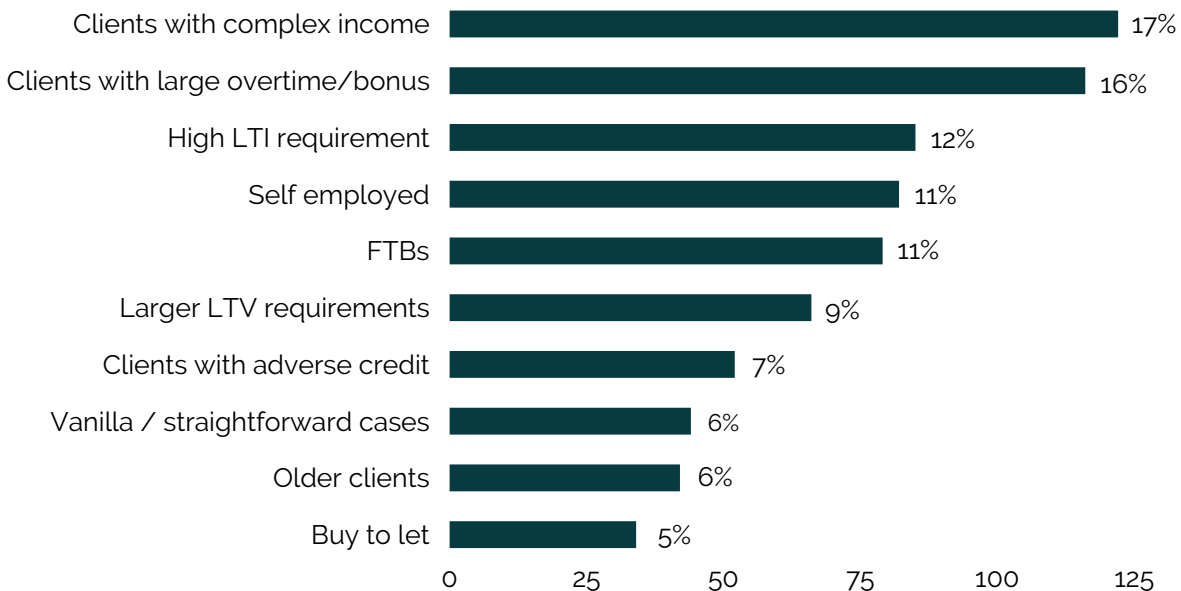
Research highlighted that once a broker starts using such a platform, they quickly realise the full value for money and potential for their business.

What proportion of ALL your cases would you estimate you use this system for?



Where a broker does not use an affordability platform for ALL cases, it is still used for a wide variety of different cases. The most common use of a mortgage affordability platform is with cases where there is more complex income and where the client has a high proportion of overtime/bonus.

Use of Platforms (where not used for all cases)



70% of brokers use a mortgage affordability platform

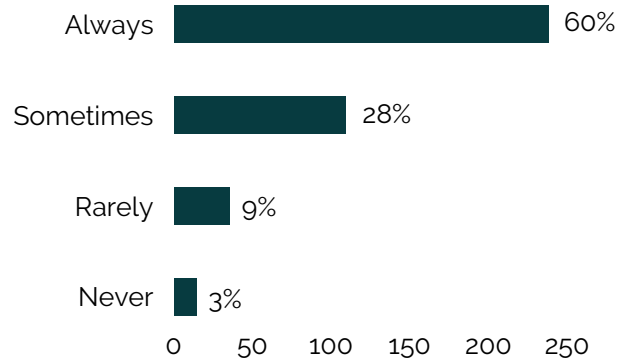
Brokers are Thorough and Double Check Results on Lender Websites

88% of brokers either always or sometimes double-check results, on a lender's website, after using the mortgage affordability platform. This is a typical part of the advice process, but only after really narrowing down their choice by using a mortgage affordability platform.

"I double check results when they are close to the bone"

Mortgage Broker,
South West

After using the system, how often do you double check the results on the lenders' own calculators?



What does this mean?

This highlights how mortgage affordability platforms have become integrated into the way a broker operates, but in a flexible way - not a rigid one.

Brokers spoken to said they double checked results for their own piece of mind, not due to mis-trust of the platforms; brokers are being thorough.

Lender Benefits

Brokers using mortgage affordability platforms narrow down their search before visiting the lender mortgage calculator. This knowledge gives really exciting opportunities for lenders.

It provides real time lead indicators for forthcoming volume and allows Marketing Departments to use marketing technology to communicate with brokers with more relevant information in real time.

Brokers use of mortgage affordability platforms and lender calculators gives lenders real time benefits

There Has Been A Quick Adoption of Affordability Platforms

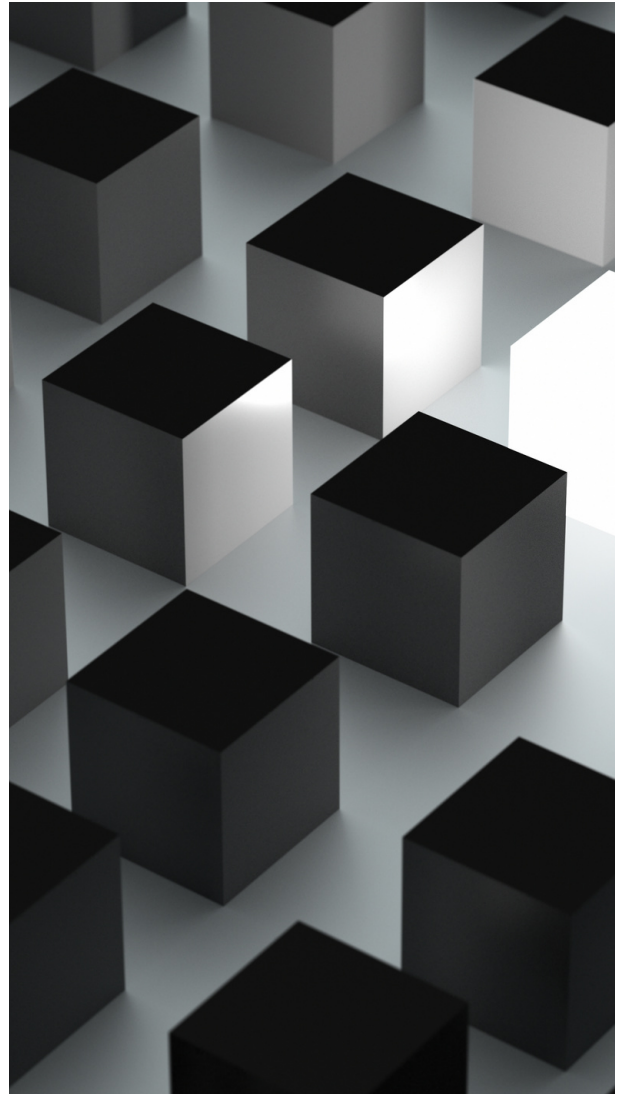
70% of the survey respondents are using a mortgage affordability platform. We have seen a fast adoption of these platforms, and this will continue, as awareness of the real time benefits that this provides brokers and their clients. Prior to such platforms, a broker would spend hours going to individual lender websites, one by one, which is a more time-consuming activity.

