

# **New approaches to mortgage market regulation**

**The impact of the MMR and the risks and benefits for consumers, society and the wider economy**

**Data tables**

## Contents

MMR chart data tables.....	6
Chart 6: Reasons for wanting own home .....	6
Chart 7: Renters attitudes to renting and home ownership .....	6
Chart 8: Degree of financial pressure and budget priorities – mortgage holders.....	7
Chart 9: Budget practice and degree of pressure mortgagors experiencing.....	7
Chart 10: How would prioritise spending if facing financial difficulties .....	7
Chart 11: Equity withdrawals, frequency, values and housing equity .....	7
Chart 12: Equity withdrawal relative to housing equity.....	8
Chart 13: Value of equity withdrawals relative to housing equity by number of withdrawals ....	8
Chart 14: Equity withdrawn and remaining by number of withdrawals.....	8
Chart 15: Equity withdrawal – application of funds.....	8
Chart 16: Outcomes for stressed credit users who do and do not use equity withdrawal to pay down debt .....	9
Chart 17: Attitudes to mortgage borrowing and retirement .....	9
Chart 18: Older mortgagors intending to downsize in retirement, current property type .....	9
Chart 19: Older mortgagors intending to downsize in retirement, current property type .....	9
Chart 20: Older mortgagors intending to downsize in retirement, average value of housing equity by social grade .....	10
Chart 21: Older mortgagors intending to downsize, value of cash savings and investments by social grade .....	10
Chart 22: Attitudes to life-time mortgage concept .....	10
Chart 23: Importance of leaving substantial inheritance to next generation .....	10
Chart 24: Potential movers – reasons for wanting to move.....	10
Chart 25: Potential movers – reasons for wanting to move by mortgage product type .....	11
Chart 26: Older movers – reasons for wanting to move.....	11
Chart 27: Whether older mortgagors anticipate downsizing in retirement .....	11
Chart 28: % older mortgagors who would seek new mortgage for next move by mortgage type .....	12
Chart 29: Anticipated sources of income in retirement.....	12
Chart 30: Mortgagors over 50 – by whether have or want mortgage term past age 65.....	12
Chart 31: Whether current mortgage term will take past retirement .....	12
Chart 32: Reasons for wanting mortgage stretching past age 65 .....	13
Chart 33: Reasons for remortgage .....	13
Chart 34: Expectations on house prices.....	13
Chart 35: Expectations of interest rate direction .....	14
Chart 36: Understanding how current interest rates compare to those historically.....	14
Chart 37: Attitudes to amount to amount would borrow for next move .....	14
Chart 38: Attitudes to risk and mortgage borrowing for next move .....	14
Chart 39: Interest only mortgage holders by age range.....	15
Chart 41: Home owners who had paid off their mortgage.....	15
Chart 42: Home owners who had paid off a mortgage, how mortgage repaid.....	15
Chart 43: Interest only borrowers – plans for repaying capital .....	16
Chart 44: Property interests of those planning to pay interest only mortgage on main residence with other property assets .....	16
Chart 45: Intended plans and realised plans for interest only mortgagors.....	17
Chart 46: Incidence of payment difficulties for mortgagors for all mortgagors, the Coping but pressured and the Struggling .....	17
Chart 47: Risk profile all mortgagors and those under pressure.....	17
Chart 48: Payment difficulties on mortgages by whether have or have not had reduced mortgage payments due to reductions in interest rate .....	18
Chart 49: The impact of rate reductions on financial pressure, mortgagors who have experienced income shocks in past two years .....	18
Chart 50: Missed payments among mortgagors with income shocks by whether have had rate reduction .....	18
Chart 51: Whether income has reduced over last two years – all mortgagors and those under coping but pressured and struggling .....	19

Chart 52: Experience of job loss and reduced earnings, adverse life events all mortgagors, the coping but pressured and struggling .....	19
Chart 53: Best explanation for how mortgagors have coped with reduced income through recession .....	19
Chart 54: Use of savings and credit to cope with reduced income .....	20
Chart 55: Use of savings and credit to cope with reduced income .....	20
Chart 56: Whether have ever experienced adverse life events and income shocks .....	20
Chart 57: Indicators of financial distress ever experienced, all mortgagors and those under coping but pressured and struggling and falling behind .....	21
Chart 58: Experience of rate reductions and forbearance, all mortgagors and those under pressure .....	21
Chart 59: Selected reasons for moving, all mortgagors and those under pressure .....	21
Chart 60: Outcomes of difficulties with mortgagors .....	21
Tables .....	22
Table 1: Overall effect of affordability test on current borrowers.....	22
Table 2: Effect of varying level of net free cash contingency on affordability for current borrowers.....	23
Table 3: Effect of varying level of interest rate stress test on affordability for current borrowers .....	24
Table 4: Impact on current borrowers by income group.....	25
Table 5: Impact on current borrowers by employment status and income security .....	26
Table 5a: Wider economic impact on current borrowers by employment status and income security .....	26
Table 5b: Impact on self-employed .....	27
Table 6: Impact on current borrowers by age group .....	27
Table 6a: Wider economic impact on current borrowers by age group.....	28
Table 7: Impact on current borrowers by region.....	28
Table 8a: Overall effect of affordability test on remortgagers within a year .....	29
Table 8: Overall effect of affordability test on movers .....	30
Table 9: Overall effect of affordability test on first time buyers .....	31
Table 10: Impact on property chain .....	32
Table 10a: Impact on property chain .....	33
Table 11: Impact by current property size .....	34
Table 11a: Impact by current property size .....	35
Table 12: Impact by value of property purchased .....	36
Table 12a: Impact by value of property purchased .....	37
Table 13: Impact by level of borrowing.....	38
Table 13a: Impact by level of borrowing.....	39
Table 14: Impact by income .....	40
Table 14a: Impact by income .....	41
Table 15: Impact by age .....	42
Table 16: Potentially significant impacts for a large number of both current and would be borrowers and for the housing market more widely .....	42
Table 17: Projected versus 2009 actual FTBs, Movers, Remortgages.....	44
Supplementary Material Report - extended affordability analysis charts .....	45
Chart 1: Perceptions of how well managing outgoings and commitments by whether have had rate reduction.....	45
Chart 2: Perceptions of how well managing outgoings and commitments for those how have lost jobs and by whether have had rate reduction.....	45
Chart 3: Budgeting and degree of comfort and flex in household budget by whether have had rate reduction.....	46
Chart 4: How mortgagors have adapted budgets to reduced income by whether have had rate reduction .....	46
Chart 5: How mortgagors have adapted budgets to reduced income for those how have lost jobs and by whether have had rate reduction .....	47

Chart 6: Whether have had difficulties affording various commitments, outgoings, essentials and discretionary spending in last 12 months by whether have had rate reduction .....	48
Chart 7: Whether have had difficulties affording various commitments, outgoings, essentials and discretionary spending in last 12 months by whether have had rate reduction .....	48
Chart 8: Whether have had difficulties affording various commitments, outgoings, essentials and discretionary spending in last 12 months by whether have had rate reduction .....	48
Chart 9: Difficulty affording rent or mortgage payments in last twelve months for those how have lost jobs and by whether have had rate reduction .....	49
Chart 10: Difficulty in affording repayments on credit or loan agreements for those how have lost jobs and by whether have had rate reduction .....	49
Chart 11: Role of savings in credit in helping to cope with reduced income - % have adopted any of these strategies to help cope by whether have had rate reduction .....	49
Chart 12: Role of savings in credit in helping to cope with reduced income - % have adopted any of these strategies to help cope for those how have lost jobs and by whether have had rate reduction .....	50
Chart 13: Strategies adopted to help cope through recession by whether have had rate reduction .....	50
Chart 14: Mortgage related strategies for coping through recession and the impact on mortgage payments by whether have had rate reduction .....	51
Chart 15: Mortgage related strategies for coping through recession and the impact on mortgage payments for those how have lost jobs and by whether have had rate reduction ..	51
Chart 16: Missed mortgage payments and more serious arrears - those with and without reduced rates by whether have had rate reduction .....	52
Chart 17: Missed mortgage payments and more serious arrears - those who have lost their jobs with and without reduced rate for those how have lost jobs and by whether have had rate reduction .....	52
Chart 18: Impact on household budgets of reduced mortgage payment due to low interest rate .....	52
Chart 19: Those who have suffered reduced income through recession .....	52
Chart 20: Impact of job loss through recession for most pressured mortgagors .....	53
Chart 21: Income profile of most pressured mortgagors .....	53
Chart 22: Presence of high risk factors .....	53
Chart 23: Impact on household budgets of reduced mortgage payment due to low interest rate for most pressured mortgagors .....	54
Chart 24: Difficulty affording rent or mortgage payments in last twelve months for most pressured mortgagors .....	54
Chart 25: Strategies adopted to help cope through recession for most pressured mortgagors .....	55
Chart 26: Problematic card use for most pressured mortgagors .....	55
Chart 27: Mortgage related strategies for coping through recession and the impact on mortgage payments for most pressured mortgagors .....	56
Chart 28: Missed mortgage payments and more serious arrears for most pressured mortgagors .....	56
Chart 29a: Average household income by outcomes of central scenario affordability test by outcomes of central scenario affordability test .....	57
Chart 29b: LTV ratio on current home by outcomes of central scenario affordability test by outcomes of central scenario affordability test .....	57
Chart 29c: Mortgage borrowing and housing equity values by outcomes of central scenario affordability test .....	57
Chart 29d: SEG by outcomes of central scenario affordability test by outcomes of central scenario affordability test .....	57
Chart 30: Whether can manage outgoings and commitments by outcomes of central scenario affordability test .....	58
Chart 31: Missed mortgage payments and more serious arrears by outcomes of central scenario affordability test .....	58
Chart 32: A segmentation of those failing the simulated affordability test .....	58
Chart 34: Perceptions of house prices in local area in last couple of years by region .....	59
Chart 35: Perceptions of prospects for house prices over next couple of years by region .....	59
Chart 36: Perceptions of house price change over a ten to twenty year term by region .....	59

Chart 37: Whether more or less likely to want to buy a home than before the credit crunch started in 2007 by region .....	59
Chart 38: Reasons for being less likely to buy property by region .....	60
Chart 39: Feelings about changes in household finances in last two years by region.....	60
Chart 40: Expectations on finances over next two years by region .....	60

## MMR chart data tables

**Chart 6: Reasons for wanting own home**

	All reasons	Most important reason
Flexibility to draw on value of equity	26%	2%
More choice of where to live	28%	5%
No risk of landlord giving notice	47%	9%
Build value in property	51%	13%
Get on property ladder so can trade up over time	62%	19%
Freedom and control over own home	74%	50%

Base: 356 aspiring home owners who expect to buy within next five years

**Chart 7: Renters attitudes to renting and home ownership**

	Balance agree / disagree
Renting is cheaper than buying	-12%
Buying is often cheaper than renting	13%
Renting dead money - better off paying mortgage	38%
Don't want the responsibility of owning	-30%
Renting better - more flexible	16%
Renting easier - landlord maintains	44%
Renting is less risky than buying	44%
If rent live in nicer property than if buy	-31%
If buy can live in nicer property than if rent	19%
Owning home gives more control over life	42%
If buy can gradually trade up to nicer place	64%
In the long run better off owning home than renting	56%
Property is still a good way to make money	39%
Owning home makes you more financially secure	30%
No guarantee make money on property even in long run	19%
Easy to get into trouble with a mortgage	47%
Easy to get stuck with property can't sell	39%
Risk of negative equity puts me off owning	0%
Buying can leave you owing a lot of money can't pay off	40%

0% = agreement and disagreement with the statement is equally balanced. % above the horizontal line = positive balance of agreement. % below the horizontal line = negative balance on agreement.

