

New approaches to mortgage market regulation

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

Technical Appendix

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Technical appendix

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1.0 Introduction

This is the technical appendix for the Policis report “New Approaches to Mortgage Market Regulation - The impact of the MMR and the risks and benefits for consumers, society and the wider economy”.

It covers the methodology for the three streams of research which underpinned the report and the method for the model simulation of the affordability test as proposed in the draft responsible lending rules as detailed in the FSA’s MMR CP 10/16. The appendix is in three sections:

- The quantitative consumer research
 - Research design considerations
 - Sample details and statistical analysis of mortgagor samples
 - Questionnaire
- The qualitative consumer research
 - Sample details and recruitment specifications
 - Discussion guides
- The affordability test model
 - Methodology
 - Alternative scenarios and approaches
 - Reporting
- Lender interviews

Quantitative consumer research

2.0 Quantitative consumer research

2.1 Research design

The research design sought to capture a comprehensive overview of the consumer perspective on home ownership and mortgage borrowing and the various issues raised both in the MMR itself and in the wider public debate that surrounds it. It also aimed to provide authoritative data to underpin a robust evidence base around the various policy concerns and hypotheses raised by the Regulator to inform an evidence-driven discussion of the issues. It sought to do this both in the relatively limited sense of the likely impact of the proposed new approaches to mortgage market regulation and responsible lending encapsulated in the proposed draft rules contained within CP 10/16 but also more widely in the sends of seeking to support the wider public debate about the appropriate direction for housing strategy and for consumer protection and market regulation within the mortgage and wider lending markets.

2.2 The sample

The sample was specified to produce a robust nationally representative sample of mortgagors on the one hand, and, on the other, to achieve sufficient coverage of groups that were of particular interest in the public debate, such as first time buyers and the self employed for example. It was also important to capture the perspectives of renters and potential first time buyers who wish to enter the market and of home owners who have already paid off their mortgage borrowing.

- 626 Renters including 356 who intending to buy within the next 5 years
- 461 Home Owners without a mortgage
- 2223 Home owners with a mortgage, including a nationally representative sample of 1546 mortgagors, with boosted samples of 373 self employed and 350 first time buyers

2.3 Data collection methodology

The data was collected by telephone interview, with appointments set up by prior arrangement, with interviews lasting on average 52 minutes, undertaken over a four week period in September 2010 by Teamsearch Market Research (www.teamsearchmr.co.uk).

2.4 Questionnaire focus

A full copy of the questionnaire is included at the end of this section as 2.6. It was conceived in a number of sections covering the following issues:

Section 1. Tenure, home owner profiles and attitudes to home ownership

This was asked of all renters and covered attitudes to tenure and tenure preferences, and the relative merits of renting and home ownership. It also contained some basic demographic and profiling questions.

Section 2. Renters – the rental experience, attitudes to renting, attitudes and expectations on home ownership.

This section was asked of those who expected to buy their own home as well as home owners and covered both home owners' previous experience of renting and that of those renting currently. It covered views on the housing market and the impact of the crisis on the appeal of home ownership and expectations on price and rate rises. It explored potential first time buyers aspirations and expectations, their motivations for owning their own home and their expectations on timing and where owning a home fitted with wider life-plans.

Section 3. Expectations on mortgage borrowing and property aspirations

This section was asked of those who expected to buy their first home in the next five years and covered the detail of the type of property first time buyers expected to purchase, the price ranges in which they expected to buy, the availability and sources of deposits, anticipated mortgage borrowing and thinking around affordability and mortgage borrowing and mortgage choices.

Section 4. Home ownership, current mortgage borrowing, property history and property wealth

This section was asked of all home owners and covered the detail of property history and transactions and wealth building over time, current property type and values, mortgage borrowing, equity withdrawal, the application of funds withdrawn from housing equity and transfers of property wealth across generations.

Section 5. Affordability

This section was asked of all prospective first time buyers who anticipated buying in the next five years and all mortgagors. It was intended to support the detailed affordability modelling and collect a detailed picture of respondents' financial situation and their incomes and outgoings, including all commitments and categories of expenditure. It also covered assets and liabilities, the various aspects of credit behaviour that might be expected to feed into a credit score or which would be captured by credit reference agencies.

Section 6. Financial resilience and financial capability

This section was asked of all mortgagors and those who expected to buy in the next five years. It covered respondents' experience through the recession, the degree of pressure which people felt under, their budgeting practices and how they prioritised expenditure. It contained a number of questions around financial capability and how people might respond or have responded to financial pressure (which were modelled broadly on those used in the FSA's financial capability baseline study undertaken by PFRC at the University of Bristol). This section explored the degree of pressure that borrowers were under and how they had dealt with it. It explored coping strategies, the incidence of arrears and payment difficulties and affordability stresses across a wide range of dimensions and looked also at the outcomes and resolution (or otherwise) of payment difficulties and financial distress. Finally it explored both the impact of reduced mortgage payments and the current low interest rate environment and borrowers' experience of rate rises and the adaptations to budgets that both scenarios had driven.

Section 7. Mortgage decision making and mortgage choices

This section was asked of all mortgagors. It covered understanding of the various product types, particularly around the differences between interest-only and capital repayment mortgages. It also covered repayment strategies for interest only mortgages. It explored the thinking behind mortgage choices and how these related to wider financial thinking and life plans. and the various trade offs that had been made on issues such as affordability, flexibility, security, cost and other drivers. It explored also attitudes to mortgage borrowing and risk taking.

Section 8. Future plans and new thinking on mortgage borrowing

This section was asked of all mortgagors. It covered details of current mortgage borrowing and how arrangements had been made. It explored future plans in some detail on remortgaging, moving and withdrawing housing equity and covered motivations for future plans, anticipated borrowing and the how future mortgage decisions would be made. It also covered issues around mortgage term and borrowing into retirement and plans for down-sizing and attitudes to utilising property wealth.

Section 9. Demographics

This section collected demographics not collected elsewhere.

2.5 Statistical analysis of quantitative data

Wherever analysis has been required of a nationally representative sample of mortgagors, it has been based on the nationally representative sample of 1546 individuals. However where we have been seeking to analyse small but important sub-sets of the data as a guiding principle we have sought to maximise sample size.

The main mortgagor sample used in producing the estimates described in the report comprised 2,223 current borrowers. This included an identified nationally representative sub-sample of 1,546 current borrowers. Where the main sample has been divided into sub-samples for the purposes of more detailed analysis we have attempted to maximise sub-sample sizes for reasons of statistical robustness. In particular we have tried wherever possible to ensure that analysis is based on a “cell size” of at least 100. This has meant using the larger sample on a number of occasions while carrying out regular checks that results were not out of line with those produced on the basis of the nationally representative sample.

In addition, we have also carried out detailed profile analysis of the two samples to see whether they were statistically different in any important respect. There are some marginal biases towards more affluent income groups, full time workers, and towards the 35-44 age group. However as is demonstrated in the tables below the two samples are in fact very similar. On this basis we have decided that our approach of using the larger sample where sub-samples would otherwise have been too small was statistically valid.

Table 1: Statistical comparison of both samples by income group

Income Group	All mortgagors	Nationally Representative Sample
<£20k	23%	25%
£20k-£32k	29%	30%
£32k-£49k	29%	27%
>£49k	20%	18%

Base: 1513 current borrowers, 1135 nationally representative sample, all where income level was known.

Table 2: Statistical comparison of both samples by household type

Household Type	All mortgagors	Nationally Representative Sample
Living on your own	15%	16%
Living as part of a couple	41%	42%
Living as a family with children at home	44%	42%

Base: 2,188 current borrowers, 1,520 nationally representative sample

2.6 The questionnaire

QUESTIONNAIRE

This survey is being undertaken to inform government thinking on potential changes to mortgage lending and housing policy. There is a need to better understand people's experience of, and attitudes to, renting, home ownership, mortgage borrowing and their housing needs more generally. Your participation in the survey would be greatly appreciated and would be really helpful in understanding this important subject. We're interested in everybody's attitudes, whether you're renting, own your own home or hope to do so one day.

INSERT STANDARD ASSURANCES ON PROTECTION OFFERED BY CODE OF CONDUCT, ANONYMITY AND CONFIDENTIALITY HERE

Section 1. Tenure, home owner profiles and attitudes to home ownership

ASK ALL

Q1. [SR] Record gender

- a. Male
- b. Female

Q2. [SR] May I ask your age first of all

Insert actual age (offer range only if refuse as actual age important for this survey)

Q3. [SR] And which of these would best describe you / your partner

	<i>Yourself</i>	<i>Partner</i>
a. Home maker, not working outside the home	<input type="checkbox"/>	<input type="checkbox"/>
b. Working full time	<input type="checkbox"/>	<input type="checkbox"/>
c. Working part time or occasionally	<input type="checkbox"/>	<input type="checkbox"/>
d. Not working	<input type="checkbox"/>	<input type="checkbox"/>
e. Retired	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL IN WORK

Q4. [SR] And are you / your partner if you have one?

- | | <i>Yourself</i> | <i>Partner</i> |
|---|--------------------------|--------------------------|
| a. Employed | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Self employed / own account worker / freelance worker | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Owner of a small business in which you own a significant share-holding | <input type="checkbox"/> | <input type="checkbox"/> |

Q5. [SR] And which of these would best describe the work that you / your partner does?

- | | <i>Yourself</i> | <i>Partner</i> |
|----------------------------|--------------------------|--------------------------|
| a. Professional | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Manager | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Clerical or secretarial | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Skilled manual work | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Unskilled manual worker | <input type="checkbox"/> | <input type="checkbox"/> |

Q6. [SR] Socio-economic group (Insert SEG routine here and code below)

- a. AB
- b. C1
- c. C2
- d. DE

Q7. [SR] And which of the following best describes your current home, that is the main property that you live in at the moment?

- a. Renting private landlord
- b. Renting Housing Association/Trust/Registered Social Landlord
- c. Renting Local Authority/Council
- d. Home owner with mortgage (includes shared ownership and Homebuy)
- e. Home owner without mortgage
- f. Other

ASK ALL WITH MORTGAGES. OTHERS GO TO Q9

Q8. [SR] And when you took your last mortgage out were you?

- a. First time buyer
- b. Remortgaging without moving home
- c. Taking a further advance without moving home or changing your mortgage lender
- d. Moving home

ASK ALL

Q9. [SR] Thinking now of your current circumstances, which of these types of tenure would you most prefer?

- a. Renting private landlord
- b. Renting from a Housing Association or Local Authority
- c. Owning your own home

ASK ALL WHO SAY OWNING OWN HOME. OTHERS GO TO Q11

Q10. [SR] Would you still prefer to own your own home even if it was significantly cheaper to rent?

- a. Yes
- b. No
- c. Maybe
- d. Don't know

ASK ALL RENTERS

Q11. [SR] And bearing in mind your personal circumstances and finances, in five years time, do you actually expect to be?

- a. Renting private landlord
- b. Renting Housing Association or from the Local Authority
- c. Owning your own home

Q12. [SR] And still bearing in mind your personal circumstances, finances and plans, in the longer term, do you actually expect to buy a property one day even if that is not likely to be in the next five years?

- a. Yes
- b. No

Q13. [SR] And which of the following would describe your parents' housing arrangements. If your parents do not live together, choose as many as apply?