More shopping around required

Interestingly, 79% of brokers did not try different platforms before choosing their platform of choice. The conclusion is that perhaps the market requires a bit more awareness of the platforms on offer for brokers and brokers perhaps should shop around first before jumping on board.

More market awareness still needed

Mortgage affordability platforms give real benefits to brokers and lenders alike and the industry needs to be talking more about affordability and there needs to be greater awareness of these solutions. The industry still needs more brokers and more lenders to be fully immersed with mortgage affordability platforms, in the same way as the industry has got integrated with mortgage sourcing systems.



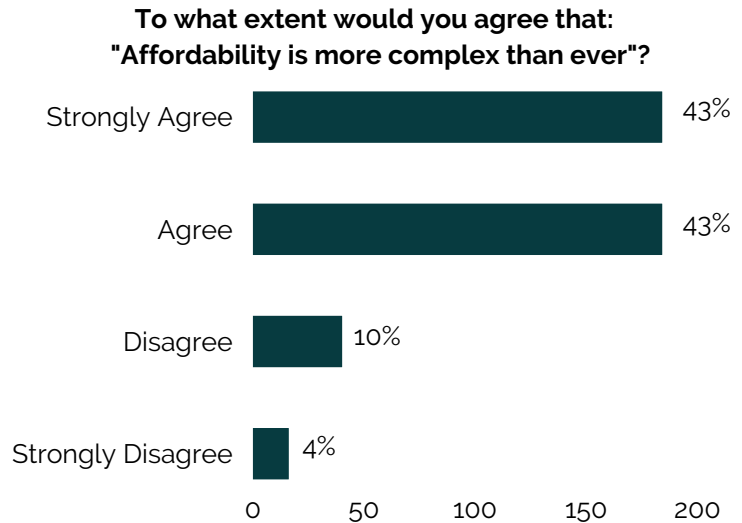
Brokers and lenders need to be fully immersed with mortgage affordability platforms, in the same way as the industry has got integrated with mortgage sourcing systems.

Mortgage Affordability Is More Complex Than Ever

Calculating affordability is more complex now, with 86% of brokers surveyed said they agreed or strongly agreed with the statement that mortgage affordability is more complex than ever.

Now calculations take so much more into account, compared to the past, with different lenders having different calculation methods which deliver a huge range in affordability results.

Given the economic climate of rising inflation, lenders have suggested that they may update their affordability rules more often, making mortgage affordability more complex still and harder for brokers not using mortgage affordability platforms.



"There is such a disparity between lenders, the way they look at cases and calculate affordability"

Mortgage Adviser, Yorks

Loan Size Variances Add To The Complexity

In previous analysis by MBT, it was discovered that the average difference between the highest and lowest loan size offered by different lenders was £120,000. Mortgage Broker Tools ran seven different types of real cases to showcase these sharp variances.

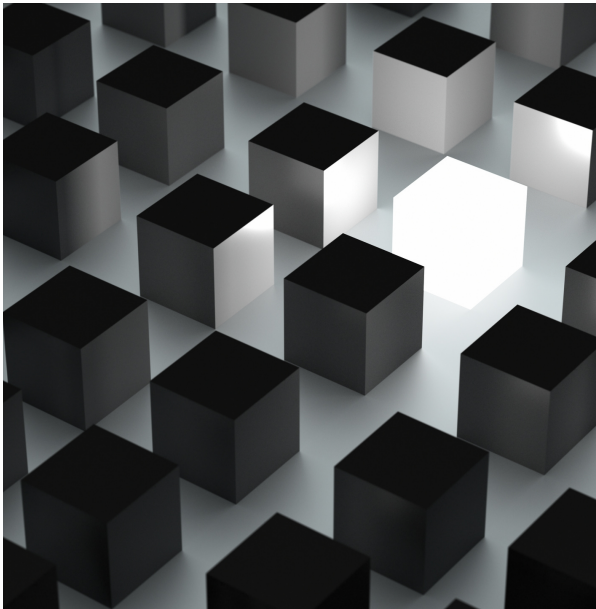


Having Accurate Mortgage Affordability Calculations Is More Important Than Ever

Affordability is becoming more complex, the mortgage market is busy and consumers are anecdotally becoming more demanding with wanting quicker answers from brokers. Therefore, it is not surprising that brokers have said that having accurate affordability is seen more important than ever.

A staggering 76% of brokers claimed that having accurate affordability calculations was more important than ever now.

Accurate affordability is a key requirement and benefit of affordability platforms as it helps build trust and no doubt will help brokers convert a greater proportion of new enquiries.



Greater Accuracy = Greater Certainty

A key motivator of brokers is certainty, and accuracy support this need.

Cases can be declined for many reasons. Using mortgage affordability platforms, alleviates the risk of being rejected on the basis of affordability.

Our research suggests this could be between 20% and 30% of cases.

Greater accuracy will save the broker time, stress and money and enable them to give a better experience to their clients.

MBT is seen as the most accurate platform

Brokers were asked how accurate their chosen affordability platform was. Of the responses, 79% of MBT users said that it returned results that were accurate on the majority of cases, with a further 11% saying it was always accurate. This compares with other platforms where a lower figure of 67% who said the platform was accurate on the majority of cases.

"I love MBT as it saves a lot of time. I trust the accuracy. It is simple to use and no training was required."

Mortgage Broker, Sussex

76% of brokers claimed that having accurate affordability calculations was more important than ever