Base: 304 renters

**Chart 8: Degree of financial pressure and budget priorities – mortgage holders**

Can manage outgoings and commitments comfortably	31%
Can manage outgoings and commitments but sometimes finances feel a little tight	44%
I am not falling behind but I am finding it a real struggle keeping up with outgoings and commitments	19%
I'm falling behind on commitments but think I'll be able to catch up	4%
I'm falling behind with commitments and can't see a way to catch up	2%
Base: 2000 Mortgage holders	

**Chart 9: Budget practice and degree of pressure mortgagors experiencing**

I don't really know what I earn or how much I spend and just have to cut back if I run out of money.	2%
I budget carefully but never really have enough money to go around.	6%
I try to keep on top of all my bills but sometimes I have to use the money for other day-to-day spending.	10%
I usually have comfortably more money than I need each month so we spend less than our income and are able to save	16%
I'm sufficiently comfortable enough that I know my bills get paid and I spent without having to think hard about budgeting.	31%
When I get paid I prioritise my essential bills and make sacrifices elsewhere if I need to.	36%
Base: 1546 nationally representative sample of mortgagors	

**Chart 10: How would prioritise spending if facing financial difficulties**

	<b>All mortgagors</b>
I'd make sure I had enough money to cover my day-to-day costs, including going out occasionally, because I know mortgage lenders tend to give you a get a bit of time to sort yourself out.	4%
If I was getting hassled for payment I'd pay those bills first to get them off my back.	6%
I'd make sure the children had everything they needed and then I'd worry about what else needed to be paid	7%
I'd pay my loans and credit cards first because I'd want to avoid extra interest or penalty charges and avoid being blacklisted.	14%
The most important thing would be to pay for gas/electricity and put food on the table.	31%
I'd definitely pay my mortgage before I paid anything else	81%
Base: 2000 Mortgage holders	

**Chart 11: Equity withdrawals, frequency, values and housing equity**

% of mortgagors who have withdrawn equity from their property	33%
<b>Numbers of times equity has been withdrawn</b>	
Once	58%
2	30%
3	9%
4	2%
5 times or more	2%

**Chart 12: Equity withdrawal relative to housing equity**

Average values for all equity withdrawers	
Average value of total equity withdrawals	£31,065
Value of main home	£241,815
Value of mortgage on main home	£105,270
Net housing equity value in main home	£136,540
Base: 797 mortgagors who have withdrawn equity from their homes	

**Chart 13: Value of equity withdrawals relative to housing equity by number of withdrawals**

Average values	All equity withdrawals	Withdrawn once	Withdrawn twice	Withdrawn three times or more
Value of main residence	£241,814	£236,062	£224,727	£322,006
Value of current mortgage borrowing on main residence	£105,272	£105,297	£101,659	£106,821
Value of current housing equity on main residence	£136,542	£130,765	£123,068	£215,185
Total value of equity withdrawn from property	£31,063	£26,059	£32,553	£53,824
Base: 797 Mortgagors who have withdrawn equity from their homes. 465 withdrawn once. 238 withdrawn twice. 94 withdrawn 3 times or more.				

**Chart 14: Equity withdrawn and remaining by number of withdrawals**

	All equity withdrawals	Withdrawn once	Withdrawn twice	Withdrawn three times or more
Remaining housing equity	77%	80%	74%	75%
Equity withdrawn	0%	0%	0%	0%
Base: 797 Mortgagors who have withdrawn equity from their homes. 465 withdrawn once. 238 withdrawn twice. 94 withdrawn 3 times or more.				

**Chart 15: Equity withdrawal – application of funds**

Gift	0%
Tax payment	1%
Other investment	2%
Wedding or major celebration	3%
Education	3%
Payment to partner following relationship breakdown / divorce	4%
Invest in business	5%
Holidays	6%
Purchase of another residential property	9%
New car or other major purchase	11%
Debt consolidation or settlement	37%
Home improvements	66%
Base: 797 mortgagors who have withdrawn equity from their homes	



**Chart 16: Outcomes for stressed credit users who do and do not use equity withdrawal to pay down debt**

	<b>Have used housing equity to pay down unsecured debt</b>	<b>Have not used housing equity to pay down unsecured debt</b>
Insolvency (Bankruptcy or IVA)	3%	9%
County Court Judgement	9%	15%
Adverse credit record	22%	38%
Base: Mortgagors who have made minimum payments on credit card for extended period. 98 Have used housing equity to pay down unsecured debt. 140 Have not used housing equity to pay down unsecured debt.		

**Chart 17: Attitudes to mortgage borrowing and retirement**

<b>Statement which best captures your own attitude</b>	
Home ownership provides a good opportunity to make capital gains. It's not relevant whether you own the house outright. The value of accumulated housing equity is more important	11%
Having most of your wealth tied up in your home until you die doesn't make sense these days	14%
Providing you can afford the payments, one is better off owning less of one's home and continuing to make mortgage payments into retirement	14%
The way to achieve security in retirement is to own 100% of your property by the time you reach retirement age	55%
Base: 589 Mortgagors over 50	

**Chart 18: Older mortgagors intending to downsize in retirement, current property type**

<b>Property type</b>	
Converted flat or maisonette	2%
A purpose-built flat	4%
Bungalow	8%
Terraced house	18%
Semi detached house	32%
Detached house	35%
Base: 475 intending down-sizers over 50	

**Chart 19: Older mortgagors intending to downsize in retirement, current property type**

<b>Number of bedrooms</b>	
1	2%
2	12%
3	41%
4 or more	44%
Base: 475 intending down-sizers over 50	

**Chart 20: Older mortgagors intending to downsize in retirement, average value of housing equity by social grade**

	<b>Intending downsizer ABC1</b>	<b>Intending downsizer C2DE</b>
Value of main home	£333,942	£205,869
Value of mortgage on main home	£83,261	£67,123
Net housing equity value in main home	£250,681	£138,746
Base: 474 intending down-sizers over 50. Intending downsizer ABC1 340. Intending downsizer C2DE 134.		

**Chart 21: Older mortgagors intending to downsize, value of cash savings and investments by social grade**

	<b>Intending downsizer ABC1</b>	<b>Intending downsizer C2DE</b>
Value of cash savings	£15,634	£10,547
Value of investments	£43,452	£33,555
Base: 474 intending down-sizers over 50. Intending downsizer ABC1 340. Intending downsizer C2DE 134.		

**Chart 22: Attitudes to life-time mortgage concept**

Not at all attractive	36%
Somewhat attractive	53%
Very attractive	11%
Base: 589 mortgagors over 50	

**Chart 23: Importance of leaving substantial inheritance to next generation**

Not at all important	31%
Of some importance	48%
Very important	21%
Base: 589 mortgagors over 50	

**Chart 24: Potential movers – reasons for wanting to move**

Move into retirement property	1%
Move into rental sector	3%
Other	5%
Move closer to better schools	7%
New job	8%
Pay off mortgage	8%
Move closer to family	9%
Change in personal or financial circumstances	10%
Life-stage event	13%
Retirement	13%
Move to different region	15%
Down-size to release equity / reduce mortgage	17%
More space for growing family	28%
Move to nicer area	31%
Trade up / next step on property ladder	33%
Base: 524 Mortgagors who plan to move in next three years	

**Chart 25: Potential movers – reasons for wanting to move by mortgage product type**

	All movers	Interest only	Capital repayment
Move into retirement property	1%	2%	1%
Move into rental sector	3%	7%	3%
Other	5%	5%	3%
Move closer to better schools	7%	8%	8%
New job	8%	9%	8%
Pay off mortgage	8%	14%	6%
Move closer to family	9%	10%	8%
Change in personal or financial circumstances	10%	10%	10%
Life-stage event	13%	9%	13%
Retirement	13%	19%	12%
Move to different region	15%	21%	14%
Down-size to release equity / reduce mortgage	17%	28%	11%

Base: 524 Mortgagors who plan to move in next three years, of which 126 Interest Only and 293 Capital Repayment

**Chart 26: Older movers – reasons for wanting to move**

	All over 50
D/K	0%
Move closer to better schools	1%
More space for growing family	2%
New job	3%
Move into retirement property, warden flat etc	3%
Move into rental sector	5%
Other	6%
Trade up / next step on property ladder	6%
Move closer to family	9%
Life-stage event	10%
Change in personal or financial circumstances	14%
Pay off mortgage	16%
Move to different region	19%
Move to nicer area	20%
Retirement	33%
Down-size to release equity / reduce mortgage	35%

Base: 208 mortgagors over 50 who want to move in next few years

**Chart 27: Whether older mortgagors anticipate downsizing in retirement**

	All mortgagors over 50	Interest only mortgagors over 50
Anticipate downsizing in retirement	55%	60%

Base: 514 Mortgagors over 50

**Chart 28: % older mortgagors who would seek new mortgage for next move by mortgage type**

	All mortgagors 50 - 60	All mortgagors 60+	Capital repayment mortgage 50 to 60	Capital repayment mortgage 60+	Interest only mortgage 50 to 60	Interest only mortgage 60+
% older mortgagors who would seek new mortgage for next move	27%	69%	27%	72%	28%	73%
Base: 514 Mortgagors over 50						

**Chart 29: Anticipated sources of income in retirement**

Alimony	0%
Sale of non property assets	1%
Business sale	2%
Rental income	8%
Private / occupational pension lump sum	11%
Inheritance	12%
Investment income	13%
Sale of property	13%
Interest on cash savings	14%
Other work based pension	20%
Ongoing earnings from work or business	27%
Work based final salary scheme	35%
Private / occupational pension income	35%
State pension	59%

Base: 208 mortgagors over 50 who want to move in next few years, and anticipate borrowing to do so

**Chart 30: Mortgagors over 50 – by whether have or want mortgage term past age 65**

	All over fifty
Have current mortgage term past 65	54%
Current mortgage term past 65 or want next mortgage past 65	63%
Base: 589 Mortgagors over 50	

**Chart 31: Whether current mortgage term will take past retirement**

	Capital repayment mortgage 50 to 60	Capital repayment mortgage 60+	Interest only mortgage 50 to 60	Interest only mortgage 60+
% with current mortgage term beyond age 65	24%	69%	27%	66%
Base: 589 Mortgagors over 50				

### Chart 32: Reasons for wanting mortgage stretching past age 65

	All
Paying off mortgage before retirement would prevent me investing in non property assets	3%
I'd want to build up value in my property until take on a lifetime mortgage	3%
Other	4%
Need to continue to pay mortgage until I inherit	5%
I'm not too concerned about owning 100% of my home	5%
Responsibilities for other family members make it difficult to pay mortgage off by retirement	8%
Paying off mortgage before retirement would compromise quality of life	8%
Don't see a mortgage as likely to be any more expensive than renting	10%
Continuing to building up value in a property will give me greater flexibility if want to down-size	11%
I have too many expenses to afford to pay off my mortgage before retirement	14%
As long as can afford to pay mortgage in retirement don't see it as problem that capital not repaid by retirement	32%
Not in a position to pay off a mortgage before retirement	51%
Base: 423 Mortgagors over 50 who have or want to take on mortgage with term past 65	

### Chart 33: Reasons for remortgage

D/K	0%
Change to interest only mortgage	1%
Other	4%
Increase mortgage borrowing	6%
Change to repayment mortgage	8%
Reduce mortgage term	9%
Change to fixed rate	12%
Extend mortgage term	13%
Reduce mortgage borrowing	15%
Release funds from property	21%
Achieve best value deal available	49%
Base: 334 Mortgagors who plan on remortgaging	