- a. Renting private landlord
- b. Renting Housing Association/Trust/Registered Social Landlord
- c. Renting Local Authority/Council
- d. Home owner with mortgage (includes shared ownership and Homebuy)
- e. Home owner without mortgage

Q14. [SR] And are you more or less likely to want to own a home now than you were before the credit crunch started in 2007?

- a. A lot less likely
- b. A little less likely
- c. Neither more or less likely
- d. A little more likely
- e. A lot more likely

ASK ALL THOSE WHO SAY LESS LIKELY. OTHERS GO TO Q16

Q15. [MR] And which of these would describe why you are less likely to want to buy?

- a. Less confidence in my own finances
- b. Less confidence in the housing market
- c. More difficult to get a mortgage
- d. Deposits required higher than before
- e. Personal circumstances changed
- f. Other

Q16. [SR] Which of these would best explain why you are renting? Choose only 1

- a. I prefer to rent and wouldn't want to own my own home
- b. It's the best option for me at the moment but I plan to buy one day
- c. It's the best option for me now but I don't really know for the future
- d. I'd rather own my own home but wouldn't be able to afford it at the moment
- e. I'd rather own my own home but am not sure I'll ever be able to afford it

ASK ALL WHO SAY CAN'T AFFORD HOME OWNERSHIP – OTHERS GO TO Q18

Q17. [MR] And when you say you don't think you can afford to buy your own home, are you thinking of?

- a. The deposit
- b. The monthly payment
- c. Both the deposit and the monthly payment
- d. Not enough income
- e. Other debts
- f. Other

ASK ALL RENTERS. OTHERS GO TO Q19

Q18. [SR] Which of these statements could describe your attitudes to renting rather than owning your home? Please say how much you agree or disagree with each, with 1 being disagree strongly and 5 being agree strongly (READ OUT AND ROTATE ORDER)

- a. I don't want the responsibility of owning
- b. Renting is better because its more flexible
- c. Renting is cheaper than buying
- d. Renting is less risky than buying
- e. Renting is just dead money – you're better off paying a mortgage
- f. Renting is easier because the landlord takes care of maintenance
- g. If you rent you can live in a nicer property than if you buy
- h. You never feel secure when you're renting
- i. In the long run you're always going to be better off owning your own home than renting
- j. There's no guarantee you're going to make money if you own a property even in the long run
- k. Buying is often cheaper than renting
- l. It's easy to get into trouble with a mortgage
- m. The risk of negative equity puts me off owning property
- n. Property is still a good way to make money
- o. If you buy you can live in a nicer property than if you rent
- p. If you buy you can gradually trade up to a nicer place
- q. Owning your own home makes you more financially secure
- r. Buying a place can leave you owing a lot of money you can't pay off
- s. Owning your own home gives you more control over your life
- t. It's easy to get stuck with a property you can't sell

ASK ALL

Q19. [SR] I'm going to read out some statements about renting and home ownership and I would like you to tell me how much you agree with them on a 1 – 5 scale with 1 being something you strongly disagree with and five being something you strongly agree with.

(READ OUT AND ROTATE ORDER).

- a. Renting is a positive life-style choice as an alternative to home ownership
- b. Everyone would rather own their own home than rent if they could afford it
- c. Home ownership is something everyone aspires to – it's part of our culture
- d. There is far too much emphasis on home ownership. We need to develop more positive attitudes and approaches to renting
- e. Most people who live in rented accommodation have a lower quality of life than homeowners
- f. Renting allows you to have a better life-style and live in nicer areas than you would be able to afford if you were buying a property
- g. I would feel I hadn't been successful in life if I didn't ever manage to get on the property ladder
- h. Buying a property could really restrict your options and trap you somewhere you wouldn't want to live for the long term

Q20. [SR] Please could you tell me your household income? By household income we mean the combined pre tax income of yourself and your partner, if you have one. Please include income obtained from pensions and benefits.

Enter value

And tick box for following household income decile ranges

- a. Less than £550 per month
- b. £550 to £925 per month
- c. £926 to £1,250 per month
- d. £1,251 to £1,600 per month
- e. £1,601 to £2,025 per month
- f. £2,026 to £2,550 per month
- g. £2,551 to £3,125 per month
- h. £3,126 to £3,850 per month
- i. £3,851 to £4,925 per month
- j. £4,926 to £8,500 per month
- k. More than £8,500 per month
- l. DK (do not read out)
- m. Ref (do not read out)

**ALL RENTERS HERE WHO DO NOT WANT TO BUY GO TO SECTION 10
DEMOGRAPHICS**

RENTERS WHO WANT TO BUY AND HOME OWNERS GO TO SECTION 2

Section 2. Renters – renting experience, attitudes and expectations on home ownership

ASK HOME OWNERS AND RENTERS WHO EXPECT TO BUY

Q21. [SR] And do you currently have a partner with whom you live together as a couple?

- a. Yes
- b. No

ASK ALL WITH PARTNERS

Q22. [SR] And are you or your partner the main income earner?

- a. Myself
- b. Partner
- c. Our income is about the same

Q23. [SR] And are you or your partner the main money manager?

- a. I'm main manager
- b. Partner main manager
- c. Both share money management

IF HAVE PARTNER AND NOT MAIN MANAGER PROBE AT THIS POINT FOR WHETHER COULD ANSWER DETAILED QUESTIONS ABOUT HOUSEHOLD FINANCES, INCLUDING VALUE OF MORTGAGE BORROWING / RENT, PARTNER'S INCOME, TOTAL HOUSEHOLD INCOME AND HOW MUCH GETS SPENT ON VARIOUS BILLS ETC. IF NOT THANK AND CLOSE.

HOME OWNERS GO TO Q30

ASK ALL RENTERS WHO EXPECT TO BUY

Q24. [SR] You say you are renting a property currently. Have you ever previously owned or do you still own a property?

- a. Yes, previously owned a property
- b. Yes, still own a property
- c. No

ASK ALL WHO HAVE PREVIOUSLY OWNED/ STILL OWN A PROPERTY. OTHERS GO TO Q29

Q25. [MR] Which of these describes why you no longer own a property or don't live in property you own? Choose as many as apply

- a. Decided I would rather rent
- b. Renting temporarily while looking for another property
- c. Renting while letting out my own property
- d. Can't sell my own property and had to move
- e. In a relationship with someone who already owns a property in which we live
- f. Can't afford to buy a property I would want to live in
- g. Financial circumstances changed and can no longer afford mortgage
- h. Relationship breakdown / divorce etc and had to sell / move out of property
- i. Decided couldn't afford mortgage and moved to cheaper rented accommodation
- j. Mortgage deal came to an end and payments became too expensive
- k. Ran into payment problems with mortgage and had to move out of property
- l. Sold property because wanted to use funds tied up in property for another purpose such as starting a business, education etc.
- m. Came to end of mortgage term and couldn't pay off all of the mortgage loan
- n. Chose to rent / downsize and realise value of property asset
- o. Usually let out my property part of the year

Q26. [SR] And how much were you previously paying each month / still paying in mortgage payments on the property you owned?

- a. Nothing, owned outright
- b. Enter value

Q27. [SR] And is / was that payment made:

- a. By yourself alone
- b. Jointly as part of a couple

Q28. [SR] And what year did you leave the property you owned?

Enter year

ASK ALL RENTERS (TS NOTE HAVE SWAPPED ORDER OF Q28 AND Q29 AND ALTERED ASSOCIATED FILTERS)

Q29. [SR] And if you were buying a home that was similar to the one that you are now renting, would you expect the mortgage payments on that property to be?

- a. Lower than the rent you are paying
- b. About the same as the rent you are paying
- c. More expensive than the rent you are paying
- d. Don't know

ASK ALL RENTERS AND HOME OWNERS

Q30. [SR] And is your current home, i.e. your main residence in which you live?

- a. A purpose-built flat
- b. Bungalow
- c. Detached house
- d. Semi detached house
- e. Terraced house
- f. Converted flat or maisonette
- g. Other

Q31. [SR] And how many bedrooms does your current home have?

- a. None – single room / studio
- b. 1
- c. 2
- d. 3
- e. 4 or more

HOME OWNERS GO TO Q40

ASK ALL RENTERS WHO EXPECT TO BUY

Q32. [SR] How long have you been renting your current property?

- a. Less than 12 months
- b. 1 – 2 years
- c. 2 – 5 years
- d. Longer than 5 years

Q33. [SR] And how long have you been renting in total?

- a. Less than 12 months
- b. 1 – 2 years
- c. 2 – 5 years
- d. 5 – 10 years
- e. 10 – 20 years
- f. More than 20 years

Q34. [MR] Which of these reasons for wanting to change from renting to buying your own home would apply to you? Choose as many as apply

- a. Having freedom and control over my own home
- b. Not being subject to the landlord giving notice to leave the property
- c. More choice of where to live
- d. Getting on the property ladder so I can trade up over time
- e. Building up value in the property over time
- f. Having the flexibility to draw on the value of equity on the property when you need to

Q35. [SR] And what would be the most important reason to change from renting to buying your own home? Choose only one

- a. Having freedom and control over my own home
- b. Not being subject to the landlord giving notice to leave the property
- c. More choice of where to live
- d. Getting on the property ladder so I can trade up to a better property over time
- e. Building up value in the property over time
- f. Having the flexibility to draw on the value of equity on the property when you need to

Q36. [SR] And how old would you expect to be when you purchase a property?

- a. 20 – 24
- b. 25 – 29
- c. 30 – 34
- d. 35 – 39
- e. 40 – 44
- f. 45 – 49

- g. 50 plus

Q37. [MR] And by which of these milestones would you want to own your own property?

- a. Once I'm established in my working life / career
- b. When I'm settled in a serious long term relationship
- c. By the time I have a family
- d. By the time my children go to school

Q38. [SR] And on a scale of one to ten, how important to you is it that you own your own home within the next five years?

Scale 1 – 10 and explain scale

Q39. [SR] And on a scale of one to ten, how important to you is it that you own your own home eventually?

Scale 1 – 10 and explain scale

ASK ALL RENTERS WHO EXPECT TO BUY AND HOME OWNERS

FOR RENTERS WHO HAVE ANSWERED Q38 AND 39 POINT OUT THAT SCALE HAS CHANGED TO 1 – 5 AFTER READ OUT TEXT BELOW

Q40. [SR] I'm going to read out some statements about renting and home ownership and I would like you to tell me how much you agree with them on a 1 – 5 scale with 1 being something you strongly disagree with and five being something you strongly agree with.

(READ OUT AND ROTATE ORDER).

- a. Owning your own home gives you confidence and makes you feel you've achieved something in life
- b. Homeowners have more pride in where they live and this has a knock-on effect on communities
- c. There's more of a sense of community when everyone is renting
- d. Communities of home owners are better places to bring up children
- e. You've got more chance of living near a decent school if you're a home owner
- f. Buying your own home is the best way to invest in your future financial security
- g. The days of investing in property to make money are gone.
- h. I'm happy to make some sacrifices to own my own home because it's so important to me

- i. People who don't own their own home are much less financially secure when they're older than homeowners.
- j. I'd rather invest in bricks and mortar than other types of investment
- k. Trading down or selling a property will be essential in providing me with a good quality of life when I'm older.
- l. I hate the thought of paying rent for the rest of my life and having nothing to show at the end of it.
- m. Owning my own home give me a financial buffer to fall back on if I need it for myself or my family
- n. In the future people are going to have to rely on property wealth to provide for their retirement and take care of themselves when they're old.