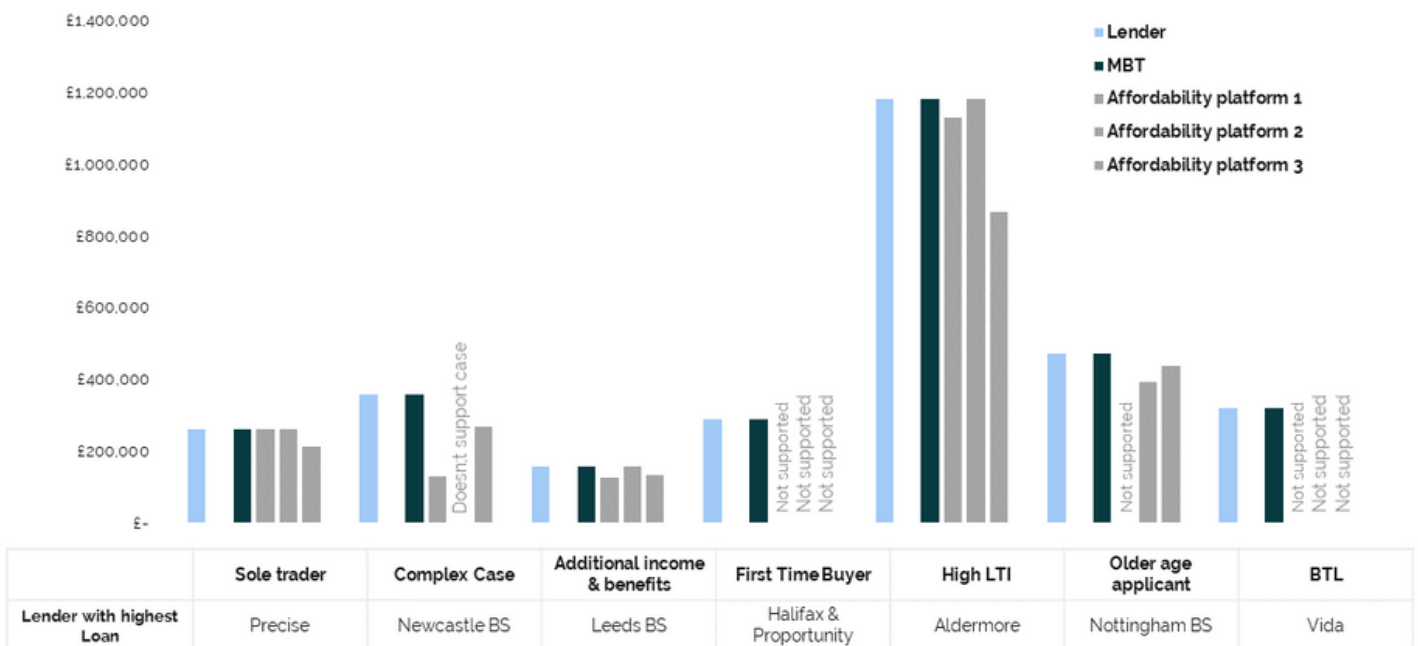
Accuracy Assessment

To test the accuracy of the platforms, seven different case scenarios were run, – matched against actual lender calculators.

MBT matched the lender calculator in all scenarios, giving more accurate results than the other platforms.

In some scenarios, where there is no data shown in the chart, the other platforms were not able to support the particular case requirements or did not have that particular lender as part of their panel.

Measuring Accuracy of MBT vs Other Platforms



MBT delivers most accurate mortgage affordability results

Section Two

Key Features & Benefits of Affordability Platforms to Mortgage Brokers



Key Features & Benefits of Affordability Platforms to Mortgage Brokers

Key points at a glance

Affordability Broadens Choice

89% of brokers said that they had ended up using a lender that they had not initially considered, as a result of using mortgage affordability platforms.

Accuracy of Results Is The Most Important Feature

64% of brokers stated that accuracy was the most important feature.

Mortgage Affordability Platforms Saves Brokers Time

Affordability Platforms Saves Brokers 47 minutes per case on average.

Affordability Broadens Choice For Brokers and their Clients

When using mortgage affordability platforms, brokers can end up discovering a broader range of lenders, giving better consumer outcomes.

89% of brokers said that they had ended up using a lender that they had not initially considered, as a result of using mortgage affordability platforms.

"MBT has really helped improve our lender spread and we have started working with lenders for the first time, as a result of using the platform. It has also helped us increase business levels with some lenders too, such as Newcastle BS and Precise"

Sebastian Murphy, JLM

"MBT is a key part of our proposition. I can often be surprised which lenders come up top for affordability."

Bekki Keens, Connells

Helping Market Diversity

The market that has been dominated by the top lenders for some time. Using the most recent data from UK Finance, the Top 10 lenders commanded a massive 85% market share.

A previous analysis by MBT discovered that the top lender for affordability was not one of the top 10 lenders in 73% of cases, showing that the top lenders may not always be the best outcome for consumers.

"I discovered Leeds BS which was a better outcome for my client"

Mortgage Broker, Surrey

It can be concluded that affordability platforms can help brokers give a more diverse range of options to their clients and which will also help those lenders outside the Top 10 increase market share - all of which is good for a more competitive market.

89% of brokers said that they had ended up using a lender that they had not initially considered

Accuracy of Results is The Most Important Feature

Broker sentiment was clear - accuracy of results was by far the most important feature of mortgage affordability platforms - with 64% of brokers stating it was the most important feature.

Looking beyond this feature, it was discovered that having a quick and easy to use platform was the second ranked feature, followed by the ability to re-enter information without starting again.

Features	Percentage of Top Ranking
Accuracy of results	64%
Quick and easy to use	15%
Ability to re-enter information without starting again	7%
The number of lenders on their panel	6%
Integrated criteria and product information	5%
Integrated with my CRM	3%

Affordability Platforms Saves Brokers Time

The biggest benefit of mortgage affordability platforms is that it saves them time - according to 56% of brokers surveyed. This was followed by 27% of brokers saying that the biggest benefit being that it helps them place a case.

Overall, brokers who use an affordability system save time on each case and on average this is 47 minutes per case - giving benefits of enhanced service and building client relationships.

"It is like having an extra member of staff"

Mortgage & Protection Consultant, Essex

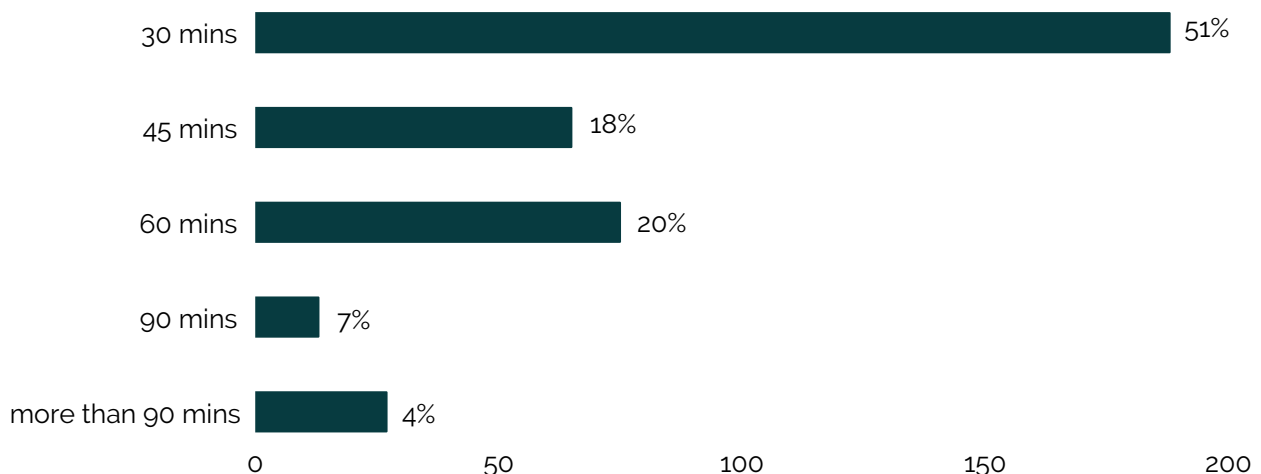
"These platforms are really ground-breaking and save us brokers lots of time as well as making our lives easier."

Mortgage Broker, London

This time is also important to their clients too, who themselves are time-starved, as discovered during the broker interviews; brokers even mentioned they may have lost clients had they not been able to give fast and accurate affordability assessments.