### Chart 34: Expectations on house prices

	House prices over 2 years	House prices over next ten to twenty years	House prices in own area in last couple of years
Fall a lot	6%	2%	10%
Fall a little	32%	5%	42%
Stay about the same	37%	10%	29%
Rise a little	23%	56%	15%
Rise a lot	1%	27%	2%
Base: 1546 Home owners with mortgages			

**Chart 35: Expectations of interest rate direction**

Likely to stay that way for the foreseeable future	12%
Likely to rise only slowly	59%
Could potentially go up quickly	27%
Base: 1154 mortgagors who understand rates lower than in past	

**Chart 36: Understanding how current interest rates compare to those historically**

	All with mortgages	Tracker	Fixed rate	Have experienced reduction in rates due to fall in B of E rates	Have not had reduction in rates
Much lower than in the past	50%	62%	38%	60%	36%
A little lower than in the past	24%	21%	30%	23%	28%
About the same as they've always been	8%	6%	11%	6%	12%
Slightly higher than in the past	9%	7%	11%	6%	13%
Much higher than in the past	4%	3%	3%	3%	4%
Don't know	4%	2%	5%	3%	7%
Base: 1546 nationally representative sample of mortgagors					

**Chart 37: Attitudes to amount to amount would borrow for next move**

The maximum amount possible to get the best property I could	28%
A lower amount that I could be sure I could manage even if I had to compromise on the property or location	72%
Base: 754 Mortgagors with opinion who intend to move / remortgage in next three years	

**Chart 38: Attitudes to risk and mortgage borrowing for next move**

I'd want enough to fund my plans without putting an undue strain on my finances	54%
I'd always borrow the minimum I needed to keep my borrowing low and minimise risk	30%
I may have to borrow a little more than I'm entirely comfortable with because I need the funds but I am concerned about the risk	10%
I'd be willing to put myself under a little pressure now and take a bit of a risk because I think the investment would pay off longer term	6%
Base: 754 Mortgagors with opinion who intend to move / remortgage in next three years	

**Chart 39: Interest only mortgage holders by age range**

	<b>Interest only</b>
less than 30	5%
30 - 40	15%
40 - 50	28%
50 - 60	29%
60+	23%
Base: 551 nationally representative sample of interest only mortgagors	

**Chart 40: Interest only mortgage holders by age range indexed against average for all mortgagors**

<b>1 = average for all mortgagors</b>	<b>Interest only</b>
less than 30	0.6
30 - 40	0.6
40 - 50	1.0
50 - 60	1.3
60+	1.8
Base: 551 nationally representative sample of Interest only mortgagors	

**Chart 41: Home owners who had paid off their mortgage**

<b>Mortgage type</b>	
Other	3%
Interest only	12%
Part interest only / part capital repayment	15%
Capital repayment	34%
Interest only with linked endowment / pension /ISA	35%
Base: 385 Home owners who had paid off their mortgages	

**Chart 42: Home owners who had paid off a mortgage, how mortgage repaid**

	<b>All home owners who had paid off mortgage</b>	<b>Home owners with an interest only mortgage</b>
<b>All and former interest only mortgagors</b>		
Sale of other assets	1%	2%
Lifetime mortgage	1%	2%
Sale of a second home or buy to let property	1%	3%
Gift from other family member	2%	4%
Down-sizing to a smaller property	2%	5%
Gradually reduced size of mortgage as traded up	3%	5%
Proceeds of another investment vehicle	8%	17%
By selling the property	9%	19%
Inheritance	10%	20%
Over time as circumstances allowed	13%	27%
Proceeds of endowment linked to mortgage	16%	33%
Over time on a repayment mortgage	44%	
Base: 385 Home owners who had paid off their mortgages. 183 Home owners with an interest only mortgage		

**Chart 43: Interest only borrowers – plans for repaying capital**

Gradually reduce size of mortgage as trade up from one property to another over time	3%
Gift from parents / other family members	3%
Move into the rental sector	4%
Convert to a lifetime mortgage	4%
No specific plans	5%
Other	5%
Sale of a second home or buy to let property	5%
Sale of other assets	6%
Don't know	7%
Down-sizing to a smaller property	13%
Inheritance	14%
Remortgage and extend the mortgage term	15%
Proceeds of investment vehicle linked to the mortgage	15%
Proceeds of another investment vehicle such as a pension, endowment or other investments	23%
Gradually reduce size of mortgage as have funds available	23%
By selling the property	26%

Base: 419 Interest only mortgagors. 251 Interest only borrowers over 50

**Chart 44: Property interests of those planning to pay interest only mortgage on main residence with other property assets**

Other	4%
Holiday let property	8%
Property lived in by family member	10%
Second home, UK	16%
Second home, abroad	18%
Buy to let property, UK	62%
Average value of current equity in property portfolio other than main residence net of mortgage borrowings	£231,066

Base: 42 Interest Only mortgage holders over 50 planning to pay off mortgage with other property assets



**Chart 45: Intended plans and realised plans for interest only mortgagors**

Current interest only mortgagors and home owners who have paid off an interest only mortgage

	Current interest only mortgagors	Home owners who repaid an interest only mortgage
Gradually reduce size of mortgage as trade up over time	3%	5%
Gift from parents / other family members	3%	4%
Move into the rental sector	4%	
Convert to a lifetime mortgage	4%	2%
Sale of a second home or buy to let property	5%	3%
Sale of other assets	6%	2%
Down-sizing to a smaller property	13%	5%
Inheritance	14%	20%
Remortgage and extend the mortgage term	15%	
Proceeds of investment vehicle linked to the mortgage	15%	33%
Proceeds of another investment vehicle	23%	17%
Gradually reduce size of mortgage as have funds available	23%	27%
By selling the property	26%	19%

Base: 419 Current interest only mortgagors. 183 Home owners who repaid an interest only mortgage.

**Chart 46: Incidence of payment difficulties for mortgagors for all mortgagors, the Coping but pressured and the Struggling**

	Home owners with mortgagees	Coping but pressured	Struggling
Renegotiated payments with lender in last two years	5%	8%	23%
Ever missed or made mortgage payments late	10%	18%	51%
Ever been three months behind with mortgage payments	3%	5%	19%

Base: 2234 mortgagors. Coping but pressured 391. Struggling 104.

**Chart 47: Risk profile all mortgagors and those under pressure**

	Home owners with mortgages	Coping but pressured	Struggling
Self certified last time	6%	7%	15%
Credit impaired prior to crisis	1%	3%	4%

Base: 2234 mortgagors. Coping but pressured 391. Struggling 104.

**Chart 48: Payment difficulties on mortgages by whether have or have not had reduced mortgage payments due to reductions in interest rate**

	Home owners with mortgagees	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Renegotiated payments with lender in last two years	5%	5%	4%
Ever missed or made mortgage payments late	10%	10%	10%
Ever been three months behind with mortgage payments	3%	3%	3%

Base: 1213 mortgagors who have had a rate reduction and 1010 mortgagors who have not had a rate reduction

**Chart 49: The impact of rate reductions on financial pressure, mortgagors who have experienced income shocks in past two years**

	Home owners with mortgagees	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
No real financial pressure	21%	21%	20%
Some financial pressure but fairly easily managed	40%	42%	38%
Quite a lot of pressure which was difficult to manage	39%	37%	41%

Base: Mortgage holders who have experienced reduced income or adverse change in personal circumstances. 1230 Home owners with mortgagees. 713 Reduced mortgage payment due to rate reduction. 517 No reduced mortgage payment due to rate reduction.

**Chart 50: Missed payments among mortgagors with income shocks by whether have had rate reduction**

	Home owners with mortgagees	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Whether fell behind on mortgage payments as a result of income shock or adverse payment	11%	11%	11%

Base: Those who had experienced income shock and experienced some financial pressure as a result. 1077 Home owners with mortgagees. 629 Reduced mortgage payment due to rate reduction. 448 No reduced mortgage payment due to rate reduction.

**Chart 51: Whether income has reduced over last two years – all mortgagors and those under coping but pressured and struggling**

	Home owners with mortgages	Coping but pressured	Struggling
Household Income higher 2 years go	26%	33%	48%
Base: 1546 Home owners with mortgages. 349 Coping but pressured. 97 Struggling.			

**Chart 52: Experience of job loss and reduced earnings, adverse life events all mortgagors, the coping but pressured and struggling**

	Home owners with mortgages	Coping but pressured	Struggling
Unemployment / redundancy	32%	37%	51%
Reduced working hours or overtime	21%	18%	13%
Reduced bonuses and commissions	9%	13%	11%
Reduced income from self employment / own business	13%	19%	13%
Ill health/ disability	8%	11%	17%
Relationship breakdown/ divorce	3%	5%	4%
Base: 1546 Home owners with mortgages. 349 Coping but pressured. 97 Struggling.			

**Chart 53: Best explanation for how mortgagors have coped with reduced income through recession**

	All mortgagors with reduced income in last two years
We've been falling behind because our expenses have remained much the same	3%
We've been falling behind even with reduced expenses	4%
We've coped without having to cut back too much even though we haven't been able to reduce our expenses	4%
We've coped financially only because our expenses have gone down but its been a real struggle	6%
We've coped without having to cut back too much because our expenses have reduced	8%
We've coped because we always spend less than we earn anyway	23%
We've coped by reducing spending and prioritising essentials	52%
Base: 519 Mortgagors with reduced income in last two years	

**Chart 54: Use of savings and credit to cope with reduced income**

	Home owners with mortgages	Coping but pressured	Struggling
Used savings	45%	57%	21%
Borrowed on existing credit facilities	18%	34%	43%
Taken on new borrowing	6%	10%	11%
None of these	42%	23%	38%

Base: Mortgagors with reduced income. 519 Home owners with mortgages. 115 Coping but pressured. 47 Struggling.

**Chart 55: Use of savings and credit to cope with reduced income**

	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Used savings	44%	48%
Borrowed on existing credit facilities	18%	19%
Taken on new borrowing	4%	8%
None of these	44%	40%

Base: Mortgagors with reduced income. 300 Reduced mortgage payment due to rate reduction. 219 No reduced mortgage payment due to rate reduction.

**Chart 56: Whether have ever experienced adverse life events and income shocks**

Take extended period away from work to care for parents	2%
Business failure	3%
Extended period when had no self employment income	6%
Partner serious ill health/ accident	7%
Take extended period away from work to care for young children	11%
Serious ill health / accident	15%
Relationship break-down / divorce	26%
Unemployment / redundancy	32%
None	39%
Whether have ever experienced rate rise	48%
Any income shock / adverse life event	62%

Base: 1546 nationally representative sample of mortgagors

**Chart 57: Indicators of financial distress ever experienced, all mortgagors and those under coping but pressured and struggling and falling behind**

	All mortgagors	Coping but pressured	Struggling and falling behind
Paid mortgage payments on credit card	2%	4%	14%
Paid bills on credit card	15%	26%	42%
Maxed out a credit card	16%	27%	51%
Made minimum payments on a credit card for an extended period	25%	39%	66%
Base: Mortgagors with reduced income. 519 Home owners with mortgages. 115 Coping but pressured. 47 Struggling.			

**Chart 58: Experience of rate reductions and forbearance, all mortgagors and those under pressure**

	Home owners with mortgages	Coping but pressured	Struggling
Mortgage payments reduced in last two years because of interest rate fall	55%	49%	39%
Negotiated lower mortgage payment with lender	5%	8%	23%
Base: 1546 Home owners with mortgages. 349 Coping but pressured. 97 Struggling.			