Q41. [SR] And do you think that over the next two years house prices will:

- a. Fall a lot
- b. Fall a little
- c. Stay about the same
- d. Rise a little
- e. Rise a lot

Q42. [SR] And in the long term, say over the next ten or twenty years, do you think that house prices will:

- a. Fall a lot
- b. Fall a little
- c. Stay about the same
- d. Rise a little
- e. Rise a lot

Q43. [SR] And in your own local area in the last couple of years have house prices:

- a. Fallen a lot
- b. Fallen a little
- c. Stayed about the same
- d. Risen a little
- e. Risen a lot

Q44. [SR] And thinking now of interest rates on mortgage borrowing, would you say that interest rates (and therefore the cost of mortgages) are?

- a. Much lower than in the past
- b. A little lower than in the past
- c. About the same as they've always been
- d. Slightly higher than in the past
- e. Much higher than in the past
- f. D/K

ASK ALL WHO THINK RATES ARE LOWER THAN HISTORICALLY. OTHERS GO TO Q46

Q45. [SR] You say interest rates are lower than in the past. Do you think that low rates are:

- a. Likely to stay that way for the foreseeable future
- b. Likely to rise only slowly
- c. Could potentially go up quickly
- d. D/K

Q46. [SR] And if rates go up significantly from current levels, how will that effect your thinking on the attraction of home ownership? Will home ownership be:

- a. Less attractive
- b. Neither more or less attractive
- c. More attractive

HOME OWNERS WITHOUT MORTGAGES GO TO SECTION 4

ASK ALL HOME OWNERS WITH MORTGAGES AND ALL THOSE WHO EXPECT TO BUY.

Q47. [SR] And which of the following would best describe how you would feel about the manageability of mortgage payments if rates were to rise or mortgage payments were to significantly increase from current levels? Choose only one

- a. I'd really struggle to afford a mortgage/ my mortgage if rates or repayments rose significantly
- b. A significant rise in rates means I would have to budget more carefully but a mortgage / my mortgage would still be manageable
- c. Current rates were never going to last so I've always planned on having to budget for higher mortgage payments
- d. A rate rise wouldn't significantly impact the affordability of a / my mortgage for me

RENTERS WHO EXPECT TO BUY GO TO SECTION 3

HOME OWNERS GO TO SECTION 4

Section 3. Expectations on mortgage borrowing and property aspirations

ASK ALL RENTERS WHO EXPECT TO BUY

Q48. [SR] And would you expect to buy a property

- a. Within the next twelve months
- b. Within the next 1 – 2 years
- c. Within the next 3 – 5 years
- d. Longer than 5 years away

ASK ALL RENTERS WHO EXPECT TO BUY IN NEXT FIVE YEARS (NOTE FTB QUOTA RESTS ON THOSE WHO EXPECT TO BUY FOR THE FIRST TIME – DO NOT COUNT TOWARD FTB QUOTA RENTERS WHO HAVE PREVIOUSLY OWNED A PROPERTY AT Q24)

Q49. [SR] And would you be buying on your own or with someone else?

- a. On my own
 - b. Jointly with someone else
-

Q50. [SR] And are you currently living with the person you expect to buy with?

- a. Yes
 - b. No
-

Q51. [SR] And would you be looking to buy?

- a. A purpose-built flat
- b. Bungalow
- c. Detached house
- d. Semi detached house
- e. Terraced house
- f. Converted flat or maisonette
- g. Other

Q52. [SR] And how many bedrooms would you be looking for?

- a. None – single room / studio
- b. 1
- c. 2
- d. 3
- e. 4 or more

Q53. [SR] And would you be likely to be buying property that was new-build?

- a. Yes
- b. No

Q54. [MR] Would you be likely to be seeking to buy under any of the following types of schemes through the local authority or a housing association or similar?

- a. Affordable housing
- b. Shared ownership (*EXPLANATION: "Part of a formal shared ownership scheme where you buy part of the property and pay a housing association rent for the share you don't own"*)
- c. Shared equity / Homebuy (*EXPLANATION: "Where you buy a proportion of the property outright – typically 75% – but a property developer or housing association will have a second charge on the remainder."*)
- d. "Right to buy" property bought from Council or housing association
- e. None of these

ASK ALL CONSIDERING SHARED OWNERSHIP OTHERS GO TO Q56

Q55. [SR] What share of the equity in your property do you think you might be able to buy at first under the shared ownership or shared equity scheme?

- a. 10% or less
- b. Up to 15%
- c. Up to 25%
- d. Up to 50%
- e. More than 50%
- f. Don't really know enough about how these schemes work to say
- g. D/K

Q56. [SR] What would be the price range that you would be likely to buy in?

- a. Less than £80,000
- b. £80,000 – £100,000
- c. £100,000 – £125,000
- d. £125,000 – £150,000
- e. £150,000 – £175,000
- f. £175,000 – £200,000
- g. £200,000 – £250,000
- h. £250,000 – £300,000
- i. £300,000 – £350,000
- j. More than £350,000

Q57. [SR] How much do you expect to have to borrow to purchase your first property?

- a. Nothing
- b. Less than £25,000
- c. £25,000 – £50,000
- d. £50,000 – £80,000
- e. £80,000 – £100,000
- f. £100,000 – £125,000
- g. £125,000 – £150,000
- h. £150,000 – £175,000
- i. £175,000 – £200,000
- j. £200,000 – £250,000
- k. £250,000 – £300,000
- l. £300,000 – £350,000
- m. More than £350,000

Q58. [SR] How much do you expect to be able to find from your own or your partners resources for a deposit? (INCLUDE YOUR OWN OR YOUR PARTNERS SAVINGS AND SALES OF YOUR OR YOUR PARTNERS ASSETS BUT DO NOT INCLUDE GIFTS FROM FAMILY MEMBERS)

- a. Nothing
- b. Less than £2,500
- c. £2,500 – £5,000
- d. £5,000 – £10,000
- e. £10,000 – £15,000

- f. £15,000 – £20,000
- g. £20,000 – £25,000
- h. £25,000 – £30,000
- i. £30,000 – £40,000
- j. £40,000 – £50,000
- k. More than £50,000

Q59. [SR] And how much do you think you might be able to raise towards a deposit from sources other than your own savings or assets, such as gifts from family?

- a. Nothing
- b. Less than £2,500
- c. £2,500 – £5,000
- d. £5,000 – £10,000
- e. £10,000 – £15,000
- f. £15,000 – £20,000
- g. £20,000 – £25,000
- h. £25,000 – £30,000
- i. £30,000 – £40,000
- j. £40,000 – £50,000
- k. More than £50,000

Q60. [SR] How many years do you expect the mortgage term to be? (prompt if necessary i.e. how many years do you expect the mortgage contract to last/ to be paying the mortgage for)

- a. Less than 25 years
- b. 25 year term
- c. More than 25 year term
- d. Don't know

ASK ALL WHO SAY MORE / LESS THAN 25 YEAR TERM. OTHERS GO TO Q62

Q61. [SR] And how long do you expect the mortgage term to be

- a. 5 – 10 years
- b. 10 – 15 years
- c. 15 – 20 years
- d. 20 – 25 years

- e. 25 – 30 years
- f. 30 – 35 years
- g. Longer
- h. D/K

Q62. [SR] And what percentage of the purchase price of your property are you expecting to be able to put down as a deposit?

- a. Nothing
- b. Less than 5%
- c. 5%
- d. 10%
- e. 15%
- f. 25%
- g. More than 25%

Q63. [SR] And how much of a deposit do you think lenders would be likely to ask you to put down?

- a. Less than 5%
- b. 5%
- c. 10%
- d. 15%
- e. 25%
- f. More than 25%
- g. Don't know

Q64. [MR] And how would you source that deposit?

- a. No way of sourcing deposit
- b. From my own or my partners savings
- c. Sale of existing property that I/ partner own
- d. Sale of other assets
- e. Contributions from parents / grandparents
- f. Inheritance
- g. Divorce settlement
- h. 'Gifted deposit' from a property developer
- i. Mix of any of the above
- j. Don't know

ASK ALL WHO SAY SAVINGS OR SALE OF OTHER ASSETS

Q65. [SR] How much of your deposit would you expect to source from savings or sales of other assets?

- a. Less than 25%
- b. Between 25% – 50%
- c. Between 50% – 75%
- d. Between 75% and 100%

ASK ALL WHO SAY PARENTS OR OTHER FAMILY MEMBERS

Q66. [SR] How much of your deposit would you expect to source from parents or other family members?

- a. Less than 25%
- b. Between 25% – 50%
- c. Between 50% – 75%
- d. Between 75% and 100%

ASK ALL WHO WOULD LOOK TO PARENTS FOR CONTRIBUTION

Q67. [SR] And which of these would describe your parents?

- a. Both parents working
- b. One parent working
- c. Both parents retired / not working

Q68. [SR] And are either or both of your parents still paying off a mortgage?

- a. No mortgage
- b. Still have mortgage
- c. Don't know

Q69. [SR] And do you know whether they would plan to remortgage their own property to give you money for your deposit or could it be funded from some other source?

- a. Remortgage
- b. Other source
- c. Mix of remortgage and other sources
- d. Don't know

ASK ALL WHO EXPECT TO BUY

Q70. [SR] How much is the most you would be able to afford per month in mortgage payments. Answer for the total that you would be able to afford between you if you would plan to buy with someone else?

Enter value (offer range if necessary)

Q71. [SR] If that would be the absolute most you could afford, what would be the level of mortgage payments that you would feel more comfortable with?

Enter value (offer range if necessary)

Q72. [SR] And which of these statements would best describe your own feelings about the amount you would want to borrow and the kind of property you would want to buy?

- a. The maximum amount possible to get the best property I could
 - b. A lower amount that I could be sure I could manage even if I had to compromise on the property or location
-

Q73. [SR] Which of these would best describe your own feelings about the amount you would want to borrow and the risks involved?

- a. I'd always borrow the minimum I needed to keep my borrowing low and minimise risk
 - b. I'd want enough to fund my plans without putting an undue strain on my finances
 - c. 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
 - d. 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
 - e. I'd be willing to take on quite a lot of risk and stretch myself with the amount I borrowed in the hope of making a better return
-

Q74. [MR] And when you were thinking about how much you could afford to pay, which of these would be important to you? Choose as many as apply

- a. How much you would have to pay at the time you actually take the mortgage out
- b. How much you might have to pay in the future e.g. when or if the interest rate changed or your mortgage deal came to an end

- c. The minimum you would have to pay to live in the kind of property you want and in an area in which you want to live
 - d. What you would have to pay to be sure that you could repay the mortgage at the end of the term and would own your property outright.
 - e. D/K
-

Q75. [SR] And when you were thinking about how much you could afford to pay, which of these would be most important to you? Choose only one

- a. How much you would have to pay at the time you actually take the mortgage out
 - b. How much you might have to pay in the future e.g. when or if the interest rate changed or your mortgage deal came to an end
 - c. The minimum you would have to pay to live in the kind of property you want and in an area in which you want to live
 - d. What you would have to pay to be sure that you could repay the mortgage at the end of the term and would own your property outright.
 - e. D/K
-

Q76. [MR] And how long do you see yourself staying in the property you plan to buy?

