



Costs of mortgages increase for both 75% and 95% LTV first-time borrowers as average house price levels increases significantly for second quarter in a row. However, larger increase in costs for those with smaller deposits as average rates for 95% LTV mortgages rises. Product numbers continue to rise for 75% LTV borrowers but continue to fall for all 95% LTV options.

Average first-time buyer house price



Deposit

75% LTV	Vs	95% LTV
£56,278		£11,256

Average Interest Rate

75% LTV	Vs	95% LTV
1.56%		2.97%

Mortgage products available on average house price



Average Fixed Monthly Payment

75% LTV	Vs	95% LTV
£680		£1,011

75% LTV	Vs	95% LTV
1,831		260

Average Fixed Annual Payment

75% LTV	Vs	95% LTV
£8,160		£12,132

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

*Based on an average first-time buyer house price of £225,100 (UK Finance – August 2019)

AmTrust Mortgage Loan to Value (LTV) Tracker

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

"At the end of last year the signs seemed particularly positive for first-time buyers with smaller deposits – average rates were falling and the number of products available to them was on the up.

"Nine months on, that landscape has changed significantly, and not only are we seeing average rates on the increase, but product numbers are falling, and – coupled with a significant increase in the average price paid for a property as outlined by UK Finance – we're seeing mortgage costs rising significantly. Indeed, those with 5% deposits are now paying over £200 more per month than they were just six months ago.

"While larger-deposit borrowers are also paying more due to the average house price increase, their monthly payment increase is far less than their 95% LTV counterparts. Plus, they get to choose from a much more competitive market, with more than six times the number of products, plus rates continue to fall for them.

"In many ways, it's a double-whammy for low-deposit borrowers who appear to have been hit far more by the withdrawal of a number of lenders during the course of 2019 than others. It is still a competitive market but lenders appear not to want to offer high LTV products in the same number and, a falling number of options also means that average rates are on the rise.

"We are now at a point where, for the first time in the history of this Tracker, 95% LTV borrowers can expect to pay over £1k per month for their mortgage – that's almost 50% more than 75% LTV borrowers.

"It's our belief that were more lenders to use a credit-risk mitigant such as private mortgage insurance, they would be able to cover any risk concerns they have with larger-deposit borrowers, be able to offer greater numbers of products, and offer lower rates much more in tune with the rest of the first-time buyer market.

"With plenty of debate around the political future of the Help to Buy scheme, lenders active in the first-time buyer market now need to think about their continued engagement with this borrower demographic and how they might approach the needs of high LTV borrowers."



Methodology

The AmTrust Mortgage LTV Tracker has been developed to analyze 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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