**Chart 59: Selected reasons for moving, all mortgagors and those under pressure**

	Home owners with mortgages	Coping but pressured	Struggling
Downsize to release equity/ reduce mortgage	17%	22%	27%
Move to new region	17%	16%	27%
Pay off mortgage	6%	8%	16%
Move into rental sector	3%	5%	11%
Base: 817 Home owners with mortgages. 119 Coping but pressured. 37 Struggling.			

**Chart 60: Outcomes of difficulties with mortgages**

Took advantage of a government or local authority scheme to avoid repossession	3%
Had to sell the property	3%
Lender repossessed the property	3%
Raised funds elsewhere to sort out arrears	21%
Rescheduled the debt with the mortgage company	30%
Gradually paid off / paying off the arrears over time	46%
Base: 104 mortgagors who have been in arrears with their mortgage	

## Tables

**Table 1: Overall effect of affordability test on current borrowers**

Current borrowers who fail responsible lending test										
	% who would not be able to borrow at all	Nos who would not be able to borrow at all	% who would be able to borrow less than desired	Nos who would be able to borrow less than currently borrowing	Average current borrowing	Total current borrowing £bn	Average allowed borrowing	Total allowed borrowing £bn	Difference between current and allowed borrowing (% reduction average)	Difference between desired and allowed borrowing (Total value reduction £bn)
No additional requirements other than income > expenditure	10%	1,196,000	16%	1,838,000	£98,017	£1,116	£80,482	£916.6	-18%	-£199.7
Add: disallow if income cannot be verified	14%	1,539,000	16%	1,779,000	£98,017	£1,116	£75,737	£862.6	-23%	-£253.7
Add: allow only 50% of non-basic income	15%	1,689,000	15%	1,764,000	£98,017	£1,116	£74,367	£847.0	-24%	-£269.3
Add: 10% of income for contingency expenditure	17%	1,928,000	20%	2,257,000	£98,017	£1,116	£70,005	£797.3	-29%	-£319.0
Add: 2% stress test	17%	1,928,000	24%	2,720,000	£98,017	£1,116	£67,682	£770.8	-31%	-£345.5
Add: assess interest-only on capital & repayment basis	17%	1,928,000	28%	3,228,000	£98,017	£1,116	£64,334	£732.7	-34%	-£383.6
Add: maximum 25 year term	17%	1,928,000	28%	3,243,000	£98,017	£1,116	£64,279	£732.1	-34%	-£384.2
Add: cap term at age 65	19%	2,212,000	30%	3,393,000	£98,017	£1,116	£62,095	£707.2	-37%	-£409.1
Add: higher income from 2 years ago	18%	2,063,000	30%	3,363,000	£98,017	£1,116	£63,692	£725.4	-35%	-£390.9
Base: 762 current mortgagors										

**Table 2: Effect of varying level of net free cash contingency on affordability for current borrowers**

	<b>Fail test</b>	<b>No borrowing allowed</b>	<b>Reduced borrowing allowed</b>	<b>Average desired borrowing</b>	<b>Average allowed borrowing</b>	<b>Allowed/ Desired borrowing</b>
Free cashflow test with 50% other income allowed; exclude if income cannot be verified; assess IO on CR basis; maximum 25 year term; cap term at age 65; 2% interest rate stress test.	41%	17%	24%	£98,017	£67,470	69%
Add: require 2.50% income as net free cash contingency	43%	18%	25%	£98,017	£66,324	68%
Add: require 5.00% income as net free cash contingency	45%	18%	27%	£98,017	£65,053	66%
Add: require 7.50% income as net free cash contingency	47%	19%	28%	£98,017	£63,653	65%
Add: require 10.00% income as net free cash contingency	49%	19%	30%	£98,017	£62,095	63%
Add: require 12.50% income as net free cash contingency	51%	21%	30%	£98,017	£60,443	62%
Add: require 15.00% income as net free cash contingency	54%	22%	32%	£98,017	£58,681	60%
Add: require 17.50% income as net free cash contingency	57%	23%	33%	£98,017	£56,752	58%
Add: require 20.00% income as net free cash contingency	59%	24%	35%	£98,017	£54,662	56%
Add: require 22.50% income as net free cash contingency	61%	25%	36%	£98,017	£52,443	54%
Add: require 25.00% income as net free cash contingency	65%	27%	38%	£98,017	£50,084	51%
Base: 762 current mortgagors						

**Table 3: Effect of varying level of interest rate stress test on affordability for current borrowers**

	<b>Fail test</b>	<b>No borrowing allowed</b>	<b>Reduced borrowing allowed</b>	<b>Average desired borrowing</b>	<b>Average allowed borrowing</b>	<b>Allowed/ Desired borrowing</b>
Free cashflow test with 50% other income allowed; exclude if income cannot be verified; assess IO on CR basis; maximum 25 year term; cap term at age 65; 10% net free cashflow contingency.	46%	19%	26%	£98,017	£63,928	65%
Add: 0.50% stress test	47%	19%	27%	£98,017	£63,494	65%
Add: 1.00% stress test	47%	19%	28%	£98,017	£63,046	64%
Add: 1.50% stress test	48%	19%	29%	£98,017	£62,591	64%
Add: 2.00% stress test	49%	19%	30%	£98,017	£62,095	63%
Add: 2.50% stress test	50%	19%	30%	£98,017	£61,591	63%
Add: 3.00% stress test	51%	19%	31%	£98,017	£61,077	62%
Add: 3.50% stress test	52%	19%	33%	£98,017	£60,546	62%
Add: 4.00% stress test	52%	19%	33%	£98,017	£60,007	61%
Add: 4.50% stress test	54%	19%	34%	£98,017	£59,457	61%
Add: 5.00% stress test	54%	19%	35%	£98,017	£58,902	60%
Add: 5.50% stress test	56%	19%	36%	£98,017	£58,350	60%
Add: 6.00% stress test	57%	19%	37%	£98,017	£57,789	59%
Add: 6.50% stress test	58%	19%	39%	£98,017	£57,194	58%
Add: 7.00% stress test	60%	19%	41%	£98,017	£56,554	58%
Add: 7.50% stress test	61%	19%	42%	£98,017	£55,907	57%
Add: 8.00% stress test	62%	19%	43%	£98,017	£55,232	56%
Add: 8.50% stress test	63%	19%	44%	£98,017	£54,553	56%
Add: 9.00% stress test	64%	19%	45%	£98,017	£53,863	55%
Add: 9.50% stress test	65%	19%	45%	£98,017	£53,183	54%
Add: 10.00% stress test	66%	19%	46%	£98,017	£52,506	54%
Base: 762 current mortgagors						



**Table 4: Impact on current borrowers by income group**

	<b>Fail 'central' test</b>	<b>No borrowing allowed</b>	<b>Reduced borrowing allowed</b>	<b>Average desired borrowing</b>	<b>Average allowed borrowing</b>	<b>Allowed/ Desired borrowing</b>
<£20k	81%	51%	30%	£64,443	£15,617	24%
£20k-£32k	53%	17%	36%	£81,578	£48,206	59%
£32k-£49k	37%	7%	30%	£101,344	£75,388	74%
>£49k	27%	6%	21%	£150,682	£111,979	74%
Household income <£32k	68%	40%	28%	£119,971	£45,618	38%
Household income >£32k	60%	30%	30%	£73,672	£35,338	48%

Base: 762 current mortgagors for income ranges

<b>Current borrowers</b>	<b>% Fail 'central' test</b>	<b>% 'shut out' (no borrowing allowed)</b>	<b>Number 'shut out'</b>	<b>% reduced borrowing</b>	<b>Number reduced borrowing</b>	<b>Total value reduction (£bn)</b>
<£20k	<b>81%</b>	51%	1,285,373	30%	747,310	-£122.6
£20k-£32k	<b>53%</b>	17%	553,009	36%	1,210,642	-£111.7
£32k-£49k	<b>37%</b>	7%	224,193	30%	911,718	-£79.9
>£49k	<b>27%</b>	6%	149,462	21%	523,117	-£94.9

**Table 5: Impact on current borrowers by employment status and income security**

	<b>Fail 'central' test</b>	<b>No borrowing allowed</b>	<b>Reduced borrowing allowed</b>	<b>Average desired borrowing</b>	<b>Average allowed borrowing</b>	<b>Allowed/Desired borrowing</b>
All Employed	<b>47%</b>	17%	30%	£101,274	£65,940	65%
Employed full time	<b>45%</b>	16%	29%	£103,507	£68,604	66%
Employed part time	<b>72%</b>	32%	40%	£70,106	£28,764	41%
Self-employed	<b>68%</b>	40%	28%	£119,971	£45,618	38%
Variable Income	<b>60%</b>	28%	32%	£112,630	£65,004	58%

Base: 762 current mortgagors, 100 self-employed, 133 with variable income

**Table 5a: Wider economic impact on current borrowers by employment status and income security**

<b>Current borrowers</b>	<b>% Fail 'central' test</b>	<b>% 'shut out' (no borrowing allowed)</b>	<b>Number 'shut out'</b>	<b>% reduced borrowing</b>	<b>Number reduced borrowing</b>	<b>Total value reduction (£bn)</b>
All Employed	<b>47%</b>	17%	1,778,597	30%	3,168,593	-£371.3
Employed full time	<b>45%</b>	16%	1,554,404	29%	2,884,615	-£342.2
Employed part time	<b>72%</b>	32%	224,193	40%	283,978	-£29.0
Self-employed	<b>68%</b>	40%	430,450	28%	301,315	-£80.0
Variable Income	<b>60%</b>	28%	553,009	32%	642,686	-£94.7

Base: 762 current mortgagors, 100 self-employed, 133 with variable income

**Table 5b: Impact on self-employed**

	<b>Fail 'central' test</b>	<b>No borrowing allowed</b>	<b>Reduced borrowing allowed</b>	<b>Average desired borrowing</b>	<b>Average allowed borrowing</b>	<b>Allowed/ Desired borrowing</b>
No additional requirements other than income > expenditure	31%	15%	16%	£119 971	£97 979	82%
Add: disallow if income cannot be verified	45%	31%	14%	£119 971	£64 893	54%
Add: allow only 50% of non-basic income	47%	32%	15%	£119 971	£64 422	54%
Add: 10% of income for contingency expenditure	57%	36%	21%	£119 971	£57 741	48%
Add: 2% stress test	58%	36%	22%	£119 971	£53 473	45%
Add: assess interest-only on capital & repayment basis	64%	36%	28%	£119 971	£47 312	39%
Add: maximum 25 year term	64%	36%	28%	£119 971	£47 312	39%
Add: cap term at age 65	68%	40%	28%	£119 971	£45 618	38%

Base: 100 current self-employed mortgagors

**Table 6: Impact on current borrowers by age group**

	<b>Fail 'central' test</b>	<b>No borrowing allowed</b>	<b>Reduced borrowing allowed</b>	<b>Average desired borrowing</b>	<b>Average allowed borrowing</b>	<b>Allowed/ Desired borrowing</b>
<b>under 30</b>	<b>49%</b>	19%	30%	£112,623	£72,535	64%
<b>31-40</b>	<b>40%</b>	14%	26%	£114,630	£81,119	71%
<b>41-50</b>	<b>51%</b>	17%	34%	£93,024	£58,188	63%
<b>51-60</b>	<b>49%</b>	18%	31%	£79,536	£46,171	58%
<b>61-65</b>	<b>72%</b>	28%	44%	£69,242	£21,123	31%
<b>66+</b>	<b>100%</b>	100%	0%	£49,205	£0	0%