- a. Don't plan to move again
- b. Only until you could trade up to something better / larger
- c. Until you needed to move because of a life event such as changing job, new relationship, having children, changing school, needing care
- d. For the foreseeable future barring something unexpected like divorce / serious accident etc
- e. Until retirement
- f. Until the mortgage has to be repaid at the end of the term

ASK ALL WHO THINK WILL MOVE AT SOME POINT

Q77. [SR] And do you see the time until your next move as likely to be within the next:

- a. 2 years
- b. 2 – 5 years
- c. 5 – 7 years
- d. 7 – 10 years
- e. Longer than 10 years

ALL WHO EXPECT TO BUY GO TO SECTION 5

Section 4. Home ownership, current mortgage borrowing, property history and wealth

ASK ALL HOME OWNERS

We'd now like to ask you some questions about your property and mortgage borrowing, if you have any

Q78. [SR] And may I ask who owns your current home, that is the main property that you live in at the moment?

- a. You, singly
- b. You, jointly with your partner
- c. You, jointly with someone else
- d. My partner, singly
- e. My partner, jointly with someone else
- f. Someone else

ASK ALL WHO ANSWER a-e, IF F AND OWN A PROPERTY CONTINUE. IF f AND RENTING, NO PROPERTY AND DO NOT EXPECT TO BUY CLOSE

Q79. [SR] And is this property the first property that you / either of you if you own with partner have owned?

- a. Yes
- b. No

ASK ALL FIRST TIME BUYERS OTHER HOME OWNERS TO Q86

Q80. [SR] And were you previously renting a property?

- a. Yes
- b. No

ASK ALL WHO WERE PREVIOUSLY RENTING. OTHERS GO TO Q86

Q81. [SR] And when you were renting, was that as

- a. A single person
- b. A couple

Q82. [SR] And how long ago was that?

- a. Within last 2 years
- b. 2 – 5 years
- c. Longer than 5 years ago

Q83. [SR] And how long were you renting accommodation for prior to buying your first property?

- a. Less than 12 months
- b. 1 – 2 years
- c. 2 – 5 years
- d. 5 – 7 years
- e. 7 – 10 years

ASK ALL RENTING WITHIN LAST FIVE YEARS. OTHERS GO TO Q 86

Q84. [SR] And how much rent per month did you pay for the last property you rented? Answer for the rent you jointly paid as a couple if you were living with a partner

Enter value

Q85. [SR] And do you live in the same region now as when you were renting?

- a. Yes
- b. No

ASK ALL HOME OWNERS

Q86. [SR] And would you say if you were renting a similar property to the one you are now living in as your main home that the rent would be likely to be more or less than you are currently paying for your mortgage each month?

- a. More
- b. About the same
- c. Less

ASK ALL HOME OWNERS WHO NOT FIRST TIME BUYERS FIRST TIME BUYERS GO TO Q 88

Q87. [SR] And how many properties have you owned or co-owned before you bought your current property?

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5
- f. 6
- g. 7
- h. More than 7

Q88. [SR] What residential property do you own, either on your own or jointly with someone else?

- a. One property, current home
- b. One property but not current home
- c. More than one property, including current home
- d. More than one property, but not current home
- e. None (should not be any choosing this response if routing working)
- f. Don't Know

ASK ALL WITH MORE THAN ONE PROPERTY, OTHERS GO TO Q92

Q89. [MR] Which of the following residential property do you own, either on your own or jointly with someone else ?

- a. Second home, UK
- b. Second home, abroad
- c. Buy to let property, UK
- d. Buy to let property, abroad
- e. Holiday let property
- f. Property lived in by family member
- g. Other

Q90. [SR] And, not counting your main residence, what would you estimate to be the total value of all your other residential properties combined? DO NOT DEDUCT THE VALUE OF ANY MORTGAGE BORROWING ON ANY OF THESE PROPERTIES

Enter values but provide range and prompt if necessary

Q91. [SR] And what would you estimate to be the total value of all your mortgage borrowing on these properties that are not your main residence?

Enter values but provide range as prompt if necessary

ASK ALL HOME OWNERS WITHOUT MORTGAGE. OTHERS GO TO Q96

Q92. [SR] You say you don't have a mortgage on your main home. Can I ask if you have had a mortgage on your main residence in the past?

- a. Yes
- b. No

ASK ALL WHO SAY YES. OTHERS GO TO Q96

Q93. [SR] Thinking of the last mortgage you had on a property which was your main residence, which of the following types of mortgage was it?

- a. Interest only
 - b. Interest only with linked endowment/pension/ISA
 - c. Capital repayment
 - d. Part interest only/part capital repayment
 - e. Other
 - f. Don't know
-

Q94. [MR] And how did you pay off the mortgage on your main residence?

- a. Over time on a repayment mortgage
- b. Over time as circumstances allowed
- c. By selling the property
- d. Proceeds of endowment linked to mortgage
- e. Proceeds of another investment vehicle such as a pension, ISA or other investments
- f. Gradually reduced size of mortgage as traded up from one property to another over time
- g. Down-sizing to a smaller property
- h. Sale of a second home or buy to let property
- i. Inheritance
- j. Sale of other assets
- k. Gift from other family member
- l. Lifetime mortgage

m. Don't know

Q95. [SR] And which year did you pay off your mortgage?

Enter year

ASK ALL HOME OWNERS

Q96. [SR] And what year did you buy your first property, on your own or jointly?

Enter year

Q97. [SR] And what was the value of your first property when you bought it?

Enter value

Q98. [SR] And what was the value of your mortgage on that property when you bought it, if you had one?

- a. No mortgage
- b. Enter value

Q99. [SR] And what would you say is the approximate value of your current home, that is the main property that you live in at the moment?

Enter value (Offer range only if refuse)
.....

Q100. [SR] And what year did you buy the property?

Enter value

ASK ALL WITH MORTGAGE. OTHER HOME OWNERS GO TO Q103

Q101. [SR] And approximately what is the value of your outstanding mortgage borrowing currently on the property that is your main home?

- a. No mortgage
- b. Enter value (Offer range only if refuse)

Q102. [SR] And what year did you arrange the most recent mortgage?

Enter value

ASK ALL HOME OWNERS

Q103. [MR] And is the property

- a. New build
 - b. "Right to buy" property that bought from Local Authority/Council Housing Association/Trust/Registered Social Landlord
 - c. Affordable housing
 - d. Shared ownership – *NB part of a formal shared ownership scheme*
 - e. None of these
-

Q104. [SR] And have you ever withdrawn any funds from property you have owned either when you took out a further advance or remortgaged or using a second mortgage?

- a. Yes
- b. No

ASK ALL WHO SAY YES OTHERS GO TO 109

Q105. [SR] And how many times have you withdrawn any funds from property you have owned?

- a. Once
 - b. 2
 - c. 3
 - d. 4
 - e. 5
 - f. More than 5 times
-

Q106. [SR] And thinking of the last time you withdrew equity from your current home, what was the value of the money you took out ?

Exact values

Q107. [SR] And thinking of all the funds you have ever withdrawn from your current home, what would you estimate the total value of all those funds combined to be?

Exact values

- a. Less than £5,000
- b. £5,000 – £10,000
- c. £10,000 – £25,000
- d. £25,000 – £40,000
- e. £40,000 – £60,000
- f. £60,000 – £100,000
- g. £100,000 – £150,000
- h. £150,000 – £200,000
- i. More than £200,000

Q108. [MR] And which of the following could describe what the funds were used for. Choose as many as apply

- a. Purchase of another residential property
- b. Home improvements
- c. Debt consolidation or settlement
- d. New car or other major purchase
- e. Education
- f. Holidays
- g. Wedding or major celebration
- h. Payment to partner following relationship breakdown / divorce
- i. Gift
- j. Funding for nursing or elder care
- k. Invest in business
- l. Other investment
- m. Tax payment
- n. Other

ASK ALL HOME OWNERS EXCEPT FIRST TIME BUYERS. FIRST TIME BUYERS TO Q110

**Q109. [SR] And have you used housing equity or value accumulated in your main residential property to fund or part fund any of the following?
Answer for the most recent move**

- a. Moving to a new home while increasing the mortgage
- b. Moving to a new home without increasing the mortgage

- c. Moving to a new home while reducing the mortgage
- d. Moving to a new home while paying off the mortgage

109a. [SR] And was the last property you bought

- a. A little cheaper than the property you sold
- b. A lot cheaper than the property you sold
- c. About the same price as the property you sold
- d. A little more expensive than the property you sold
- e. A lot more expensive than the property you sold

Q110. [SR] And have you ever provided funds to enable adult children / grandchildren to buy property?

- a. Yes
- b. No

ASK ALL WHO SAY YES. OTHERS GO TO SECTION 5

Q111. [SR] And how many children have you helped in this way?

- a. 1
- b. 2
- c. 3
- d. 4
- e. More than 4

Q112. [SR] And what is the total value of the funds that you have provided to your children / grandchildren to help them purchase their own property

Enter value

AII HOME OWNERS GO TO SECTION 5

Section 5. Affordability

READ OUT

Lenders may be required to ask for more information on borrowers' finances in the future before they agree to lend so we need to understand a little bit more about home owners and potential mortgage borrowers finances to understand how that might work.

Answering these questions and your participation in the survey will be really valuable in helping us to understand people's needs.

Just to remind you this is entirely anonymous and confidential and we won't be looking at the answers given by any individual, only at the averages for different types of people, such as older and younger people.

First of all we need to ask some questions about your income and outgoings if that's OK with you.

ASK ALL HOME OWNERS AND THOSE WHO EXPECT TO BUY

Q113. [SR] And if you were to buy a property or remortgage would you buy/ remortgage?

- a. In your name only
- b. In your partner's name
- c. In both our names

ASK QUESTIONS ABOUT PARTNERS FINANCES ONLY OF THOSE WHO WOULD BUY PROPERTY / REMORTGAGE IN BOTH NAMES AT Q113 WHILE FOLLOWING ALL OTHER ROUTING INSTRUCTIONS

Q114. [MR] What sources of income does your household have? Tick all that apply

- a. Your income from employment
- b. Your income from self-employment
- c. Partner's income from employment
- d. Partner's income from self-employment
- e. Income from residential property investment
- f. Income from other investments

- g. Income from pension(s)
- h. Income from benefit payments
- i. Income from maintenance payments
- j. Other

HOME OWNERS WITHOUT MORTGAGES GO TO Q157

ASK ALL WITH MORTGAGES AND ALL WHO EXPECT TO BUY

Q115. [SR] And would you say that the amount of money that comes into the household is?

- a. A predictable amount and paid regularly at the same time
- b. A predictable amount but the timing of payment can vary
- c. An unpredictable amount but paid regularly at the same time
- d. Both amount of money and the timing of when money comes in varies
- e. Some of the income is predictable and regular but some of it is unpredictable and irregular
- f. Don't know
- g. Refused

ASK ALL THOSE WITH ANY UNPREDICTABLE INCOME IE R BCDE at q115

115a. [SR] And what proportion of your total income would you say tends to be unpredictable or irregular?

- a. Less than 10%
- b. 10 – 25%
- c. 25 - 50%
- d. 50 – 75%
- e. 75 – 100%

Q116. [SR] And may I ask if you / your partner's tax is paid

	<i>Yourself</i>	<i>Partner</i>
a. PAYE	<input type="checkbox"/>	<input type="checkbox"/>
b. Self assessment	<input type="checkbox"/>	<input type="checkbox"/>
c. A mix of PAYE and self assessment	<input type="checkbox"/>	<input type="checkbox"/>

THESE QUESTIONS ARE CRITICALLY IMPORTANT FOR THIS SURVEY. INTERVIEWERS PLEASE SENSE-CHECK AND CLARIFY TIME PERIOD USED THROUGHOUT AND PROBE WHEREVER ANY AMBIGUITY

I'd like to ask you about income. Specifically I'd like to ask you about earnings from work, employment or self employment. PLEASE DON'T INCLUDE BONUSES, COMMISSIONS, OVERTIME, INVESTMENT INCOME OR INCOME FROM OTHER SOURCES

ASK ALL WITH MORTGAGES AND ALL WHO EXPECT TO BUY

Q117. [SR] May I ask you how much your own income is before tax? Say annually or monthly whichever you find easier.