In another scenario, a Hampshire based broker explained that in a complex case, only three lenders were found who could do the case and without (MBT) it would have taken that broker hours of research; MBT quickly drilled down the results and saved the broker time. Mortgage affordability platforms saves brokers time and helps them keep more clients.

How much time do you think you save on a typical case?

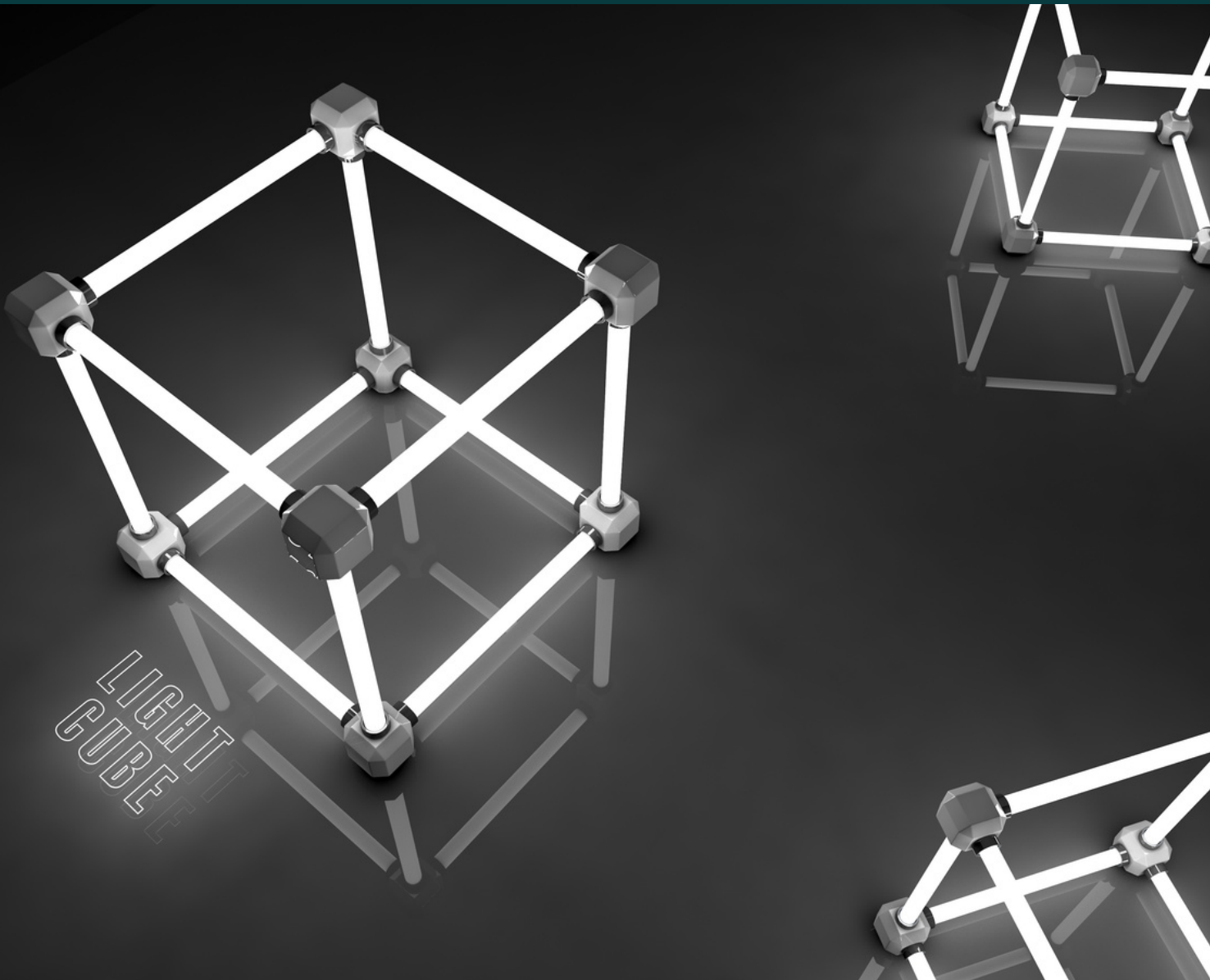


Affordability Platforms Saves Brokers 47 minutes Per Case

The amount of time saved varied by broker, ranging from 30 minutes to over 90 minutes 50% of brokers claimed they saved 30 minutes per case, with 12% claiming a staggering 90 minutes or more saving.

Section Three

Key Benefits and Opportunities of Affordability Platforms to Lenders



Key Benefits and Opportunities of Affordability Platforms to Lenders

Key points at a glance

Mortgage Affordability Platforms Create A More Joined Up Industry

Mortgage affordability is a key part of product selection by brokers. Therefore, product development and mortgage affordability can no longer be mutually exclusive.

Affordability Platforms Gives Lenders Scope For Enhanced Product Development

Mortgage affordability gives lenders the scope to get clever and differentiate themselves more; it gives them a more three-dimensional approach to product design. There is broker demand for affordability based products, however 30% of brokers think only the smarter lenders will be able to do this.

Mortgage Affordability Platforms Increase Lender Distribution

Mortgage Affordability Platforms should be integrated into lender thinking, just like sourcing systems are.

Affordability platforms provide lenders greater efficiencies

Analysing data from affordability platforms will help identify lenders find solutions to reject less applications based on affordability

Lenders and the new mortgage affordability dimension

Historically, lenders would typically focus on price, loan to value and criteria tactics to increase market share and extend their distribution. In 2021 we saw an old-fashioned "price-war" at a time of interest rate lows. Such competitive strategies are not sustainable in the longer run.

"Mortgage Affordability is the next big thing"

New Mortgage Lender

Mortgage affordability platforms give lenders an extra dimension. Using these platforms with a creative and analytical mindset will give lenders a big market advantage over those lenders that do not enter the dimension. These platforms will provide opportunities for product development, it will help identify greater efficiencies and reach new brokers. All at the click of a button or two.

Mortgage Affordability Platforms Create A More Joined Up Industry

We know mortgage affordability is important to consumers. We know brokers address mortgage affordability upfront, balancing this with price. It follows that lenders now need to bring mortgage affordability into a wider set of thinking, not just something that is considered every six months. This will help create a more joined up market.

"We can see the big opportunities of expanding volume without using price as the lever. Affordability is something we are focusing on a lot more now."

Regional Building Society

It Can Help Removal The Silos

Lenders themselves acknowledged to us that there is a disconnect between Sales, Credit, Risk and Products. To capitalise on the market opportunities, lenders will need to address working relationships and ensure all the individual departments combine to create better product solutions.

Affordability platforms give lenders the data and the scope to help join people and the dots together for better outcomes.

Some Lenders Already See Opportunities With Affordability Based Product Design

Mortgage affordability and product design are not mutually exclusive and smarter lenders have already seen this opportunity, by developing bespoke products based on affordability, such as Generation Home, Vida, Nationwide, Aldermore and Kensington. Others will follow and eventually these platforms will be the staple diet of lenders, like mortgage sourcing systems.

"Our ExCo know that we can no longer use price as a lever to grow, we need to look at criteria and affordability too"

Our research shows that more lenders are already thinking about how to address this, and mortgage affordability platforms really help in this regard.