Base: 762 current mortgagors

**Table 6a: Wider economic impact on current borrowers by age group**

Current borrowers	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
<b>under 30</b>	<b>49%</b>	19%	283,978	30%	448,386	-£60.5
<b>31-40</b>	<b>40%</b>	14%	523,117	26%	926,664	-£121.7
<b>41-50</b>	<b>51%</b>	17%	612,794	34%	1,225,588	-£125.5
<b>51-60</b>	<b>49%</b>	18%	313,870	31%	553,009	-£59.3
<b>61-65</b>	<b>72%</b>	28%	149,462	44%	239,139	-£25.9
<b>66+</b>	<b>100%</b>	100%	328,816	0%	0	-£16.2

Base: 762 current mortgagors

**Table 7: Impact on current borrowers by region**

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
North	44%	21%	598,000	23%	658,000	-£85.7
Midlands	52%	18%	314,000	34%	583,000	-£54.5
East	46%	15%	149,000	31%	299,000	-£31.3
London	50%	20%	239,000	30%	359,000	-£55.6
South	52%	20%	598,000	33%	1,001,000	-£124.6
Wales	47%	10%	45,000	37%	164,000	-£12.5
Scotland	55%	25%	209,000	30%	254,000	-£38.5

Base: 191 North; 116 Midlands; 65 East; 80 London; 205 South;  
30 Wales; 56 Scotland

**Table 8a: Overall effect of affordability test on remortgagers within a year**

<b>Remortgagers within a year who fail responsible lending test (test based on current borrowers)</b>										
	<b>% who would not be able to borrow at all</b>	<b>Nos who would not be able to borrow at all</b>	<b>% who would be able to borrow less than desired</b>	<b>Nos who would be able to borrow less than desired</b>	<b>Average desired borrowing</b>	<b>Total desired borrowing £bn</b>	<b>Average allowed borrowing</b>	<b>Total allowed borrowing £bn</b>	<b>Difference between desired and allowed borrowing (% reduction average)</b>	<b>Difference between desired and allowed borrowing (Total value reduction £bn)</b>
No additional requirements other than income>expenditure	10%	81,000	16%	125,000	£117,127	£90.7	£96,173	£74.4	-18%	-£16.2
Add: disallow if income cannot be verified	14%	105,000	16%	121,000	£117,127	£90.7	£90,503	£70.0	-23%	-£20.6
Add: allow only 50% of non-basic income	15%	115,000	15%	120,000	£117,127	£90.7	£88,866	£68.8	-24%	-£21.9
Add: 10% of income for contingency expenditure	17%	131,000	20%	153,000	£117,127	£90.7	£83,653	£64.7	-29%	-£25.9
Add: 2% stress test	17%	131,000	24%	185,000	£117,127	£90.7	£80,878	£62.6	-31%	-£28.1
Add: assess interest-only on capital & repayment basis	17%	131,000	28%	219,000	£117,127	£90.7	£76,877	£59.5	-34%	-£31.2
Add: maximum 25 year term	17%	131,000	28%	220,000	£117,127	£90.7	£76,811	£59.5	-34%	-£31.2
Add: cap term at age 65	19%	150,000	30%	231,000	£117,127	£90.7	£74,201	£57.4	-37%	-£33.2
Add: higher income from 2 years ago	18%	140,000	30%	229,000	£117,127	£90.7	£76,109	£58.9	-35%	-£31.7

Base: For average desired borrowing, 136 current mortgagors expecting to remortgage and not more within 12 months. For proportions pass/fail, 762 current mortgagors.

**Table 8: Overall effect of affordability test on movers**

<b>Movers within a year who fail responsible lending test</b>										
	<b>% who would not be able to borrow at all</b>	<b>Nos who would not be able to borrow at all</b>	<b>% who would be able to borrow less than desired</b>	<b>Nos who would be able to borrow less than desired</b>	<b>Average desired borrowing</b>	<b>Total desired borrowing £bn</b>	<b>Average allowed borrowing</b>	<b>Total allowed borrowing £bn</b>	<b>Difference between desired and allowed borrowing (% reduction average)</b>	<b>Difference between desired and allowed borrowing (Total value reduction £bn)</b>
No additional requirements other than income>expenditure	9%	50,000	18%	96,000	£151,243	£79.9	£125,707	£66.4	-17%	-£13.5
Add: disallow if income cannot be verified	12%	63,000	18%	93,000	£151,243	£79.9	£122,949	£64.9	-19%	-£14.9
Add: allow only 50% of non-basic income	14%	76,000	18%	96,000	£151,243	£79.9	£119,858	£63.3	-21%	-£16.6
Add: 10% of income for contingency expenditure	16%	86,000	26%	136,000	£151,243	£79.9	£110,864	£58.5	-27%	-£21.3
Add: 2% stress test	16%	86,000	31%	163,000	£151,243	£79.9	£105,580	£55.7	-30%	-£24.1
Add: assess interest-only on capital & repayment basis	16%	86,000	33%	173,000	£151,243	£79.9	£104,671	£55.3	-31%	-£24.6
Add: maximum 25 year term	16%	86,000	33%	173,000	£151,243	£79.9	£104,349	£55.1	-31%	-£24.8
Add: cap term at age 65	18%	96,000	33%	173,000	£151,243	£79.9	£103,076	£54.4	-32%	-£25.4
Add: higher income from 2 years ago	18%	93,000	32%	169,000	£151,243	£79.9	£104,652	£55.3	-31%	-£24.6

Base: For proportions pass/fail and desired borrowing, 159 current mortgagors who expect to move within foreseeable future and give complete income/expenditure information. Scaled up by proportion of mortgagors expecting to move within 12 months and need a mortgage and number of UK mortgagors end-2009.

**Table 9: Overall effect of affordability test on first time buyers**

<b>Renters buying (FTBs) within a year who fail responsible lending test</b>										
	<b>% who would not be able to borrow at all</b>	<b>Nos who would not be able to borrow at all</b>	<b>% who would be able to borrow less than desired</b>	<b>Nos who would be able to borrow less than desired</b>	<b>Average desired borrowing</b>	<b>Total desired borrowing £bn</b>	<b>Average allowed borrowing</b>	<b>Total allowed borrowing £bn</b>	<b>Difference between desired and allowed borrowing (% reduction average)</b>	<b>Difference between desired and allowed borrowing (Total value reduction £bn)</b>
No additional requirements other than income>expenditure	9%	35,000	24%	93,000	£112,789	£43.5	£90,900	£35.1	-19%	-£8.4
Add: disallow if income cannot be verified	12%	45,000	23%	89,000	£112,789	£43.5	£86,810	£33.5	-23%	-£10.0
Add: allow only 50% of non-basic income	12%	45,000	26%	99,000	£112,789	£43.5	£85,159	£32.9	-24%	-£10.7
Add: 10% of income for contingency expenditure	14%	54,000	31%	118,000	£112,789	£43.5	£78,176	£30.2	-31%	-£13.4
Add: 2% stress test	14%	54,000	40%	153,000	£112,789	£43.5	£73,456	£28.4	-35%	-£15.2
Add: assess interest-only on capital & repayment basis	14%	54,000	40%	153,000	£112,789	£43.5	£73,456	£28.4	-35%	-£15.2
Add: maximum 25 year term	14%	54,000	40%	153,000	£112,789	£43.5	£73,252	£28.3	-35%	-£15.3
Add: cap term at age 65	15%	57,000	40%	156,000	£112,789	£43.5	£70,456	£27.2	-38%	-£16.3
Add: higher income from 2 years ago	15%	57,000	40%	153,000	£112,789	£43.5	£71,558	£27.6	-37%	-£15.9

Base: For proportions pass/fail and desired borrowing, 121 current renters who expect to buy within foreseeable future and give complete income/expenditure information. Scaled up by proportion of renters expecting to move within 12 months, ratio of renters to mortgagors and number of UK mortgagors end-2009.

**Table 10: Impact on property chain**

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
FTBs	55%	15%	57,000	40%	156,000	-£16.3
Trading up	53%	19%	37,000	34%	66,000	-£10.3
Moving in same price range	47%	15%	43,000	32%	93,000	-£13.2
Trading down	64%	36%	17,000	29%	13,000	-£1.9
<b>All</b>	<b>53%</b>	<b>17%</b>	<b>153,000</b>	<b>36%</b>	<b>330,000</b>	<b>-£41.8</b>

Base: 280 movers and FTB; 121 FTBs; 87 moving in same price range; 58 trading up; 14 trading down



**Table 10a: Impact on property chain**

	FTBs		Trading Up		Moving in same price range		Trading Down		All buyers	
	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)
No additional requirements other than income > expenditure	35,000	-£8.4	23,000	-£5.6	17,000	-£6.9	10,000	-£1.0	<b>85,000</b>	<b>-£21.9</b>
Add: disallow if income cannot be verified	45,000	-£10.0	23,000	-£5.6	27,000	-£8.0	13,000	-£1.3	<b>108,000</b>	<b>-£25.0</b>
Add: allow only 50% of non-basic income	45,000	-£10.7	30,000	-£6.6	33,000	-£8.6	13,000	-£1.3	<b>121,000</b>	<b>-£27.2</b>
Add: 10% of income for contingency expenditure	54,000	-£13.4	37,000	-£8.5	37,000	-£11.2	13,000	-£1.6	<b>140,000</b>	<b>-£34.7</b>
Add: 2% stress test	54,000	-£15.2	37,000	-£9.9	37,000	-£12.5	13,000	-£1.8	<b>140,000</b>	<b>-£39.3</b>
Add: assess interest-only on capital & repayment basis	54,000	-£15.2	37,000	-£10.2	37,000	-£12.6	13,000	-£1.8	<b>140,000</b>	<b>-£39.8</b>
Add: maximum 25 year term	54,000	-£15.3	37,000	-£10.3	37,000	-£12.7	13,000	-£1.8	<b>140,000</b>	<b>-£40.0</b>
Add: cap term at age 65	57,000	-£16.3	37,000	-£10.3	43,000	-£13.2	17,000	-£1.9	<b>153,000</b>	<b>-£41.8</b>
Add: higher income from 2 years ago	57,000	-£15.9	33,000	-£9.7	43,000	-£13.0	17,000	-£1.9	<b>150,000</b>	<b>-£40.5</b>
Base: 280 movers and FTB; 121 FTBs; 87 moving in same price range; 58 trading up; 14 trading down										

**Table 11: Impact by current property size**

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
1 bed/studio	41%	12%	16,000	29%	39,000	-£3.4
2 bed	57%	19%	65,000	38%	127,000	-£16.7
3 bed	49%	15%	49,000	34%	108,000	-£13.5
4 bed or more	62%	18%	23,000	44%	55,000	-£8.1
<b>All</b>	<b>53%</b>	<b>17%</b>	<b>153,000</b>	<b>36%</b>	<b>330,000</b>	<b>-£41.8</b>