Exact value (offer range as fall back ONLY IF REFUSE)

<i>Monthly</i>	<i>Annually</i>
<input type="checkbox"/>	<input type="checkbox"/>

Q118. [SR] And how much is that after tax i.e. what you take home? Again say annually or monthly whichever you find easier.

Exact value (offer range as fall back ONLY IF REFUSE)

<i>Monthly</i>	<i>Annually</i>
<input type="checkbox"/>	<input type="checkbox"/>

Q119. [SR] And how much is your partner's income before tax? Say annually or monthly whichever you find easier.

a. Exact value (offer range as fall back ONLY IF REFUSE)

<i>Monthly</i>	<i>Annually</i>
<input type="checkbox"/>	<input type="checkbox"/>

b. D/K

Q120. [SR] And how much is that after tax. i.e. how much does he /she take home? Say annually or monthly whichever you find easier.

Exact value (offer range as fall back ONLY IF REFUSE)

<i>Monthly</i>	<i>Annually</i>
<input type="checkbox"/>	<input type="checkbox"/>

INTERVIEWER FOR ALL QUESTIONS WHERE ANSWER FOR PARTNER REQUIRED ASK FOR RESPONDENT FIRST AND THEN PROMPT 'AND YOUR PARTNER?'

Q121. [MR] Do you / your partner have any other additional income from any of these sources?

	<i>Yourself</i>	<i>Partner</i>
a. Bonuses	<input type="checkbox"/>	<input type="checkbox"/>
b. Commissions	<input type="checkbox"/>	<input type="checkbox"/>
c. Overtime	<input type="checkbox"/>	<input type="checkbox"/>
d. Investment	<input type="checkbox"/>	<input type="checkbox"/>
e. Child maintenance payments	<input type="checkbox"/>	<input type="checkbox"/>
f. Rents	<input type="checkbox"/>	<input type="checkbox"/>
g. Other	<input type="checkbox"/>	<input type="checkbox"/>

THOSE WITH MORTGAGES AND WITH NO INCOME FROM ANY OF THESE SOURCES GO TO Q131

RENTERS WHO EXPECT TO BUY WITH NO INCOME FROM ANY OF THESE SOURCES GO TO Q134

ASK ALL WITH BONUSES

Q122. [SR] And how much was your/ your partners' bonus income last year?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH COMMISSION INCOME

Q123. [SR] And how much was your / your partner's commission income last year?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH OVERTIME

Q124. [SR] Could you tell me roughly how much you/ your partner earn in overtime each month?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH INVESTMENT INCOME

Q125. [SR] And how much was your/ your partner's investment income last year? If this income belonged to both of you just give it as your income.

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH CHILD MAINTENANCE

Q126. [SR] And how much did you / your partner receive in child maintenance payments last year?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WHO CLAIMED TO HAVE RENTAL INCOME

Q127. [SR] And how much was your / your partner's net rental income after any expenses such as mortgages and maintenance last year?. If this income belonged to both of you just give it as your income.

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WHO CLAIMED OTHER INCOME

Q128. [SR] You say you / your partner had some other income. Please could you tell me how much that was last year?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH MORTGAGES

Q129. [SR] And when you took out your last mortgage was the mortgage advanced based on a multiple of

- a. Single income
- b. Joint income
- c. Neither, mortgage was on basis of self-certified income

READ OUT TO ALL THOSE WITH MORTGAGES, ALL THOSE EXPECTING TO BUY AND PRIVATE RENTERS / SOCIAL HOUSING TENANTS UP TO QUOTA

The next set of questions are about your outgoings and the way you manage your finances. I'd like to reassure you once again that your answers are completely anonymous and confidential.

Please answer weekly, monthly, quarterly or annually whichever is easiest for you in each case. If you are living with a partner please provide your combined expenditure.

INTERVIEWER CHECK FOR EACH VALUE GIVEN WHETHER IS WEEKLY, MONTHLY, QUARTERLY OR ANNUAL.

Enter exact values throughout.

ASK ALL WITH MORTGAGES. RENTERS GO TO Q132

Q130. [SR] And how much do you/ you and your partner , currently pay each month in payments on your mortgage? GIVE THE AMOUNT YOU PAY TOGETHER IN TOTAL. DO NOT INCLUDE ANY PAYMENTS YOU MAKE SEPARATELY ON A MORTGAGE-LINKED INVESTMENT

Enter value

Q131. [SR] Do you make separate payments into a separate mortgage-linked investment policy such as an endowment or mortgage-linked ISA?

- a. Yes
- b. No

Q132. [SR] And how much are the payments into the mortgage linked investment. Say monthly or annually whichever is easiest for you?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL RENTERS. MORTGAGE OWNERS GO TO Q134

Q133. [SR] And how much are you, and your partner if you have one, currently paying each month in rent?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH MORTGAGES AND ALL WHO EXPECT TO BUY

Q134. [SR] May I ask how much you/your partner spend on gas and electricity each month?

	<i>Monthly</i>	<i>Quarterly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

134b. [SR] May I ask how much you/your partner spend on telephones, mobile phone bills and digital / subscription TV each month?

	<i>Monthly</i>	<i>Quarterly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q135. [SR] And how much is your council tax ?

	<i>Monthly</i>	<i>Quarterly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q136. [SR] And how much are your water charges?

	<i>Monthly</i>	<i>Quarterly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q137. [SR] And how much would you say that you/your partner spend on food each month?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q138. [SR] And how much would you say that you/your partner spend on clothing and shoes each month?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q139. [SR] And how much would you say you/your partner spend on items such as healthcare, prescriptions, toiletries and cosmetics each month?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q140. [SR] And how much would you say you/your partner spend on leisure entertainment and going out each month?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q141. [SR] And how much, if anything, would you say you/your partner spend each year on holidays?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q142. [SR] And what do you/your partner spend on petrol or travelling expenses each month?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q143. [SR] And do you or your partner have a car?

- a. Yes – one car
- b. Yes – two cars
- c. No

ASK ALL WITH CAR. OTHERS GO TO Q146

Q144. [SR] Roughly how much do you/your partner spend each year on insurances and servicing etc for your car/ cars?

	<i>Monthly</i>	<i>Annually</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q145. [SR] And do you/your partner make payments to a personal pension that is not part of an occupational pension scheme? (if necessary clarification is pension payments are not deducted from salary by employer)

	<i>Yourself</i>	<i>Partner</i>
a. Yes	<input type="checkbox"/>	<input type="checkbox"/>
b. No	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL MAKING PERSONAL PENSION PAYMENTS. OTHERS GO TO Q148

Q146. [SR] How much do you/your partner spend on your pension each month/ year?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q147. [SR] And do you/your partner have any insurance policies into which you make regular or lump sum payments?

	<i>Yourself</i>	<i>Partner</i>
a. Yes	<input type="checkbox"/>	<input type="checkbox"/>
b. No	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL MAKING INSURANCE PAYMENTS. OTHERS GO TO Q150

Q148. [SR] How much do you/your partner spend on payments to insurance policies?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Q149. [SR] Many people have difficulties with keeping up with things these days.. Are you currently in arrears or do you still owe money on bills, household utilities etc? Don't include money owed on credit cards, loans, credit agreements or mortgages.

- a. Yes
- b. No
- c. Don't know
- d. Refused

Q150. [SR] And do either you, or your partner if you have one, currently owe any money in tax arrears ? DO NOT COUNT ANY MONIES DUE ON CURRENT BILLS WHICH YOU WILL PAY THIS YEAR AS THEY FALL DUE

- | | <i>Yourself</i> | <i>Partner</i> |
|--------|--------------------------|--------------------------|
| a. Yes | <input type="checkbox"/> | <input type="checkbox"/> |
| b. No | <input type="checkbox"/> | <input type="checkbox"/> |

ASK ALL WHO SAY YES. OTHERS GO TO Q153

Q151. [SR] Roughly how much do you, and your partner if you have one, owe in tax arrears?

- | | <i>Yourself</i> | <i>Partner</i> | <i>D/K about Partner</i> |
|----------------------|--------------------------|--------------------------|--------------------------|
| a. Less than £2,500 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. £2,500 – £5,000 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c. £5,000 – 10,000 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d. More than £10,000 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

I'd like to ask you some questions now about credit and borrowing.

READ OUT TO ALL THOSE WITH PARTNERS

I'm going to ask you about both yourself and your partners' borrowing. If you don't know enough about your partners' borrowing to say, just say so and we'll move on.

INTERVIEWER FOR ALL QUESTIONS WHERE ANSWER FOR PARTNER REQUIRED ASK FOR RESPONDENT FIRST AND THEN PROMPT ' AND YOUR PARTNER? TICK D/K IF DON'T KNOW ABOUT PARTNER

Q152. [MR] And do you / your partner have?

	<i>Yourself</i>	<i>Partner</i>
a. A personal loan or credit agreement	<input type="checkbox"/>	<input type="checkbox"/>
b. Credit cards	<input type="checkbox"/>	<input type="checkbox"/>
c. Store cards	<input type="checkbox"/>	<input type="checkbox"/>
d. Overdraft	<input type="checkbox"/>	<input type="checkbox"/>
e. Other borrowing	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH CREDIT CARDS. OTHERS WITH BORROWING GO TO Q155 THOSE WITH NO BORROWING GO TO 172

Q153. [SR] How many credit cards do you have?

	<i>Yourself</i>	<i>Partner</i>
a. 1	<input type="checkbox"/>	<input type="checkbox"/>
b. 2	<input type="checkbox"/>	<input type="checkbox"/>
c. 3	<input type="checkbox"/>	<input type="checkbox"/>
d. 4	<input type="checkbox"/>	<input type="checkbox"/>
e. 5	<input type="checkbox"/>	<input type="checkbox"/>
f. More than 5	<input type="checkbox"/>	<input type="checkbox"/>

Q154. [SR] And thinking now of all of your credit cards, what is the combined limit of all of your credit cards in total?

	<i>Yourself</i>	<i>Partner</i>
Enter value	<input type="checkbox"/>	<input type="checkbox"/>

Offer ranges only to those who refuse / prompt for those who do not answer

Q155. [SR] Do you / your partner currently owe any money on credit agreements, credit cards and loans? DON'T INCLUDE MONEY OWED ON CREDIT CARDS THAT YOU WILL PAY OFF AT THE END OF THE MONTH, MONEY OWED ON MORTGAGES OR ANY BORROWING FROM EMPLOYERS, FRIENDS AND FAMILY.

