

# THE 2024 ELECTIONS AND THE MORTGAGE MARKET

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The last several years have undoubtedly been turbulent for both the housing market and the mortgage industry. After a period of record-high house prices combined with historic low interest rates during the first two years of the COVID-19 pandemic, a sharp rise in interest rates and mortgage costs followed.

In 2023, brokers and their customers faced a challenging set of circumstances - including a slowing property market, inflation, the rising cost of living, and five Bank of England rate increases. Today, in the early months of 2024, we have seen some lenders reduce mortgage rates and an improving situation around inflation, which held steady in January - though data shows that the UK slipped into a technical recession at the end of 2023.

This year, the UK is readying itself for a general election which is expected to take place during the second half of the year - and must happen by 28 January 2025 at the latest. Housing is tipped to be one of the key issues for political parties, particularly amid the current housing shortage in the UK and the difficulties faced by first-time buyers in getting onto the property ladder. In fact, the latest data from the Office for National Statistics finds that 57% of adults in Great Britain believe that housing is one of the most important issues facing the country today<sup>1</sup>.

In this article, we'll examine some of the main proposals from the government and the UK's major political parties - many of which focus on solutions to help 'Generation Rent' access home ownership - and the impact that these policies might have on the housing and mortgage lending markets.



## Conservatives: 99% LTV mortgages

Rishi Sunak's government is reported to be considering a bold plan that would see the Treasury play a role in guaranteeing 99% LTV mortgages, which would mean that borrowers would need just a 1% deposit to purchase a home.

By reducing one of the biggest barriers to home ownership - the need for a substantial deposit - the scheme would aim to help first-time buyers get out of the cycle of renting, allowing them to get onto the property ladder with a considerably smaller deposit. This could significantly improve affordability for those who have effectively been locked out of home ownership in recent years, opening up the market to a new demographic of buyers. In turn, by stimulating demand, this new set of buyers could provide a boost to the housing and mortgage markets.

However, there is speculation that such a scheme could overheat the housing market and drive property prices higher - potentially creating another house price bubble. Borrowers could also face higher mortgage costs when taking out high LTV mortgages, which could negatively impact affordability, despite reducing the size of deposit required. And while lenders would be offered some protection through government backing, there are also concerns around the levels of debt that borrowers would be exposed to, which could leave them in negative equity should house prices decline.



## Labour: Long-term fixed rate mortgages

The Labour party has proposed working with the mortgage industry to increase the availability of 10 and 25-year fixed rate mortgage deals, with the aim of providing borrowers with greater choice over the level of interest rate risk that they take on, as well as increased stability.

The plan, which would not involve any underwriting from the government, is designed to allow buyers to purchase homes with smaller deposits and lower monthly repayments. Labour says that this would be possible due to lessened affordability stress-testing for buyers who take out longer-term deals, and would benefit first-time buyers in particular.

Longer-term fixed mortgage deals are already common in countries including the US, Germany, and the Netherlands, and some are available already in the UK - for example, our own Flexi Fixed for Term product allows clients to fix their mortgage rate for their entire mortgage term.

However, some have highlighted the need for a considerable mindset change in order to see widespread demand for long-term fixed deals. Borrowers may be hesitant to lock into a fixed rate for an extended period of time if they believe that rates could fall, and may be deterred by concerns around any early repayment charges should their circumstances change during the fixed rate period.



## The Liberal Democrats and the Green Party



While the Liberal Democrats party hasn't proposed any policies directly concerning the mortgage industry, it has put forward proposals aimed at tackling what it calls the UK's 'housing crisis'. This includes a national target for building social homes, with a goal of 150,000 per year by the end of the next parliament, as well as the abolition of leaseholds for residential properties and new powers for local authorities to control and manage second homes and holiday lets - all of which could impact the housing market and mortgage industry. In recent years, the party has also highlighted the impact of rising interest rates on people's mental health and proposed a Mortgage Protection Fund to provide targeted support for those who need it.

Meanwhile, the Green Party has put forward similar proposals around the need for an increase in the social housing stock in the UK. As part of its 'Fairer, Greener Homes Guarantee', the party set out a proposal to increase the amount of social housing by 150,000 homes a year - including by bringing empty homes back into use - as well as to give local authorities the power to impose rent controls on the private rental sector.



## My takeaway

One thing is for sure: it's great to see that the government and the opposition are finally prioritising creating solutions for the housing market - which we haven't necessarily seen up until now.

Brokers are often the first port-of-call for customers, and in recent years have had to operate in an extremely challenging and fast-moving landscape. Looking ahead, by continuing to stay close to lenders and up to date on the latest developments, intermediaries can ensure that they have the right knowledge and tools to meet their customers' needs and to grow their businesses.

While we can't predict the outcome of the upcoming election, it will be interesting to see how much of a role housing will play - and the mortgage industry will be following developments closely. No matter which policies are implemented in the coming years, I have no doubt that brokers will be there to provide support, advice and, crucially, to simplify complexity for their clients.

<sup>1</sup> Public opinions and social trends, Great Britain: 17 to 28 January 2024  
<https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrendsgreatbritain/17to28january2024>



## Eloise Hall - Head of National Accounts.

Eloise joined Kensington Mortgages in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, and has supported, nurtured and grown many of our key account relationships across the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender and has won an award in her tenure at Kensington Mortgages, including Woman in Specialist Lending at Women's Recognition Awards and Head of National Accounts at both the 2022 and 2023 British Specialist Lending Awards.

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