Base: 41 1 bed/studio; 103 2 bed; 97 3 bed; 39 4 bed or more

**Table 11a: Impact by current property size**

	1 bed/studio		2 bed		3 bed		4 bed or more		All buyers	
	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)
No additional requirements other than income>expenditure	10,000	-£1.6	42,000	-£9.4	23,000	-£7.0	10,000	-£3.8	<b>85,000</b>	<b>-£21.9</b>
Add: disallow if income cannot be verified	16,000	-£2.1	46,000	-£9.7	29,000	-£7.9	16,000	-£5.3	<b>108,000</b>	<b>-£25.0</b>
Add: allow only 50% of non-basic income	16,000	-£2.3	52,000	-£10.8	33,000	-£8.4	20,000	-£5.7	<b>121,000</b>	<b>-£27.2</b>
Add: 10% of income for contingency expenditure	16,000	-£3.1	62,000	-£13.2	42,000	-£11.4	20,000	-£6.9	<b>140,000</b>	<b>-£34.7</b>
Add: 2% stress test	16,000	-£3.4	62,000	-£15.0	42,000	-£13.0	20,000	-£7.8	<b>140,000</b>	<b>-£39.3</b>
Add: assess interest-only on capital & repayment basis	16,000	-£3.4	62,000	-£15.4	42,000	-£13.0	20,000	-£7.8	<b>140,000</b>	<b>-£39.8</b>
Add: maximum 25 year term	16,000	-£3.4	62,000	-£15.6	42,000	-£13.0	20,000	-£7.9	<b>140,000</b>	<b>-£40.0</b>
Add: cap term at age 65	16,000	-£3.4	65,000	-£16.7	49,000	-£13.5	23,000	-£8.1	<b>153,000</b>	<b>-£41.8</b>
Add: higher income from 2 years ago	16,000	-£3.4	65,000	-£16.5	46,000	-£13.1	23,000	-£7.4	<b>150,000</b>	<b>-£40.5</b>

Base: 41 1 bed/studio; 103 2 bed;  
97 3 bed; 39 4 bed or more

**Table 12: Impact by value of property purchased**

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
Value <=£125,000	50%	22%	39,000	28%	49,000	-£5.0
Value £125,000-£175,000	51%	13%	36,000	38%	101,000	-£7.9
Value £175,000-£250,000	53%	17%	46,000	36%	95,000	-£12.2
Value >£250,000	57%	16%	33,000	41%	85,000	-£16.7
<b>All</b>	<b>53%</b>	<b>17%</b>	<b>153,000</b>	<b>36%</b>	<b>330,000</b>	<b>-£41.8</b>

Base: 54 <=£125,000; 82 £125,000-£175,000; 81 £175,000-£250,000; 63 >£250,000

**Table 12a: Impact by value of property purchased**

	Value ≤£125,000		Value £125,000-£170,000		Value £170,000-£250,000		Value >£250,000		All buyers	
	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)
No additional requirements other than income > expenditure	29,000	-£3.3	29,000	-£4.6	20,000	-£5.9	7,000	-£8.1	<b>85,000</b>	<b>-£21.9</b>
Add: disallow if income cannot be verified	33,000	-£3.4	33,000	-£4.9	29,000	-£7.1	13,000	-£9.6	<b>108,000</b>	<b>-£25.0</b>
Add: allow only 50% of non-basic income	33,000	-£3.6	33,000	-£5.2	33,000	-£7.9	23,000	-£10.5	<b>121,000</b>	<b>-£27.2</b>
Add: 10% of income for contingency expenditure	36,000	-£4.4	36,000	-£6.7	42,000	-£10.3	26,000	-£13.2	<b>140,000</b>	<b>-£34.7</b>
Add: 2% stress test	36,000	-£4.8	36,000	-£7.7	42,000	-£11.7	26,000	-£15.0	<b>140,000</b>	<b>-£39.3</b>
Add: assess interest-only on capital & repayment basis	36,000	-£4.8	36,000	-£7.8	42,000	-£11.8	26,000	-£15.4	<b>140,000</b>	<b>-£39.8</b>
Add: maximum 25 year term	36,000	-£4.8	36,000	-£7.8	42,000	-£11.9	26,000	-£15.5	<b>140,000</b>	<b>-£40.0</b>
Add: cap term at age 65	39,000	-£5.0	36,000	-£7.9	46,000	-£12.2	33,000	-£16.7	<b>153,000</b>	<b>-£41.8</b>
Add: higher income from 2 years ago	39,000	-£4.9	36,000	-£7.5	42,000	-£11.9	33,000	-£16.2	<b>150,000</b>	<b>-£40.5</b>
Base: 54 ≤£125,000; 82 £125,000-£175,000; 81 £175,000-£250,000; 63 >£250,000										

**Table 13: Impact by level of borrowing**

	<b>% Fail 'central' test</b>	<b>% 'shut out' (no borrowing allowed)</b>	<b>Number 'shut out'</b>	<b>% reduced borrowing</b>	<b>Number reduced borrowing</b>	<b>Total value reduction (£bn)</b>
Borrowing <=£80,000	47%	24%	49,000	23%	46,000	-£3.4
Borrowing £80,001-£120,000	51%	15%	46,000	36%	111,000	-£9.8
Borrowing £120,001-£180,000	55%	20%	42,000	35%	75,000	-£11.5
Borrowing >£180,000	60%	9%	16,000	52%	98,000	-£17.0
<b>All</b>	<b>53%</b>	<b>17%</b>	<b>153,000</b>	<b>36%</b>	<b>330,000</b>	<b>-£41.8</b>

Base: 54 <=£80,000; 82 £80,001-£120,000; 81 £120,001-£180,000; 63 >£180,000

**Table 13a: Impact by level of borrowing**

	Borrowing <=80,000		Borrowing 80,001-120,000		Borrowing 120,001-180,000		Borrowing >180,000		All buyers	
	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)
No additional requirements other than income>expenditure	36,000	-£2.2	23,000	-£4.8	23,000	-£6.3	3,000	-£8.5	<b>85,000</b>	<b>-£21.9</b>
Add: disallow if income cannot be verified	39,000	-£2.3	33,000	-£5.8	29,000	-£7.1	7,000	-£9.7	<b>108,000</b>	<b>-£25.0</b>
Add: allow only 50% of non-basic income	39,000	-£2.6	36,000	-£6.1	33,000	-£7.7	13,000	-£10.7	<b>121,000</b>	<b>-£27.2</b>
Add: 10% of income for contingency expenditure	46,000	-£3.1	39,000	-£7.9	39,000	-£9.9	16,000	-£13.8	<b>140,000</b>	<b>-£34.7</b>
Add: 2% stress test	46,000	-£3.2	39,000	-£8.9	39,000	-£11.1	16,000	-£16.0	<b>140,000</b>	<b>-£39.3</b>
Add: assess interest-only on capital & repayment basis	46,000	-£3.2	39,000	-£9.0	39,000	-£11.2	16,000	-£16.3	<b>140,000</b>	<b>-£39.8</b>
Add: maximum 25 year term	46,000	-£3.2	39,000	-£9.1	39,000	-£11.3	16,000	-£16.4	<b>140,000</b>	<b>-£40.0</b>
Add: cap term at age 65	49,000	-£3.4	46,000	-£9.8	42,000	-£11.5	16,000	-£17.0	<b>153,000</b>	<b>-£41.8</b>
Add: higher income from 2 years ago	49,000	-£3.2	46,000	-£9.5	39,000	-£10.7	16,000	-£17.0	<b>150,000</b>	<b>-£40.5</b>
Base: 54 <=£80,000; 82 £80,001-£120,000; 81 £120,001-£180,000; 63 >£180,000										

**Table 14: Impact by income**

	<b>% Fail 'central' test</b>	<b>% 'shut out' (no borrowing allowed)</b>	<b>Number 'shut out'</b>	<b>% reduced borrowing</b>	<b>Number reduced borrowing</b>	<b>Total value reduction (£bn)</b>
Income <£20,000 (lowest 25%)	93%	40%	91,000	53%	121,000	-£17.0
Income <£32,000 (~lowest 50%)	71%	27%	127,000	44%	209,000	-£27.4
Income >=£32,000 (~highest 50%)	33%	6%	26,000	27%	121,000	-£14.3
Income >=£49,000 (highest 20%)	34%	5%	10,000	29%	52,000	-£8.5
<b>All</b>	<b>53%</b>	<b>17%</b>	<b>153,000</b>	<b>36%</b>	<b>330,000</b>	<b>-£41.8</b>

Base: 70 <£20,000; 145 <32,000; 135 >=£32,000; 56 >=£49,000



**Table 14a: Impact by income**

	Income <£20,000		Income <£32,000		Income >=£32,000		Income >=£49,000	
	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)	Number shut out (no borrowing allowed)	Total value reduction (£bn)
No additional requirements other than income>expenditure	62,000	-£12.2	82,000	-£18.3	3,000	-£3.6	0	-£2.5
Add: disallow if income cannot be verified	69,000	-£12.7	95,000	-£19.4	13,000	-£5.6	7,000	-£4.1
Add: allow only 50% of non-basic income	78,000	-£13.7	104,000	-£20.7	16,000	-£6.5	7,000	-£4.6
Add: 10% of income for contingency expenditure	88,000	-£15.7	124,000	-£24.8	16,000	-£9.8	7,000	-£6.2
Add: 2% stress test	88,000	-£16.7	124,000	-£26.9	16,000	-£12.3	7,000	-£7.2
Add: assess interest-only on capital & repayment basis	88,000	-£16.7	124,000	-£26.9	16,000	-£12.8	7,000	-£7.5
Add: maximum 25 year term	88,000	-£16.7	124,000	-£27.0	16,000	-£12.9	7,000	-£7.5
Add: cap term at age 65	91,000	-£17.0	127,000	-£27.4	26,000	-£14.3	10,000	-£8.5
Add: higher income from 2 years ago	91,000	-£16.5	124,000	-£26.3	26,000	-£14.2	10,000	-£8.5

Base: 70 <£20,000; 145 <£32,000; 135 >=£32,000; 56 >=£49,000

**Table 15: Impact by age**

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
Under 30	53%	17%	62,000	36%	131,000	-£15.8
31-40	44%	11%	33,000	34%	104,000	-£11.0
41-50	64%	20%	33,000	44%	72,000	-£8.9
over 50	65%	35%	26,000	30%	23,000	-£6.0
<b>All</b>	<b>53%</b>	<b>17%</b>	<b>153,000</b>	<b>36%</b>	<b>330,000</b>	<b>-£41.8</b>

Base: 112 under 30; 95 31-40; 50 41-50; 23 over 50

**Table 16: Potentially significant impacts for a large number of both current and would be borrowers and for the housing market more widely**

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing	Number reduced borrowing	Total value reduction (£bn)
<b>Current borrowers</b>						
All current borrowers	49%	19%	2,212,000	30%	3,393,000	-£409.1
Lower income households (< £32k)	65%	31%	1,838,000	33%	1,958,000	-£234.3
FTB last time	43%	20%	583,000	23%	688,000	-£90.5
Main earner self-employed	68%	40%	430,000	28%	301,000	-£80.0
Over 50s	60%	30%	792,000	30%	792,000	-£101.4

Base for current borrowers: 762 current mortgagors; 392 lower income; 200 FTB last time; 100 self-employed; 177 over 50s

	% Fail 'central' test	% 'shut out' (no borrowing allowed)	Number 'shut out'	% reduced borrowing, but assumed not to borrow	Number allowed reduced borrowing, but assumed not to borrow	Total value reduction (£bn)
<b>Remortgagers within a year</b>						
All remortgagers within a year	49%	19%	150,000	30%	231,000	£44.6

Base for remortgagers: For average desired borrowing, 136 current mortgagors expecting to remortgage and not more within 12 months. For proportions pass/fail, 762 current mortgagors.