	<i>Yourself</i>	<i>Partner</i>
a. Yes	<input type="checkbox"/>	<input type="checkbox"/>
b. No	<input type="checkbox"/>	<input type="checkbox"/>
c. Don't know	<input type="checkbox"/>	<input type="checkbox"/>
d. Refused	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WITH ANY DEBT. OTHERS GO TO Q173

Q156. [SR] And thinking of all your/ your partners' personal borrowing, how much do you / your partner spend each month on making credit repayments? Include payments on loans, credit agreements, mail order catalogues/club books, home credit and credit and store cards but do not include repayments on mortgages, borrowing from employers, friends and family. DO NOT INCLUDE MONEY SPENT ON REPAYING CREDIT CARD BALANCES IN FULL AT THE END OF EVERY MONTH

	<i>Yourself</i>	<i>Partner</i>
a. Not spending anything on debt repayments	<input type="checkbox"/>	<input type="checkbox"/>
b. Less than £10	<input type="checkbox"/>	<input type="checkbox"/>
c. £10–£19	<input type="checkbox"/>	<input type="checkbox"/>
d. £20–£29	<input type="checkbox"/>	<input type="checkbox"/>
e. £30–£49	<input type="checkbox"/>	<input type="checkbox"/>
f. £50–£74	<input type="checkbox"/>	<input type="checkbox"/>
g. £75–£99	<input type="checkbox"/>	<input type="checkbox"/>
h. £100–£149	<input type="checkbox"/>	<input type="checkbox"/>
i. £150–£199	<input type="checkbox"/>	<input type="checkbox"/>
j. £200–£249	<input type="checkbox"/>	<input type="checkbox"/>
k. £250–£499	<input type="checkbox"/>	<input type="checkbox"/>
l. £500 – 750	<input type="checkbox"/>	<input type="checkbox"/>
m. £750 – 1000	<input type="checkbox"/>	<input type="checkbox"/>
n. More than £1000	<input type="checkbox"/>	<input type="checkbox"/>
o. Don't know	<input type="checkbox"/>	<input type="checkbox"/>
p. Refused	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL (INCLUDING HOME OWNERS WITHOUT MORTGAGES)

Q157. [SR] Thinking now of the total value of what you and your partner if you have one owe on personal loans, credit agreements, and credit and store cards how much would you say you owe in total? DO NOT INCLUDE TEMPORARY OVERDRAFTS OR CREDIT CARD BALANCES THAT YOU WILL PAY OFF IN FULL AT THE END OF THE MONTH OR ANY MORTGAGE BORROWING

	<i>Yourself</i>	<i>Partner</i>
a. Nothing	<input type="checkbox"/>	<input type="checkbox"/>
b. Less than £250	<input type="checkbox"/>	<input type="checkbox"/>
c. £250–£499	<input type="checkbox"/>	<input type="checkbox"/>
d. £500–£999	<input type="checkbox"/>	<input type="checkbox"/>

- | | | |
|--------------------|--------------------------|--------------------------|
| e. £1,000–£2,499 | <input type="checkbox"/> | <input type="checkbox"/> |
| f. £2,500–£4,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| g. £5,000–£9,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| h. £10,000–£14,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| i. £15,000–£19,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| j. £20,000 or more | <input type="checkbox"/> | <input type="checkbox"/> |
| k. Don't know | <input type="checkbox"/> | <input type="checkbox"/> |
| l. Refused | <input type="checkbox"/> | <input type="checkbox"/> |

HOME OWNERS WITHOUT MORTGAGE GO TO Q174.

Q158. [SR] And compared to the amount of debt you had two years ago would you say that the total value of your borrowing currently is: DO NOT INCLUDE ANY MORTGAGE BORROWING, JUST UNSECURED PERSONAL BORROWING ON CARDS OR LOANS

- a. Lower
- b. About the same
- c. Higher

ASK ALL WHO SAY LOWER

Q159. [SR] And how much debt would you say that you had paid off in the last two years?

Enter value or if necessary offer range above.....

ASK ALL WHO SAY HIGHER

Q160. [SR] And how much more debt would you say that you had taken on in the last two years? DO NOT INCLUDE ANY MORTGAGE BORROWING, JUST UNSECURED PERSONAL BORROWING ON CARDS OR LOANS

Enter value or if necessary offer range above

Q161. [SR] And thinking now of the total value of what you owe on credit cards, how much would you say you owe in total? Do not include any credit card balances which you will pay off in full at the end of the month.

- | | <i>Yourself</i> | <i>Partner</i> |
|-------------------|--------------------------|--------------------------|
| a. Nothing | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Less than £250 | <input type="checkbox"/> | <input type="checkbox"/> |
| c. £250–£499 | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | |
|--------------------|--------------------------|--------------------------|
| d. £500–£999 | <input type="checkbox"/> | <input type="checkbox"/> |
| e. £1,000–£2,499 | <input type="checkbox"/> | <input type="checkbox"/> |
| f. £2,500–£4,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| g. £5,000–£9,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| h. £10,000–£14,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| i. £15,000–£19,999 | <input type="checkbox"/> | <input type="checkbox"/> |
| j. £20,000 or more | <input type="checkbox"/> | <input type="checkbox"/> |
| k. Don't know | <input type="checkbox"/> | <input type="checkbox"/> |
| l. Refused | <input type="checkbox"/> | <input type="checkbox"/> |

Q162. [SR] And do you / your partner have an overdraft that will not be paid off at the end of the month?

- | | <i>Yourself</i> | <i>Partner</i> |
|--------|--------------------------|--------------------------|
| a. Yes | <input type="checkbox"/> | <input type="checkbox"/> |
| b. No | <input type="checkbox"/> | <input type="checkbox"/> |

ASK ALL WITH OVERDRAFTS

Q163. [SR] And how much is you / your partner's overdraft currently?

- | | <i>Yourself</i> | <i>Partner</i> |
|-------------------|--------------------------|--------------------------|
| Enter value | <input type="checkbox"/> | <input type="checkbox"/> |

Q164. [SR] And thinking now of your credit card balance on your main credit card do you usually?

- | | <i>Yourself</i> | <i>Partner</i> |
|--|--------------------------|--------------------------|
| a. Pay the balance off each month | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Make a partial payment of the outstanding balance | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Make the minimum payment | <input type="checkbox"/> | <input type="checkbox"/> |

ASK ALL WHERE MAKING MINIMUM PAYMENTS. OTHERS GO TO Q167

Q165. [SR] And how long have you been making minimum or partial payments for?

- | <i>Yourself</i> | <i>Partner</i> |
|-----------------|----------------|
|-----------------|----------------|

- | | | |
|-------------------------|--------------------------|--------------------------|
| a. Less than 6 months | <input type="checkbox"/> | <input type="checkbox"/> |
| b. 6 months – 1 year | <input type="checkbox"/> | <input type="checkbox"/> |
| c. 1 year to 18 months | <input type="checkbox"/> | <input type="checkbox"/> |
| d. 18 months to 2 years | <input type="checkbox"/> | <input type="checkbox"/> |
| e. 2 years to 3 years | <input type="checkbox"/> | <input type="checkbox"/> |
| f. 3 – 5 years | <input type="checkbox"/> | <input type="checkbox"/> |
| g. More than 5 years | <input type="checkbox"/> | <input type="checkbox"/> |

Q166. [SR] And are you making minimum payments on any other cards?

- a. No
- b. 1 card
- c. 2 cards
- d. 3 cards
- e. 4 cards
- f. 5 cards or more

Q167. [SR] And thinking of your credit card balance on the card on which you owe the most, is it?

- | | <i>Yourself</i> | <i>Partner</i> |
|---------------------------------|--------------------------|--------------------------|
| a. Well below your credit limit | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Fairly close to your limit | <input type="checkbox"/> | <input type="checkbox"/> |
| c. At or over limit | <input type="checkbox"/> | <input type="checkbox"/> |

Q168. [MR] Have you ever fallen behind on payments on any of the following?

- | | <i>Yourself</i> | <i>Partner</i> |
|--|--------------------------|--------------------------|
| (INTERVIEWER NOTE: EXPLAIN THAT THIS IS CONFIDENTIAL RESEARCH AND TRY AND ENCOURAGE A RESPONSE) | | |
| a. Personal loan or credit agreement | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Credit card | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Neither of these | <input type="checkbox"/> | <input type="checkbox"/> |

ASK ALL WHO HAVE FALLEN BEHIND. OTHERS GO TO Q173

Q169. [SR] Thinking back to when you have had difficulty with keeping up credit payments, how many payments would you say you missed or made late in total in the course of a year?

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5
- f. More than 5

Q170. [MR] And have you ever been more than three months or more behind on any of the following?

	<i>Yourself</i>	<i>Partner</i>
a. Personal loan or credit agreement	<input type="checkbox"/>	<input type="checkbox"/>
b. Credit card	<input type="checkbox"/>	<input type="checkbox"/>
c. None of these	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL WHO HAVE MISSED PAYMENTS ON CREDIT CARDS AND LOANS.

Q171. [SR] And thinking back to when you were in difficulties was that in the last ?

	<i>Yourself</i>	<i>Partner</i>
a. 12 months	<input type="checkbox"/>	<input type="checkbox"/>
b. 1 – 2 years ago	<input type="checkbox"/>	<input type="checkbox"/>
c. 2 – 3 years ago	<input type="checkbox"/>	<input type="checkbox"/>
d. Longer than 3 years ago	<input type="checkbox"/>	<input type="checkbox"/>

ASK ALL

Q172. [SR] And do you / your partner have any other significant expenditure that we have not covered?

- a. Yes
- b. No

ASK ALL WHO SAY YES. OTHERS GO TO Q 175

Q173. [SR] And roughly how much a year is that expenditure?

Enter value

ASK ALL HOME OWNERS (INC HOME OWNERS WITHOUT MORTGAGES)

Q174. [SR] Could I ask whether you or your partner have any cash savings?

	<i>Yourself</i>	<i>Partner</i>
a. No cash savings	<input type="checkbox"/>	<input type="checkbox"/>
b. Less than £500	<input type="checkbox"/>	<input type="checkbox"/>
c. £500 – £999	<input type="checkbox"/>	<input type="checkbox"/>
d. £1,000 – £2,499	<input type="checkbox"/>	<input type="checkbox"/>
e. £2,500 or £5000	<input type="checkbox"/>	<input type="checkbox"/>
f. £5,000 – £10,000	<input type="checkbox"/>	<input type="checkbox"/>
g. £10,000 – £20,000	<input type="checkbox"/>	<input type="checkbox"/>
h. £20,000 – £50,000	<input type="checkbox"/>	<input type="checkbox"/>
i. More than £50,000	<input type="checkbox"/>	<input type="checkbox"/>
j. Don't know	<input type="checkbox"/>	<input type="checkbox"/>
k. Refused	<input type="checkbox"/>	<input type="checkbox"/>

Q175. [SR] And do you or your partner have other non cash investments such as ISAs, Bonds, Equities, Insurances or other investment vehicles?

- a. Yes
- b. No

ASK ALL WHO SAY YES – OTHERS GO TO Q177

Q176. [SR] And what would you estimate the total value of all your investments to be? DO NOT INCLUDE PROPERTY OR CASH

	<i>Yourself</i>	<i>Partner</i>
a. £1,000 – £2,499	<input type="checkbox"/>	<input type="checkbox"/>
b. £2,500 - £5,000	<input type="checkbox"/>	<input type="checkbox"/>
c. £5,000 – £10,000	<input type="checkbox"/>	<input type="checkbox"/>
d. £10,000 – £20,000	<input type="checkbox"/>	<input type="checkbox"/>
e. £20,000 – £50,000	<input type="checkbox"/>	<input type="checkbox"/>
f. £50,000 – £100,000	<input type="checkbox"/>	<input type="checkbox"/>
g. £100,000 – £200,000	<input type="checkbox"/>	<input type="checkbox"/>

- h. More than £200,000

ASK ALL HOME OWNERS (INC THOSE WITH NO MORTGAGES) AND THOSE WHO EXPECT TO BUY

Q177. [SR] And have you inherited any money, residential property or other assets?