Top 6 Mortgage Lender

Mortgage Affordability Platforms Give Greater Data For Enhanced Product Design

When it comes to product development, lenders can use sophisticated modelling techniques. However, for many this does not happen and techniques adopted generally follow these approaches:

- Copy what the competition has done
- Use feedback from just a few top brokers
- Implement an idea formed by a senior member of the team
- Design products by committee using subjective opinions
- Simple rehash of current rates and fees
- Make a basic adjustment to minimum loan size or other criteria point without any data assessing the likely impact

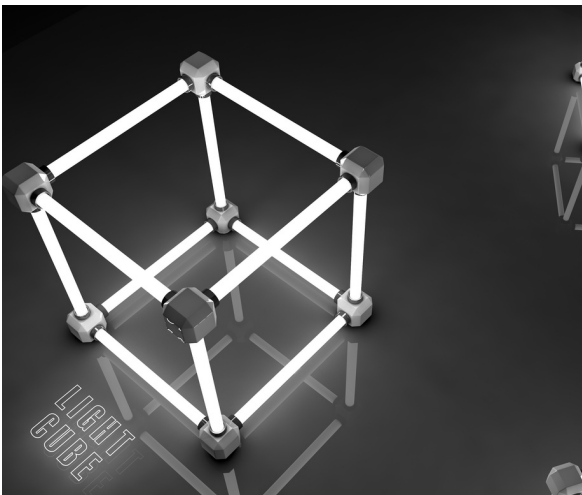
"We have had our BDM's feed back to us we need to open up in a certain segment but never had the data to support them"

Specialist Lender

Price is Blunt. Affordability is Sharp

The majority of lenders agreed that there has been too much emphasis on price competition, After all, price is a blunt tool to stimulate short term gains which often then lead to service challenges.

By using affordability in a balanced product development approach, lenders will be able to control volume more and not go through the typical boom and bust cycle.



More Arrows in the Quiver

Using mortgage affordability gives lenders more competitive flexibility and more ammunition.

Using data analytics, lenders can make simple tweaks to mortgage affordability. For example, a 5% tweak could open up an extra 15% in volume by virtue of more applications being considered. For example, these tweaks can be: type of accepted income, percentage of income type accepted (e.g. bonus) and what LTI is applied.

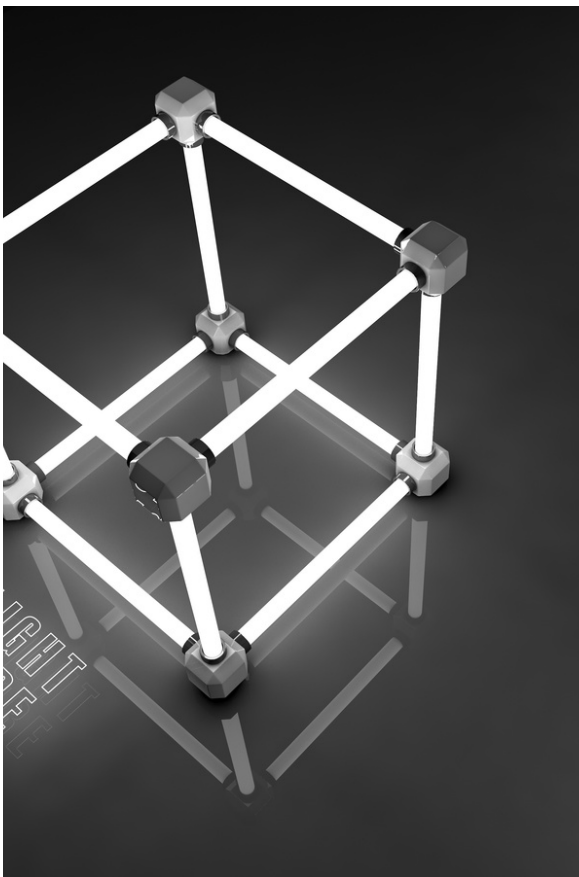
**Mortgage Affordability Platforms Give
A New Dimension to Product Design**

The new data dimension

Lenders are now blessed with so much internal and external data. Bringing this all together will give lenders powerful insights, a big picture perspective and better solutions - it will give a new dimension to lenders and a competitive edge.

“Best buy tables are dead and they lead to incorrect pricing decisions, we used to focus on the top 10 products but now we can see that most of those top 10 are not affordable anyway - so there was never a reason to benchmark against them”

Regional Lender



Looking at external data, MBT, for example, offers lenders powerful data analytics that can help bring product development and affordability together, such as:

- analyse what brokers are searching
- view and benchmark against competitors
- assess the impact in volume, quality and value of cases of a criteria tweak - e.g. to maximum age
- assess the impact of increasing affordability - e.g. accepting 100% of overtime
- view where your product ranks for eligible and affordable cases
- increase the number of DIP accepts

Now lenders can combine their gut feel with data analytics in real time to help prioritise product ideas and have an increased success rate of launches.

The new data dimension gives lenders a real opportunity to gain a competitive advantage; those who do not use such data will simply get left behind.

The new data dimension gives lenders a real opportunity to gain a competitive advantage; those who do not use such data will simply get left behind.

There is broker demand for more affordability based product creations

There is definitely a demand amongst brokers for lenders to get creative with affordability data with product development. Nationwide's Helping Hand product was often cited as a great example of creating more bespoke product. Other lender mentioned were Kensington's Young Professional range, Aldermore's Self Employed criteria and Metro's Professional range.

Instinctively, brokers felt more opportunities exist, examples given:

- First time buyers, with a clear track record of paying rent, where rent exceeds the mortgage.
- Higher net worth borrowers
- Professional workers
- Key workers and bespoke solutions for NHS workers
- Using affordability within the "Green Mortgage" space
- Adverse credit
- Buy to let niches, such as HMOs and Holiday Lets
- Flexibility for portfolio landlords
- CIS workers
- Self employed
- Any client with variable income
- Later life lending

"We need bespoke solutions, not just for FTB."