<b>Movers and FTB within a year</b>	<b>% Fail 'central' test</b>	<b>% 'shut out' (no borrowing allowed)</b>	<b>Number 'shut out'</b>	<b>% reduced borrowing</b>	<b>Number reduced borrowing</b>	<b>Total value reduction (£bn)</b>
All movers and FTB	53%	17%	153,000	36%	330,000	-£41.8
FTBs	55%	15%	57,000	40%	156,000	-£16.3
Same price range	47%	15%	43,000	32%	93,000	-£13.2
Traders up	53%	19%	37,000	34%	66,000	-£10.3
Traders down	64%	36%	17,000	29%	13,000	-£1.9

Base for movers and FTB within a year: For proportions pass/fail and average desired borrowing, 159 current mortgagors expecting to move within foreseeable future, 121 renters expecting to buy within foreseeable future; 87 moving in same price range; 58 trading up; 14 trading down. Scaled up by proportion of mortgagors expecting to move within 12 months and proportion of renters expecting to move within 12 months, ratio of renters to mortgagors and number of UK mortgagors end-2009.

**Table 17: Projected versus 2009 actual FTBs, Movers, Remortgages**

	Survey proportions, scaled up by number of UK mortgagors end 2009	average value of desired borrowing, from survey	Actual number, 2009	Actual average value, 2009
Renters expecting to buy within 1 year/Actual FTBs in 2009	386,000	£112,789	199,000	£112,563
Movers within 1 year/Actual movers in 2009 (house purchase, minus FTBs)	528,000	£151,243	320,000	£148,125
Remortgages within 1 year/Actual remortgages in 2009	774,000	£117,127	409,000	£125,917
Source: Number of UK mortgagors, CML Table AP4. Actual 2009, CML Tables ML1 and ML2.				
Base for average value of desired borrowing: 121 FTBs, 159 movers, 136 remortgagers.				

## Supplementary Material Report - extended affordability analysis charts

**Chart 1: Perceptions of how well managing outgoings and commitments by whether have had rate reduction**

	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
I can manage outgoings and commitments comfortably	38%	30%
I can manage outgoings and commitments but sometimes finances feel a little tight	43%	44%
I am not falling behind but I am finding it a real struggle keeping up with outgoings and commitments	16%	20%
I'm falling behind on commitments but think I'll be able to catch up	2%	4%
I'm falling behind with commitments and can't see a way to catch up	1%	2%
Base:	1213	1010

**Chart 2: Perceptions of how well managing outgoings and commitments for those how have lost jobs and by whether have had rate reduction**

	All job loss	Job loss and have had rate reduction	Job loss and have not had rate reduction
I can manage outgoings and commitments comfortably	21%	25%	14%
I can manage outgoings and commitments but sometimes finances feel a little tight	40%	40%	43%
I am not falling behind but I am finding it a real struggle keeping up with outgoings and commitments	24%	25%	27%
I'm falling behind on commitments but think I'll be able to catch up	8%	6%	8%
I'm falling behind with commitments and can't see a way to catch up	8%	5%	8%
Base:	195	101	94

**Chart 3: Budgeting and degree of comfort and flex in household budget by whether have had rate reduction**

	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
I usually have comfortably more money than I need each month so we spend less than our income and are able to save	19%	15%
I'm sufficiently comfortable enough that I know my bills get paid and I spent without having to think hard about budgeting.	33%	33%
When I get paid I prioritise my essential bills and make sacrifices elsewhere if I need to.	33%	34%
I try to keep on top of all my bills but sometimes I have to use the money for other day-to-day spending.	8%	9%
I don't really know what I earn or how much I spend and just have to cut back if I run out of money.	1%	2%
I budget carefully but never really have enough money to go around.	5%	7%
Base:	1213	1010

**Chart 4: How mortgagors have adapted budgets to reduced income by whether have had rate reduction**

	All home owners with mortgages	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
We've coped because we always spend less than we earn anyway	22%	26%	18%
We've coped by reducing spending and prioritising essentials	53%	52%	51%
We've coped without having to cut back too much because our expenses have reduced	7%	8%	7%
We've coped without having to cut back too much even though we haven't been able to reduce our expenses	4%	3%	6%
We've coped financially only because our expenses have gone down but its been a real struggle	7%	7%	7%
We've been falling behind because our expenses have remained much the same	3%	2%	5%
We've been falling behind even with reduced expenses	5%	2%	5%
All coped with reduced income without undue strain on budget	86%	89%	82%
All coping but struggling with reduced income	7%	7%	7%
All falling behind with reduced income	7%	5%	10%
Base: Mortgagors with reduced household income in the last two years	417	322	243

**Chart 5: How mortgagors have adapted budgets to reduced income for those how have lost jobs and by whether have had rate reduction**

	<b>All job loss</b>	<b>Job loss and have had rate reduction</b>	<b>Job loss and have not had rate reduction</b>
We've coped because we always spend less than we earn anyway	15%	17%	12%
We've coped by reducing spending and prioritising essentials	56%	57%	58%
We've coped without having to cut back too much because our expenses have reduced	5%	5%	4%
We've coped without having to cut back too much even though we haven't been able to reduce our expenses	6%	5%	8%
We've coped financially only because our expenses have gone down but its been a real struggle	6%	8%	3%
We've been falling behind because our expenses have remained much the same	4%	3%	5%
We've been falling behind even with reduced expenses	8%	5%	9%
All coped with reduced income without undue strain on budget	83%	84%	82%
All coping but struggling with reduced income	6%	8%	3%
All falling behind with reduced income	12%	8%	15%
Base: Mortgagors with reduced household income in the last two years	195	101	94

**Chart 6: Whether have had difficulties affording various commitments, outgoings, essentials and discretionary spending in last 12 months by whether have had rate reduction**

	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
None of these	45%	40%
Paying for electricity, gas or heating	8%	11%
Providing food for the family	6%	9%
Buying shoes or clothing	15%	18%
Paying for petrol or transport	10%	13%
Finding rent or mortgage payments	7%	10%
Replacing or repairing equipment	24%	24%
Finding money for essential major household purchases	25%	29%
Repaying credit or loan agreements	12%	16%
Finding money for medical or dental treatment	12%	15%
Finding the funds for Christmas or birthday presents	18%	23%
Affording entertainment, days out or holidays	39%	38%
Base:	1213	1010

**Chart 7: Whether have had difficulties affording various commitments, outgoings, essentials and discretionary spending in last 12 months by whether have had rate reduction**

	All home owners with mortgages	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Finding rent or mortgage payments	10%	7%	10%
Base:	1546	1213	1010

**Chart 8: Whether have had difficulties affording various commitments, outgoings, essentials and discretionary spending in last 12 months by whether have had rate reduction**

	All home owners with mortgages	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Repaying credit or loan agreements	16%	12%	16%
Base:	1546	1213	1010



**Chart 9: Difficulty affording rent or mortgage payments in last twelve months for those how have lost jobs and by whether have had rate reduction**

	All job loss	Job loss and have had rate reduction	Job loss and have not had rate reduction
Difficulty affording rent or mortgage payments in last twelve months	21%	19%	19%
Base:	195	101	74

**Chart 10: Difficulty in affording repayments on credit or loan agreements for those how have lost jobs and by whether have had rate reduction**

	All job loss	Job loss and have had rate reduction	Job loss and have not had rate reduction
Difficulty in affording repayments on credit or loan agreements	25%	23%	26%
Base:	195	101	94

**Chart 11: Role of savings in credit in helping to cope with reduced income - % have adopted any of these strategies to help cope by whether have had rate reduction**

	All home owners with mortgages	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Used savings you had put by	46%	43%	47%
Borrowed on existing credit facilities, such as credit cards or overdrafts	19%	18%	19%
Taken on new borrowing	6%	5%	7%
None of these	40%	44%	41%
Base: Mortgagors with reduced household income in the last two years	417	322	243

**Chart 12: Role of savings in credit in helping to cope with reduced income - % have adopted any of these strategies to help cope for those how have lost jobs and by whether have had rate reduction**

	All job loss	Job loss and have had rate reduction	Job loss and have not had rate reduction
Used savings you had put by	54%	52%	54%
Borrowed on existing credit facilities, such as credit cards or overdrafts	20%	19%	18%
Taken on new borrowing	6%	4%	9%
None of these	36%	38%	36%
Base: Mortgagors with reduced household income in the last two years	195	101	94

**Chart 13: Strategies adopted to help cope through recession by whether have had rate reduction**

	Reduced mortgage payment due to rate reduction	No reduced mortgage payment due to rate reduction
Sold other property	1%	1%
Claimed on mortgage payment protection insurance	2%	3%
Claimed on insurance policy	2%	2%
Rented room / take in lodgers	3%	2%
Borrowed / been given large sums from family / friends	3%	4%
Renegotiated payments with creditors / organised payment holiday	4%	4%
Got into arrears on bills or credit payments	5%	7%
Reduced payments on credit and loans (i.e. non mortgage borrowing)	5%	5%
Claimed social security benefits	6%	5%
Sold investments or other assets	6%	5%
Borrowed / been given small sums from family / friends	8%	10%
Second job / additional hours	10%	10%
Base:	1213	1010

**Chart 14: Mortgage related strategies for coping through recession and the impact on mortgage payments by whether have had rate reduction**

	<b>Reduced mortgage payment due to rate reduction</b>	<b>No reduced mortgage payment due to rate reduction</b>
Used drawdown facility on mortgage	2%	1%
Got into arrears on mortgage payments	3%	3%
Negotiated payment schedule with mortgage lender	3%	2%
Remortgaged to release equity/ taken further advance	4%	6%
Taken payment holidays on mortgage	4%	5%
Reduced payments on mortgage	4%	3%
Negotiated concessionary lower payment with lender due to changed circumstances or reduced income	5%	3%
<b>Base:</b>	<b>1213</b>	<b>1010</b>

**Chart 15: Mortgage related strategies for coping through recession and the impact on mortgage payments for those how have lost jobs and by whether have had rate reduction**

	<b>Job loss and have had rate reduction</b>	<b>Job loss and have not had rate reduction</b>
Remortgaged to release equity / taken further advance	1%	3%
Used drawdown facility on mortgage	2%	3%
Taken payment holidays on mortgage	4%	7%
Negotiated payment schedule with mortgage lender	8%	5%
Negotiated concessionary lower payment with lender due to changed circumstances or reduced income	11%	7%
Reduced payments on mortgage	11%	5%
Got into arrears on mortgage payments	12%	8%
<b>Base:</b>	<b>101</b>	<b>94</b>

**Chart 16: Missed mortgage payments and more serious arrears - those with and without reduced rates by whether have had rate reduction**

% of total mortgagors	All home owners with mortgages	Mortgagors with rate reduction	Mortgagors without rate reduction
Ever missed a mortgage payment	9%	9%	10%
Been three or more months behind	3%	3%	3%
Base:	2223	1213	1010

**Chart 17: Missed mortgage payments and more serious arrears - those who have lost their jobs with and without reduced rate for those how have lost jobs and by whether have had rate reduction**

	All home owners with mortgages	Unemployment / redundancy	Job loss and reduced rate	Job loss and not reduced rate
Ever missed a mortgage payment	9%	16%	16%	16%
Been three or more months behind	3%	5%	7%	7%

**Chart 18: Impact on household budgets of reduced mortgage payment due to low interest rate**

	All home owners with mortgages
Don't know	3%
We've mainly paid off debt with the money we'd have spent on the mortgage	14%
We've spent the money we've saved on mortgage payments on other things	15%
We've mainly saved/invested the money we'd have spent on the mortgage	16%
Other	16%
Our spending on essentials has increased which has taken up the savings on the mortgage	16%
We haven't really had any extra money because our income has reduced as well	20%
Base: Those with reduced payments due to low interest rates	818