- a. Yes
- b. No

ASK THOSE WHO SAY YES. OTHERS GO TO Q180

- c.
 - d.
-

177b. [SR] And was that during the period in which you have had any mortgage borrowing?

- a. Yes
 - b. No
-

Q178. [SR] And what share of the total value that you inherited was represented by residential property?

- a. None of it
 - b. Less than 25%
 - c. 25 – 50%
 - d. 50 – 75%
 - e. More than 75%
 - f. All of it
-

Q179. [SR] And what was the value of the inheritance you received personally after tax had been paid?

Enter value (or prompt for range if necessary)

ASK ALL

Q180. [SR] Do you envisage receiving a significant inheritance at some time in the future?

- a. Yes
- b. No

ASK ALL WHO SAY YES. OTHERS GO TO Q182. TS WE NEED ALSO TO ASK EVERYONE WHO SAYS YES AT Q180, Q250 AS WELL IN DUE COURSE – BUT YOU MAY THINK EASIER/ FLOWS BETTER TO INSERT 250 HERE AS Q180B AND THEN NOT ASK THOSE WHO HAVE ANSWERED Q HERE AS 180B AT Q250 – VARIABLES SHOULD BE CODED THE SAME

Q181. [SR] And very approximately what would you anticipate the value of the inheritance you may receive after tax had been paid?

Enter value (or prompt for range if necessary)

ASK ALL

Q182. [SR] And how important is it to you to leave a substantial inheritance to the next generation?

- a. Not at all important
- b. Of some importance
- c. Very important

Q183. [SR] And which of these would come closest to your own circumstances and attitudes to leaving an inheritance to the next generation? Choose only one

- a. I'm unlikely to have anything to leave the next generation
- b. I'm happy to support the next generation but intend to use the majority of any assets I build up to look after myself / ourselves in later life
- c. I hope to leave a substantial inheritance to the next generation

ASK ALL WHO SAY B OR C

Q184. [SR] In terms of your main residential property, would you see yourself in later life. Choose only one

- a. Utilising as much of the value built up in your property as possible to support your life-style and needs while you are alive
- b. Relying on whatever income I have in retirement and leaving the value I have build up in the property to the next generation

Section 6. Financial resilience, financial capability and the impact of changing mortgage payments

ASK ALL WITH MORTGAGES AND ALL WHO EXPECT TO BUY.

I'm going to ask you some questions about how you organise you money

Q185. [SR] First of all, financially do you feel:

- a. Better off than you were two years ago
- b. About the same as two years ago
- c. Worse off than two years ago

Q186. [SR] And over the next two years do you expect to be?

- a. Worse off financially
- b. About the same
- c. Better off financially

Q187. [SR] Which of these best describes your feelings about managing your outgoings and commitments at the moment?

- a. I can manage outgoings and commitments comfortably
- b. I can manage outgoings and commitments but sometimes finances feel a little tight
- c. I am not falling behind but I am finding it a real struggle keeping up with outgoings and commitments
- d. I'm falling behind on commitments but think I'll be able to catch up
- e. I'm falling behind with commitments and can't see a way to catch up

Q188. [SR] Can you tell me which of the following statements comes closest to describing the way that you manage your finances? (ROTATE ORDER)

- a. I usually have comfortably more money than I need each month so we spend less than our income and are able to save
- b. I'm sufficiently comfortable enough that I know my bills get paid and I spent without having to think hard about budgeting.
- c. When I get paid I prioritise my essential bills and make sacrifices elsewhere if I need to.

- d. I try to keep on top of all my bills but sometimes I have to use the money for other day-to-day spending.
- e. 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.
- f. I budget carefully but never really have enough money to go around.

Q189. Thinking about how you would spend your income, Can I ask you to put the following categories of expenses into order of importance for me, by numbering them from 1 to 10, with 1 being the most important that you would prioritise first. Assume that you have enough money to cover all of them

- a. Food [SR]
- b. Spending on children/family [SR]
- c. Utility bills [SR]
- d. Mortgage/ rent [SR]
- e. Furnishings and the home [SR]
- f. Christmas and birthdays [SR]
- g. Electronics, such as TVs, phones etc [SR]
- h. Leisure, entertainment and holidays [SR]
- i. Other credit commitments – credit/store cards, personal loans, etc [SR]
- j. Savings/investments, pensions and insurances [SR]

Q190. [MR] Lots of people are having difficulties managing these days. Which of these have you experienced difficulties with affording in the last two years? Choose as many as apply:

- a. Paying for electricity, gas or heating
- b. Providing food for the family
- c. Buying shoes or clothing
- d. Paying for petrol or transport
- e. Finding rent or mortgage payments
- f. Replacing or repairing equipment
- g. Finding money for essential major purchases such as washing machines or furniture
- h. Repaying credit or loan agreements
- i. Finding money for medical or dental treatment
- j. Finding the funds for Christmas or birthday presents
- k. Affording entertainment, days out or holidays
- l. None of these

Q191. [SR] Sometimes we all face financial pressures which make it difficult to keep on top of our outgoings, especially in the current climate. If you were struggling to make ends meet, can you tell me which of the following you would be most likely to do. (READ OUT AND ROTATE ORDER)

- a. I'd definitely pay my rent/ mortgage before I paid anything else
- b. The most important thing would be to pay for gas/electricity and put food on the table.
- c. I'd pay my loans and credit cards first because I'd want to avoid extra interest or penalty charges and avoid being blacklisted.
- d. If I was getting hassled for payment I'd pay those bills first to get them off my back.
- e. I'd make sure the children had everything they needed and then I'd worry about what else needed to be paid
- f. 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.

ASK ALL WITH MORTGAGES

RENTERS go to 196 AND HOME OWNERS WITHOUT MORTGAGES GO TO Q203

Q192. [SR] I asked you earlier about your monthly mortgage payment. In the last two years has the mortgage payment that you are contracted to pay reduced due to lower interest rates?

- a. Yes
- b. No

Q193. [SR] And in the last two years have you negotiated with your lender to agree a low concessionary payment than the contractual rate you would normally be expected to pay because you have experienced financial difficulties

- a. Yes
- b. No

ASK ALL WHERE PAYMENT LOWER THAN IN PAST – OTHERS GO TO 196

Q194. [SR] And what has been the highest that the monthly mortgage payment has been on your current mortgage in the last two years?

Enter value

Q195. [SR] And how long have you been making lower monthly payments for?

- a. Less than 6 months
- b. 6 – 12 months
- c. 12 – 18 months
- d. 18 months to 2 years
- e. Longer than 2 years

ASK RENTERS AND THOSE WITH MORTGAGES

Q196. [SR] Two years ago, was your take-home income – or the combined income of you and your partner if you live together

- a. Lower than it is now
- b. About the same as it is now
- c. Higher than it is now

Q197. [SR] You said your household income was higher two years ago. Roughly how much more money was coming into the household each month at that time ?

Enter value

ASK ALL WHO SAY HIGHER. OTHERS GO TO 203

Q198. [MR] And which of these factors explain why your household income is lower than previously? Choose as many as apply

- a. Unemployment / redundancy
- b. Reduced working hours or overtime
- c. Reduced bonuses and commissions
- d. Reduced income from self employment / own business
- e. Ill health/ disability
- f. Relationship breakdown/ divorce
- g. New baby
- h. Retirement
- i. Other change in personal circumstances which had negative impact on household income
- j. None of these

ASK ALL WHO HAVE REDUCED INCOME. OTHERS GO TO 201

Q199. [SR] Which of the following statements would best apply to how you have coped financially with less income? Choose only one

- a. We've coped because we always spend less than we earn anyway
- b. We've coped by reducing spending and prioritising essentials
- c. We've coped without having to cut back too much because our expenses have reduced
- d. We've coped without having to cut back too much even though we haven't been able to reduce our expenses
- e. We've coped financially only because our expenses have gone down but it's been a real struggle
- f. We've been falling behind because our expenses have remained much the same
- g. We've been falling behind even with reduced expenses

Q200. [MR] And since your income has gone down which of these have you done to help you cope?

- a. Used savings you had put by
- b. Borrowed on existing credit facilities, such as credit cards or overdrafts
- c. Taken on new borrowing
- d. None of these

Q201. [MR] And have you or your partner if you live together done any of the following to help you cope financially? Choose as many as apply

- a. Claimed on insurance policy
- b. Claimed on mortgage payment protection insurance
- c. Negotiated a reduced payment schedule with mortgage lender
- d. Taken payment holidays on mortgage
- e. Used drawdown facility on mortgage
- f. Reduced payments on mortgage
- g. Reduced payments on credit and loans (i.e. non mortgage borrowing)
- h. Claimed social security benefits
- i. Sold investments or other assets
- j. Sold other property
- k. Remortgaged to release equity/ taken further advance
- l. Second job / additional hours
- m. Rented room / take in lodgers
- n. Renegotiated payments with creditors / organised payment holiday
- o. Borrowed / been given small sums from family / friends

- p. Borrowed / been given large sums from family / friends
- q. Got into arrears on bills or credit payments
- r. Got into arrears on mortgage payments
- s. None of these, didn't need to
- t. None of these, wasn't able to

ASK ALL WHOSE MORTGAGE PAYMENTS WERE PREVIOUSLY HIGHER AT Q192/ 3. OTHERS GO TO Q203

Q202. [SR] You say your mortgage payments were previously higher. Which of these statements about the impact of reduced mortgage payments best applies to you? Choose only one

- a. We haven't really had any extra money because our income has reduced as well
- b. We've mainly paid off debt with the money we'd have spent on the mortgage
- c. We've mainly saved/invested the money we'd have spent on the mortgage
- d. Our spending on essentials has increased which has taken up the savings on the mortgage
- e. We've spent the money we've saved on mortgage payments on other things
- f. None of these

ASK ALL WHO SAY THEY PAID DOWN DEBT AT RESPONSE B ABOVE AND WHO ANSWERED LOWER AT Q158 EARLIER. OTHERS GO TO Q204

Q203. [MR] You said earlier that you have paid off debt in the last two years. Was the debt that you paid down

- a. Mortgage debt
- b. Unsecured lending on credit card, loans and overdrafts
- c. Both

ASK ALL

Q204. [MR] And may I ask whether any of the following have ever happened to you?

- a. Relationship break-down / divorce
- b. Unemployment / redundancy
- c. Serious ill health / accident
- d. Partner serious ill health/ accident
- e. Take extended period away from work to care for parents

- f. Take extended period away from work to care for young children
- g. Business failure
- h. Extended period when had no self employment income
- i. None of these

ASK ALL THAT ANY OF THE ABOVE HAS HAPPENED TO AT Q204. HOME OWNERS WHO HAVE NOT EXPERIENCED ANY OF ABOVE GO TO Q209. OTHERS WHO HAVE NOT EXPERIENCED ANY OF ABOVE GO TO Q221

Q205. [SR] And did you have a mortgage at that time?

- a. Yes
- b. No

Q206. [SR] And how much financial pressure did you find yourself under when your circumstances changed?

- a. No real financial pressure
- b. Some financial pressure but fairly easily managed
- c. Quite a lot of pressure which was difficult to manage

ASK ALL WITH MORTGAGES AT THE TIME AT 205

Q207. [SR] And did you fall behind on mortgage payments at that time as a result of the changes in your personal circumstances?