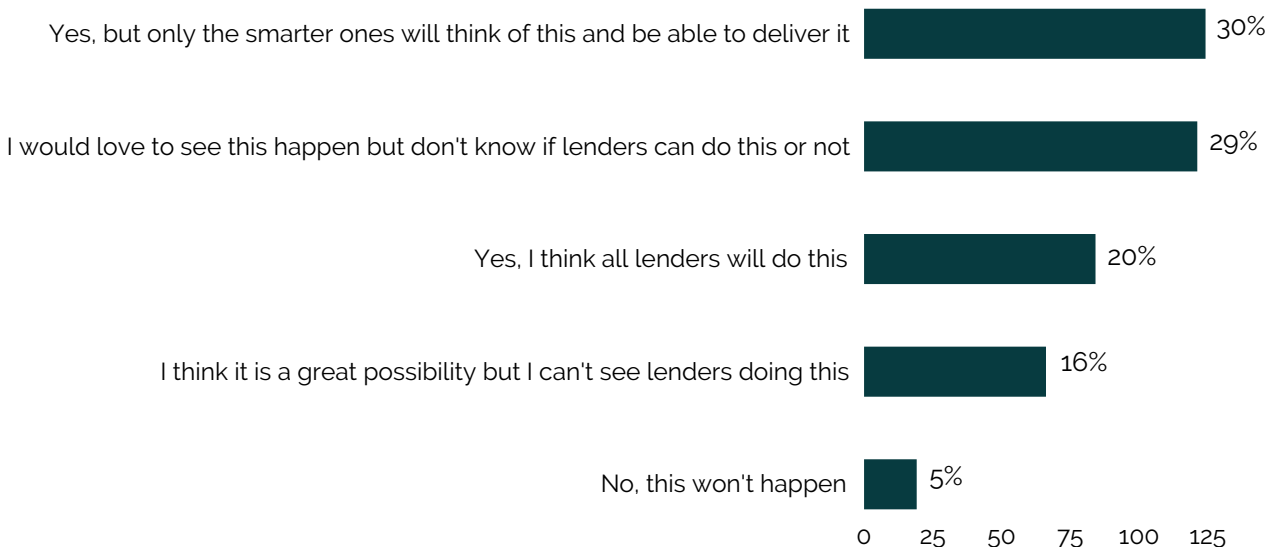
Mortgage Broker,
Northamptonshire

Brokers Remain Optimistic About New Affordability Based Product Development

Half of brokers believe that lenders will be able to embed affordability into their product designs going forward. However, 30% said only the smarter ones will do this.

Lenders themselves have mixed feelings and some also believe it will be the smarter lenders that deliver this. We will wait and see.

Do you think lenders will become more creative and develop more bespoke products, criteria and underwriting based on affordability?



Mortgage Affordability Platforms Increase Lender Distribution

Lenders must be integrated into the likes of MBT to ensure they do not miss out, be more visible and increase their distribution reach.

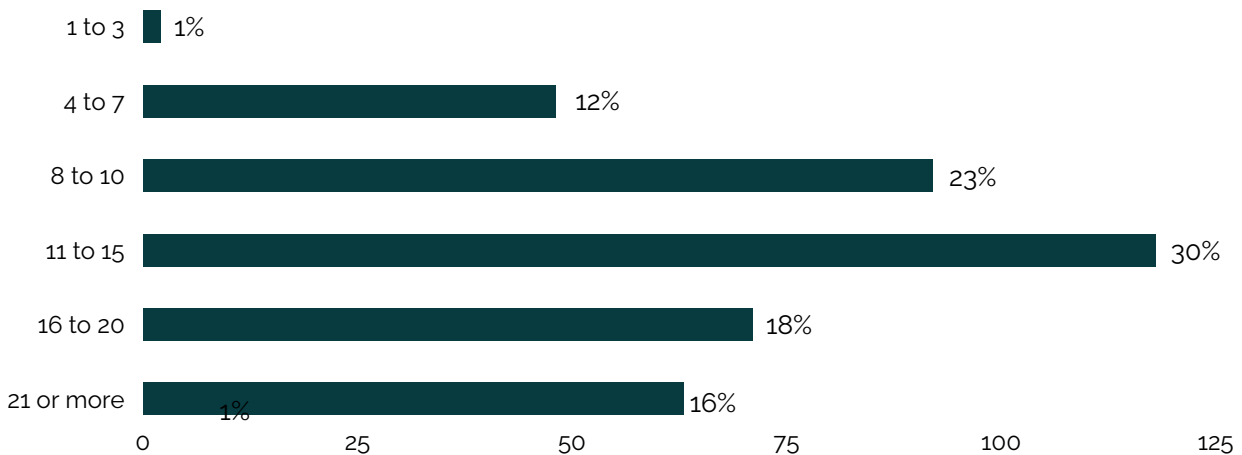
Mortgage affordability platforms are a crucial part of a lenders' sales and marketing strategies. It is essential for lenders to be visible on these - just like it is essential to be on a sourcing system.

"We went on MBT and broker registration almost doubled as a result of our exposure".

Specialist Resi and BTL lender

The research discovered that 64% of brokers had used 11 or more lenders over the previous 12 month period. Given the dominance of the top 10 lenders, as mentioned above, as mortgage affordability platforms become more embedded with lenders and brokers, we will see a shift in brokers using more lenders, more often as the status quo becomes challenged.

In the last 12 months, how many lenders have you dealt with?



Affordability platforms provide lenders greater efficiencies

Accuracy of affordability is important to brokers to ensure it helps select the most suitable lender, rather than submit a case and hope.

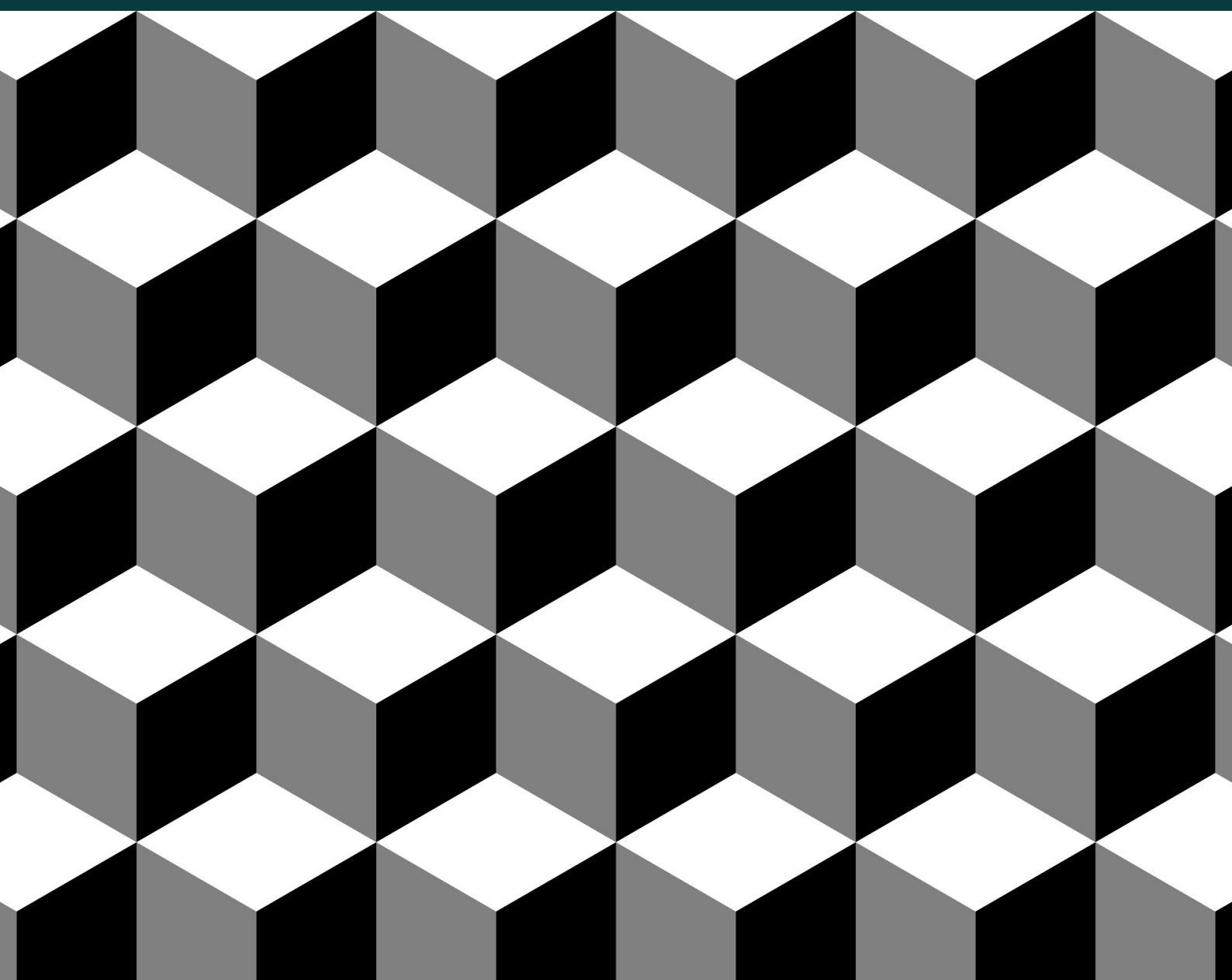
This is also a real benefit to lenders too.