**Chart 19: Those who have suffered reduced income through recession**

Perceptions of how well managing outgoings and commitments	All home owners with mortgages
Coping comfortably	31%
Managing but finances sometimes tight	44%
Coping but pressured	19%
Struggling	6%
Base:	1546

**Chart 20: Impact of job loss through recession for most pressured mortgagors**

	Home owners with mortgages	Coping but pressured	Struggling	Any difficulties in affording mortgage payments
Reduced income / working hours	27%	32%	48%	37%
Unemployment / redundancy	34%	36%	48%	49%
Base:	1546	391	101	183

**Chart 21: Income profile of most pressured mortgagors**

	All Mortgagors	Coping but pressured	Struggling
Less than £1250 per month	10%	17%	18%
£1251 to £2025 per month	17%	18%	24%
£2026 to £3125 per month	26%	28%	23%
£3126 to £4925 per month	20%	16%	14%
More than £4926 per month	27%	22%	20%
Base:	1546	391	101

**Chart 22: Presence of high risk factors**

	All home owners with mortgages	Coping but pressured	Struggling
Self certified income	6%	7%	15%
Bad credit rating with agencies	13%	13%	44%
County court judgement	5%	5%	21%
Base:	1546	391	101

**Chart 23: Impact on household budgets of reduced mortgage payment due to low interest rate for most pressured mortgagors**

	All home owners with mortgages	Coping but pressured	Struggling	Job loss	Reduced income in recession
We haven't really had any extra money because our income has reduced as well	20%	35%	54%	63%	54%
We've mainly paid off debt with the money we'd have spent on the mortgage	14%	13%	8%	3%	6%
We've mainly saved/invested the money we'd have spent on the mortgage	16%	4%	3%	9%	9%
Our spending on essentials has increased which has taken up the savings on the mortgage	16%	23%	22%	7%	6%
We've spent the money we've saved on mortgage payments on other things	15%	12%	8%	3%	8%
None of these	16%	10%	5%	13%	14%
Base: Those with reduced payments due to low interest rates	818	188	37	97	309

**Chart 24: Difficulty affording rent or mortgage payments in last twelve months for most pressured mortgagors**

	All home owners with mortgages	Coping but pressured	Struggling	Job loss
Difficulty affording rent or mortgage payments in last twelve months	10%	18%	56%	21%
Base:	1546	391	101	195

**Chart 25: Strategies adopted to help cope through recession for most pressured mortgagors**

	All home owners with mortgages	Coping but pressured	Struggling	Job loss	Reduced income in recession
Second job / additional hours	10%	16%	18%	8%	8%
Borrowed / been given small sums from family / friends	10%	21%	29%	12%	10%
Got into arrears on bills or credit payments	7%	11%	48%	10%	7%
Claimed social security benefits	6%	10%	17%	27%	12%
Reduced payments on credit and loans (i.e. non mortgage borrowing)	6%	12%	29%	12%	7%
Sold investments or other assets	6%	10%	8%	7%	5%
Renegotiated payments with creditors / organised payment holiday	5%	7%	31%	5%	5%
Borrowed / been given large sums from family / friends	4%	6%	12%	4%	4%
Rented room / take in lodgers	3%	3%	7%	1%	1%
Claimed on mortgage payment protection insurance	3%	4%	4%	6%	3%
Claimed on insurance policy	3%	4%	3%	4%	2%
Sold other property	1%	1%	1%	1%	1%
Base:	1546	391	101	195	565

**Chart 26: Problematic card use for most pressured mortgagors**

	All home owners with mortgages	Coping but pressured	Struggling	Unemployment / redundancy	Reduced income in recession
Paid bills on credit card	15%	11%	24%	19%	16%
Paid mortgage payments on credit card	3%	2%	9%	4%	3%
Maxed out a credit card	17%	17%	31%	19%	18%
Made minimum payments on a credit card for an extended period	28%	19%	31%	33%	29%
Base:	1546	391	101	195	565

**Chart 27: Mortgage related strategies for coping through recession and the impact on mortgage payments for most pressured mortgagors**

	All home owners with mortgages	Coping but pressured	Struggling	Job loss	Reduced income in recession
% of total mortgagors	100%	19%	6%	12%	37%
Remortgaged to release equity/taken further advance	5%	6%	9%	2%	4%
Taken payment holidays on mortgage	5%	8%	15%	5%	4%
Negotiated concessionary lower payment with lender due to changed circumstances or reduced income	4%	7%	21%	9%	6%
Negotiated payment schedule with mortgage lender	4%	5%	16%	7%	5%
Reduced payments on mortgage	4%	5%	9%	8%	5%
Used drawdown facility on mortgage	2%	3%	6%	2%	2%
Base:	1546	391	101	195	565

**Chart 28: Missed mortgage payments and more serious arrears for most pressured mortgagors**

	All home owners with mortgages	Coping but pressured	Struggling	Job loss	Reduced income in recession
Got into arrears on mortgage payments	4%	4%	29%	9%	5%
Ever missed a mortgage payment	12%	17%	48%	16%	12%
Been three or more months behind	8%	4%	17%	5%	9%
Base:	1546	391	101	195	565



**Chart 29a: Average household income by outcomes of central scenario affordability test by outcomes of central scenario affordability test**

	All mortgagors	Pass affordability test	Not allowed any borrowing	Allowed borrowing at reduced level
Average household income	£46,007	£62,381	£33,535	£52,315
Base:	1546	387	148	227

**Chart 29b: LTV ratio on current home by outcomes of central scenario affordability test by outcomes of central scenario affordability test**

Loan to value on current home	All mortgagors	Pass affordability test	Not allowed any borrowing	Allowed borrowing at reduced level
Loan to value ratio on borrowing on main residence	46%	45%	45%	58%
Base:	1546	387	148	227

**Chart 29c: Mortgage borrowing and housing equity values by outcomes of central scenario affordability test**

Average values for mortgage borrowing and housing equity	All mortgagors	Pass affordability test	Not allowed any borrowing	Allowed borrowing at reduced level
Value of current mortgage borrowing	£90,161	£101,563	£85,961 £141,31	£115,416 £135,59
Value of housing equity	£152,487	£141,226	1	9
Base:	1546	387	148	227

**Chart 29d: SEG by outcomes of central scenario affordability test by outcomes of central scenario affordability test**

	All mortgagors	Pass affordability test	Not allowed any borrowing	Allowed borrowing at reduced level
A	5%	8%	3%	6%
B	25%	36%	20%	30%
C1	33%	40%	45%	43%
C2	18%	11%	17%	13%
D	14%	3%	8%	7%
E	6%	2%	7%	3%
Base:	1546	387	148	227

\*Based on current borrowing, stated income and expenditure and net free cash flow of 10% plus additional layers to cover income verification, assess borrowing on capital and repayment basis, 2% stress test, term limited to 25 years and cap at aged 65

**Chart 30: Whether can manage outgoings and commitments by outcomes of central scenario affordability test**

	All mortgagors	Pass affordability test	Not allowed any borrowing	Allowed borrowing at reduced level
I can manage outgoings and commitments comfortably	31%	49%	22%	25%
I can manage outgoings and commitments but sometimes finances feel a little tight	44%	36%	47%	40%
I am not falling behind but I am finding it a real struggle keeping up with outgoings and commitments	19%	14%	24%	25%
I'm falling behind on commitments but think I'll be able to catch up	4%	1%	5%	8%
I'm falling behind with commitments and can't see a way to catch up	2%	1%	3%	3%
Base:	1546	387	148	227

**Chart 31: Missed mortgage payments and more serious arrears by outcomes of central scenario affordability test**

	All mortgagors	Pass affordability test	Not allowed any borrowing	Allowed borrowing at reduced level
Ever missed a mortgage payment	12%	8%	12%	11%
Been three or more months behind	4%	2%	4%	5%
Base:	1546	387	148	227

**Chart 32: A segmentation of those failing the simulated affordability test**

**Reduced borrowing**

	High risk credit impaired	Dual income employed families	Relationship survivors
	6%	37%	17%
Base:	23	140	64

**Shut out**

	Low income coping but pressured	Comfortable low risk older workers	Deeply troubled
	8%	28%	3%
Base:	30	106	12

**Chart 34: Perceptions of house prices in local area in last couple of years by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
Fallen a lot	12%	9%	6%	7%	5%	19%	5%	30%
Fallen a little	45%	48%	36%	46%	30%	43%	40%	33%
Stayed about the same	26%	28%	29%	29%	27%	19%	28%	18%
Risen a little	11%	10%	20%	14%	27%	14%	20%	12%
Risen a lot	3%	2%	4%	3%	5%	2%	4%	2%
Don't know / not sure	4%	4%	5%	2%	6%	4%	3%	4%
Base:	442	269	526	155	213	94	149	52

**Chart 35: Perceptions of prospects for house prices over next couple of years by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
Fall a lot	7%	5%	7%	9%	7%	8%	4%	7%
Fall a little	30%	34%	31%	36%	31%	30%	29%	29%
Stay about the same	37%	36%	33%	32%	33%	34%	39%	40%
Rise a little	26%	24%	27%	24%	28%	26%	27%	24%
Rise a lot	1%	1%	1%	0%	1%	2%	0%	0%
Base:	442	269	526	155	213	94	149	52

**Chart 36: Perceptions of house price change over a ten to twenty year term by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
Fall a lot	1%	1%	2%	3%	1%	1%	2%	0%
Fall a little	6%	4%	4%	5%	4%	5%	3%	5%
Stay about the same	11%	9%	10%	10%	9%	11%	10%	9%
Rise a little	56%	57%	53%	54%	55%	57%	59%	58%
Rise a lot	25%	28%	31%	29%	30%	26%	25%	28%
Base:	442	269	526	155	213	94	149	52

**Chart 37: Whether more or less likely to want to buy a home than before the credit crunch started in 2007 by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
A lot less likely	17%	14%	12%	14%	8%	14%	15%	18%
A little less likely	18%	18%	17%	13%	11%	17%	17%	19%
Neither more or less likely	52%	54%	57%	61%	60%	56%	53%	48%
A little more likely	8%	9%	8%	6%	13%	10%	9%	9%
A lot more likely	6%	5%	6%	5%	9%	4%	6%	6%
Base:	442	269	526	155	213	94	149	52

**Chart 38: Reasons for being less likely to buy property by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
Less confidence in my own finances	46%	47%	35%	45%	31%	55%	49%	40%
Less confidence in the housing market	41%	42%	46%	54%	54%	39%	41%	57%
More difficult to get a mortgage	38%	30%	34%	34%	48%	32%	32%	40%
Deposits required higher than before	31%	22%	31%	25%	31%	27%	31%	23%
Personal circumstances changed	25%	18%	21%	18%	16%	20%	24%	23%
Other	5%	8%	6%	6%	6%	7%	4%	11%
Base:	442	269	526	155	213	94	149	52

**Chart 39: Feelings about changes in household finances in last two years by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
Better off than you were two years ago	27%	25%	25%	31%	35%	31%	28%	24%
About the same as two years ago	33%	34%	38%	33%	37%	36%	36%	32%
Worse off than two years ago	40%	42%	37%	36%	28%	34%	36%	44%
Base:	442	269	526	155	213	94	149	52

**Chart 40: Expectations on finances over next two years by region**

	North	Midlands	South	East	London	Wales	Scotland	Other
Worse off financially	24%	28%	25%	26%	18%	27%	28%	31%
About the same	48%	43%	48%	49%	44%	42%	40%	38%
Better off financially	28%	29%	27%	25%	38%	31%	31%	31%
Base:	590	373	692	202	308	104	232	78