Every application is a cost to a lender and applications can be rejected based on several factors - including affordability. This can be in the region of 20% to 30%, depending on the lender.

Therefore, analysing data from affordability platforms will help identify lenders find solutions to reject less applications based on affordability - giving greater efficiencies and more confidence of hitting that elusive sales target.

Section Four

**Mortgage Affordability
and the macro
environment**



Economic Drivers & Affordability Challenges

Inflation has been rising due to energy costs and was at 5.5% at the time of writing. In its new forecast, the Bank of England said it now expected CPI inflation to rise to 7.25% in April - the highest level since the summer of 1991. The Bank also recognises a degree of uncertainty to the growing energy crisis, in other words inflation may not see a quick drop to its target post April peak.

This will hit household bills and overall affordability.

Interest rates have risen to 0.75% and could rise further to tackle inflation, This could impact borrowers coming off fixed rates, for example.

With regards earnings growth, the Bank of England has said that it expects relatively strong pay growth this year, with earnings up by 3.75% rather than its previous forecast of 1.25%. However, these increases are neither high enough to compensate for rising house prices and prices, nor will this be applied to all workers.

The economy is going to put more of a strain on affordability going forward and brokers mentioned that they have already seen this and come across cases where there were affordability challenges, resulting in lost cases.

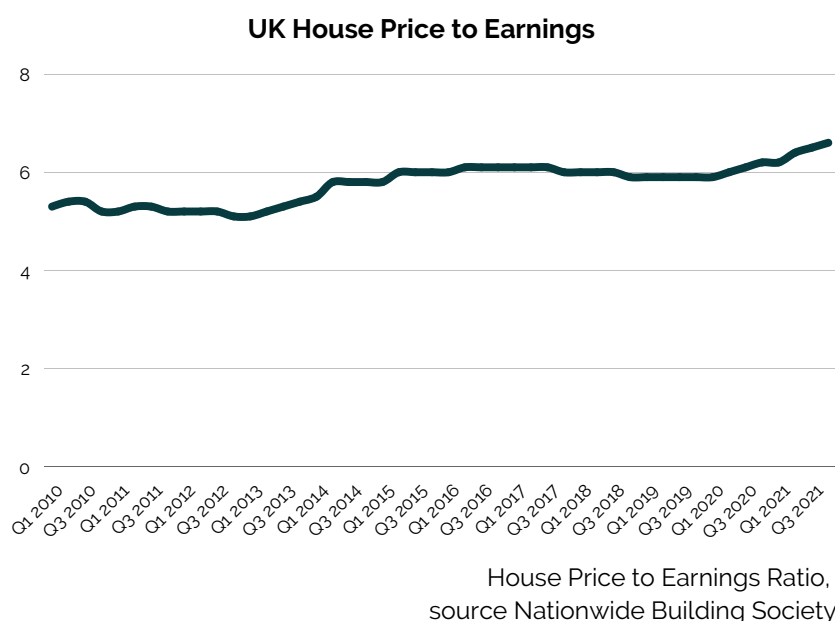
House Price To Earnings Ratio Rise Sharply

Since 2020, we have seen the ratio of house prices to earnings rise sharply, as reported by Nationwide Building Society's house price earnings ratio (HPER). This is after several years of no growth, and even a reduction in 2018.

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At the end of 2021, the HPER had risen from 5.9 to 6.6 in just two years – in other words the average property value is 6.6 times the average salary. The key driver for the rise in the HPER - and affordability in general - has been the accelerated house price growth during the pandemic.

Moreover, house prices continue to grow faster than earnings. If we look at property growth for example, from Q1 2010 to Q3 2021, average prices grew by 52%. Over a similar period, total pay grew by 33%.



Loan to Incomes Requirements are Hit Hard

Using HPER data, we calculated that a typical borrower's loan to income (LTI) requirements have risen in the last two years. A borrower with a 5% deposit would now require a typical LTI of 6.3 compared to 5.9 two years ago. Moreover, to meet the 4.5 x LTI limit would require a deposit of more than 30%.

For example, someone buying a property valued at £250,000 earns £37,879 based on the 6.6 x HPER calculation. With a 10% deposit, which would equate to a LTI of 5.9.

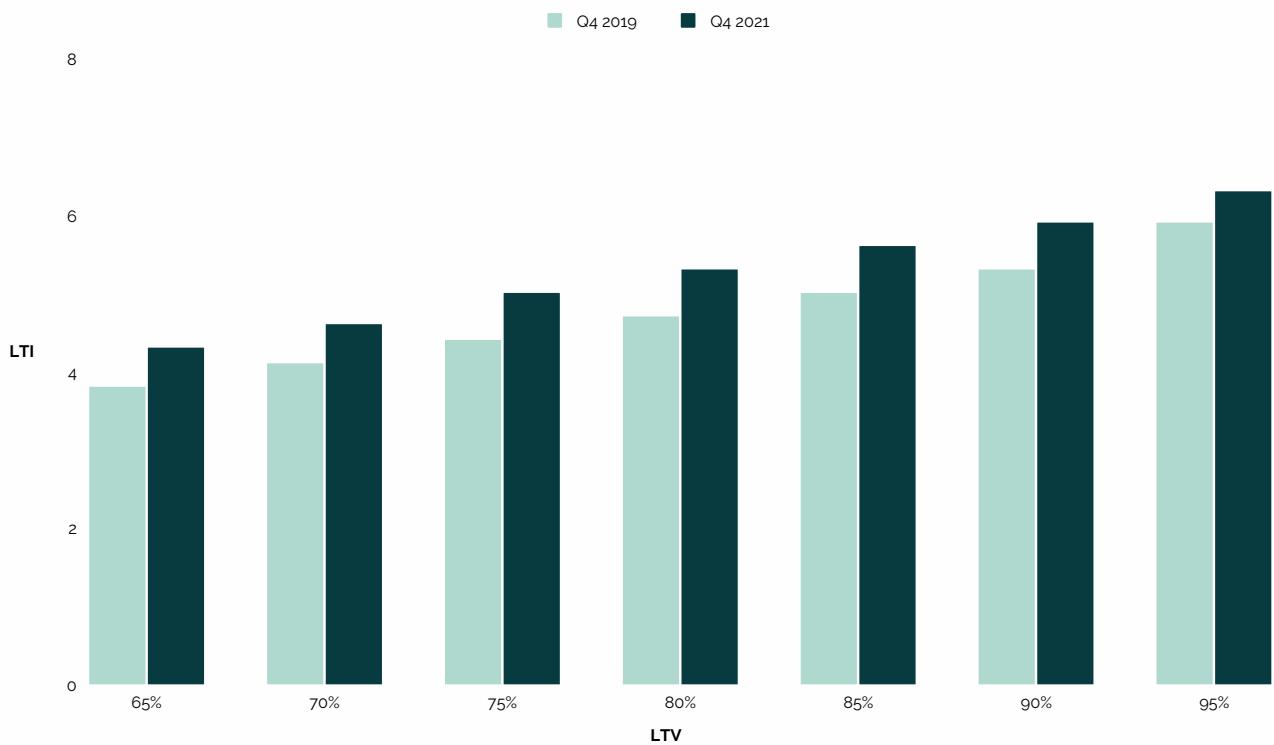


Chart Calculated Loan to Incomes - using Nationwide data

Regional Variations of LTI

When applying this data to determine a typical LTI across the regions (using HPER data at the end of 2021), we can see marked differences across some of the regions.

Whilst this has been calculated using market averages, it is designed to illustrate LTI challenges at a regional level.

For example, in London a typical LTI requirement would be 8.0 where the deposit is 25% compared to just 3.3 in the North. A marked difference and perhaps more can be done to deliver more bespoke solutions to cater for this.

LTV	London	Outer South East	Outer Met	South West	East Anglia	West Midlands	East Midlands	North	Yorks & Humber	North West	Wales	Scotland
65%	6.9	5.5	6.2	5.3	4.7	4.1	4.1	2.9	3.6	3.6	3.8	3.1
75%	8.0	6.4	7.1	6.2	5.5	4.7	4.7	3.3	4.1	4.2	4.4	3.5
85%	9.0	7.2	8.1	7.0	6.2	5.4	5.4	3.7	4.7	4.8	5.0	4.0
95%	10.1	8.1	9.0	7.8	6.9	6.0	6.0	4.2	5.2	5.3	5.6	4.5

Bank Of England Set Out Consultations

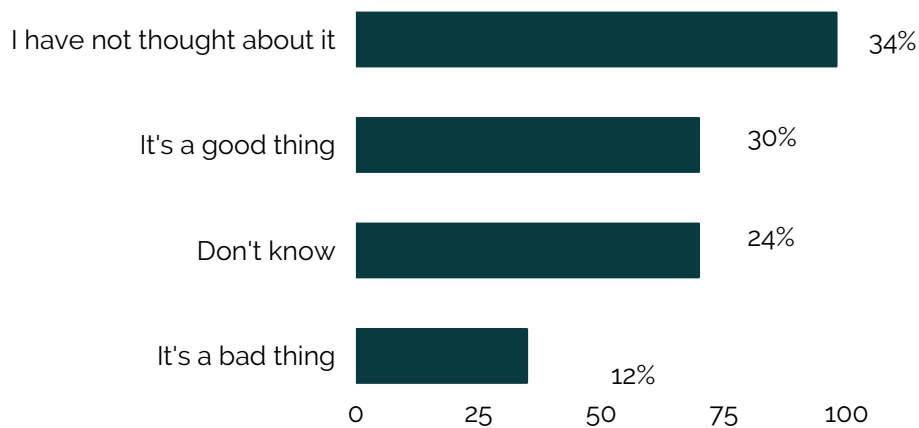
It was announced in December 2021 that The Bank of England is set to consult on withdrawing its affordability stress test recommendation, which makes lenders ensure that borrowers would be able to afford their mortgage if the interest rate was 3% than their reversion rate. At the end of February 2022, more details showed this consultation will conclude in May 2022.

Given the economic constraints mentioned above, any consultations on affordability are to be welcomed.

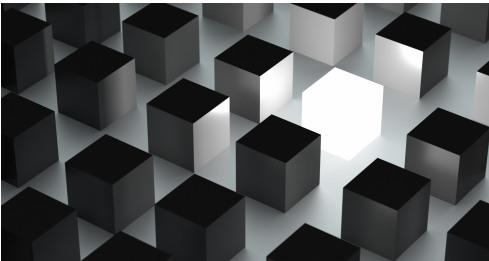
Consultation on Lender Radar, but not on Broker Radars

With regards to lenders, the consultation was certainly on their radar and just over half of lenders see the consultation as a good thing. For brokers it was a different story. The survey of mortgage brokers asked what they thought about the Bank of England's proposed consultation and 30% thought it was a good thing, however 58% either did not know or had not thought about it.

With mortgage affordability more important than ever, it is vital that there is clear market communication during the process.



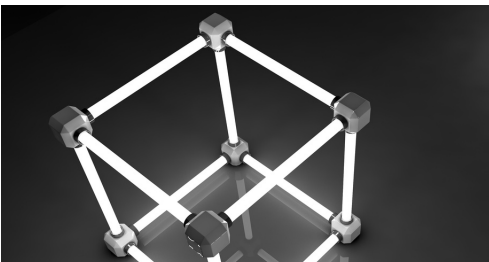
The Way Forward



With a changing economy and affordability becoming an integral part of the broker research process, affordability platforms, such as MBT, are more important than ever. The most important benefit to brokers is time savings, whilst they deliver key consumer outcomes by balancing price and affordability.



It is also very clear that mortgage affordability platforms deliver real time benefits to lenders, not least in designing mortgage products and enhancing their competitive positioning and widening distribution.



The way forward is simple: the industry needs to immerse itself more into the challenges of mortgage affordability and the platforms that help solve challenges. Mortgage affordability platforms now need to be the bread and butter of the industry, as are mortgage sourcing systems.

Contacts



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CEO, MBT

Tanya Toumadj is an experienced business leader, growing a range of companies from both the operational and consulting perspective.

Her experience is rooted in retail financial services, working across strategy and product development at UK and Global retail banks and fintechs.

Tanya joined MBT in 2020, and has grown MBT to the leading affordability platform with 5,500 brokers and over 65 lenders on the platform. Previously a Manager at Bain & Co; Tanya has an MBA from INSEAD and a subheading

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Jeff Knight
Mortgage Market Consultant

Jeff Knight is an industry consultant who has been in the mortgage market since 1997.

He has launched many lenders into the market and worked at Executive level at lenders, leading marketing and product development teams.

Jeff set up his own consultancy in 2021. His work is varied and covers market research through to strategic advice.

Jeff is a Fellow of the Chartered Institute of Marketing.