- a. No
- b. Yes

ASK ALL WITH ANY ADVERSE CHANGE IN PERSONAL CIRCUMSTANCES AT Q 204

Q208. [MR] And which if any of these did you do to help you cope financially at that time?

- a. Used existing savings
- b. Used more of existing credit facilities, such as credit cards and overdrafts
- c. Took on new borrowing
- d. Claimed on insurance policy
- e. Claimed on mortgage protection insurance
- f. Taken payment holidays on mortgage
- g. Used drawdown facility on mortgage
- h. Reduced payments on mortgage/ rent
- i. Reduced payments on credit and loans (i.e. non mortgage borrowing)

- j. Claimed social security benefits
- k. Sold investments or other assets
- l. Sold other property
- m. Remortgaged to release equity/ taken further advance
- n. Second job / additional hours
- o. Rented room / take in lodgers
- p. Renegotiated payments with creditors / organised payment holiday
- q. Borrowed / been given small sums from family / friends
- r. Borrowed / been given large sums from family / friends
- s. Got into arrears on bills or credit payments
- t. Got into arrears on mortgage payments / rent
- u. None of these, didn't need to
- v. None of these, wasn't able to

ASK ALL HOME OWNERS. OTHERS GO TO Q221

Q209. [SR] And have you ever experienced an increase in mortgage payments due to an increase in interest rates or a change from a fixed or low rate to a standard variable rate?

- a. Yes
- b. No

IF NO GO TO Q213

Q210. [SR] And was the increased mortgage payment you had to make on top of what you had been paying

- a. Up to 25% more
- b. 25% more (if necessary – a quarter as much again on top of what you had been paying)
- c. Between 25% – 50% more (if necessary between a quarter and a half again on top of what you had been paying)
- d. More than 50% more (more than half again what you had been paying)
- e. Double or more what you had been paying

Q211. [SR] And how much financial pressure did you find yourself under when your mortgage payments increased?

- a. No real financial pressure
- b. Some financial pressure but fairly easily managed
- c. Quite a lot of pressure which was difficult to manage

Q212. [SR] And did you fall behind on mortgage payments at that time as a result of the increase?

- a. No
- b. Yes

ASK ALL HOME OWNERS

Q213. [SR] And have you ever missed or made late payments on your mortgage

- a. Yes
- b. No

ASK ALL WITH MISSED PAYMENTS AT Q213 AND ALL WHO FELL BEHIND AT 212 AND 207 AND WHO GOT INTO ARREARS ON MORTGAGE AT Q208. OTHERS GO TO 221

Q214. [SR] Thinking back to when you have had difficulty with keeping up mortgage payments, how many payments would you say you missed or made late in total in the course of a year?

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5
- f. More than 5

Q215. [SR] And did you get more than three months behind with your mortgage at any point?

- a. Yes
- b. No

Q216. [SR] And was that in the last ?

- a. 12 months
- b. 1 – 2 years ago
- c. 2 – 3 years ago
- d. Longer than 3 years ago

Q217. [SR] And what was the most you owed in arrears on mortgage payments when you got behind on the mortgage?

Enter value

ASK ALL WITH MISSED PAYMENTS AT Q213 AND ALL WHO FELL BEHIND AT 212 AND 207 AND WHO GOT INTO ARREARS ON MORTGAGE AT Q208. AND ALL WHO SAID YES ATQ209

Q218. [MR] And which if any of these did you do to help you cope financially at that time?

- a. Used existing savings
- b. Used more of existing credit facilities, such as credit cards and overdrafts
- c. Took on new borrowing
- d. Claimed on insurance policy
- e. Taken payment holidays on mortgage
- f. Used drawdown facility on mortgage
- g. Stopped or reduced payments on mortgage
- h. Stopped or reduced payments on credit and loans (ie non mortgage borrowing)
- i. Claimed social security benefits
- j. Sold investments or other assets
- k. Sold other property
- l. Remortgaged to release equity/ taken further advance
- m. Second job / additional hours
- n. Rented room / take in lodgers
- o. Renegotiated payments with creditors / organised payment holiday
- p. Borrowed / been given small sums from family / friends
- q. Borrowed / been given large sums from family / friends
- r. Got into arrears on bills or credit payments
- s. Got into arrears on mortgage payments / rent
- t. None of these, didn't need to
- u. None of these, wasn't able to

ASK ALL MORTGAGE HOLDERS WHO FELL BEHIND WHEN RATE RISE OR ADVERSE CHANGE IN CIRCUMSTANCES AND ALL WHO HAVE MISSED MORTGAGE PAYMENTS. (YES AT Q207 AND YES AT Q212, YES TO MISSED PAYMENTS AT Q213, GOT INTO ARREARS ON MORTGAGE AT Q208 OR 218)

OTHERS GO TO Q221

Q219. [MR] And what was the outcome of your difficulties in the end?

- a. Rescheduled the debt with the mortgage company
- b. Took advantage of a government or local authority scheme to avoid repossession
- c. Raised funds elsewhere to sort out arrears
- d. Gradually paid off / paying off the arrears over time
- e. Had to sell the property
- f. Lender repossessed the property

Q220. [SR] And did you consult debt advice at the time?

- a. Yes
- b. No

ASK ALL

Q221. [MR] Many people have difficulties with keeping up with things these days. Which of the following have ever happened to you / your partner?

	<i>Yourself</i>	<i>Partner</i>
a. Bad credit rating with agencies	<input type="checkbox"/>	<input type="checkbox"/>
b. County court judgement	<input type="checkbox"/>	<input type="checkbox"/>
c. Paid bills on credit card	<input type="checkbox"/>	<input type="checkbox"/>
d. Paid mortgage payments on credit card	<input type="checkbox"/>	<input type="checkbox"/>
e. Maxed out a credit card	<input type="checkbox"/>	<input type="checkbox"/>
f. Made minimum payments on a credit card for an extended period	<input type="checkbox"/>	<input type="checkbox"/>
g. Fell behind on phone or digital TV payments	<input type="checkbox"/>	<input type="checkbox"/>
h. Had a dispute over a bill with service provider such as a mobile phone company or catalogue which was not resolved through an agreed solution	<input type="checkbox"/>	<input type="checkbox"/>
i. Threats of repossession or seizure of assets	<input type="checkbox"/>	<input type="checkbox"/>
j. Visits from debt collectors / bailiffs	<input type="checkbox"/>	<input type="checkbox"/>
k. Seizure of goods by bailiff	<input type="checkbox"/>	<input type="checkbox"/>
l. Loss of home or eviction	<input type="checkbox"/>	<input type="checkbox"/>
m. Had utilities cut off for non-payment of bills	<input type="checkbox"/>	<input type="checkbox"/>

- n. Made an agreement with creditors through a free debt advice service
- o. Made an agreement with creditors through a paid for debt management service
- p. Made an IVA with creditors
- q. Been made bankrupt
- r. None of these
- s. Don't know

ASK ALL WHO HAVE PERSONALLY OR WHO HAVE/ PARTNER WITH CCJ, BANKRUPTCY ORDER OR IVA OTHERS GO TO INSTRUCTIONS BOTTOM OF PAGE

Q222. [SR] And how long ago is it since you / your partner got the CCJ / went bankrupt or arranged an IVA? IF MORE THAN ONE OF THESE APPLY ANSWER FOR THE MOST RECENT

- | | <i>Yourself</i> | <i>Partner</i> |
|----------------------------|--------------------------|--------------------------|
| a. 12 months | <input type="checkbox"/> | <input type="checkbox"/> |
| b. 1 – 2 years ago | <input type="checkbox"/> | <input type="checkbox"/> |
| c. 2 – 3 years ago | <input type="checkbox"/> | <input type="checkbox"/> |
| d. 3 – 6 years ago | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Longer than 6 years ago | <input type="checkbox"/> | <input type="checkbox"/> |

HOME OWNERS WITH MORTGAGE GO TO SECTION 7 MORTGAGE CHOICES AND UNDERSTANDING

HOME OWNERS WITHOUT MORTGAGE GO TO SECTION 8 FUTURE PLANS

RENTERS WHO EXPECT TO BUY GO TO SECTION 9 ATTITUDES TO FUTURE CHANGES IN HOUSING POLICY AND MORTGAGE REGULATION

Section 7. Mortgage Decision Making and Mortgage Choices

ASK ALL WITH MORTGAGES

Q223. [SR] And can I ask if you or your partner, if you have a joint mortgage, were the person who mainly organised the mortgage last time?

- a. Myself
- b. Partner
- c. Both arranged together

Q224. [MR] And how did you arrange the mortgage?

- a. Direct with lender face to face
- b. Direct with lender on the internet / by phone
- c. Consult a broker / independent mortgage adviser face to face
- d. Consult a broker / independent mortgage advices on the internet / by phone

Q225. [SR] And what kind of mortgage do you have on that property?

- a. Interest only/ endowment
- b. Capital repayment
- c. A combination
- d. Don't know

Q226. [MR] And what type of interest rate is associated with that mortgage?

- a. Low start/ discount *(if necessary prompt – where the rates will go up after the first couple of years)*
- b. Tracker *(if necessary prompt – where the rates go up and down in line with movements in a reference interest rate)*
- c. Fixed rate *(if necessary prompt – where, for a given period, the rates stay the same even if interest rates change)*
- d. Capped rate *(if necessary prompt – where, for a given period, the rate can go down but cannot go higher than a pre-agreed level)*
- e. Standard variable rate

- f. Other
- g. Don't know

Q227. [SR] And how many years have you had that mortgage?

Enter value

Q228. [SR] And how long was the original term of the mortgage when you took it out?

Enter value

Q229. [SR] And will your current mortgage term take you past retirement age, by which I mean age 65?

- a. Yes
- b. No

Q230. [SR] What rate are you currently paying?

- a. Enter value
- b. Don't know

ASK ALL WHO HAVE FIXED RATE MORTGAGES. OTHERS GO TO q 232

Q231. [SR] You say you have a fixed rate mortgage. How long is it until the fixed rate ends?

- a. Within 6 months
- b. 6mths to 1 year
- c. 1 yr to 2 years
- d. 2 years to 3 years
- e. 3 years to 4 years
- f. 4 years to 5 years
- g. 5 years or more

ASK ALL WITH MORTGAGES

Q232. [MR] And which of these were important to you in choosing your mortgage? Choose as many as apply (ROTATE ORDER)

- a. The level of the interest rate charged at the start of the mortgage

- b. The level of any other costs and charges associated with taking out the mortgage
- c. Keeping the amount I actually have to pay out each month as low as possible
- d. A low contractual minimum payment with the ability to pay down more debt whenever I wanted to
- e. The ability to draw-down cash when I needed it to fund things like home improvements, major purchases or to repay debt
- f. Making as small a deposit as possible
- g. Certainty that the repayments will stay the same even if interest rates change
- h. Flexible terms and ability to take payment holidays
- i. Affordable repayments I can be confident I can manage
- j. Certainty that the mortgage will be paid off at the end of the term
- k. Personal circumstances meant that I had no choice of mortgage

Q233. [SR] And which of these were the most important to you in choosing your mortgage and mortgage lender ? Choose up to three (ROTATE ORDER)

- a. The level of the interest rate charged at the start of the mortgage
- b. The level of any other costs and charges associated with taking out the mortgage
- c. Keeping the amount I actually have to pay out each month as low as possible
- d. A low contractual minimum payment with the ability to pay down more debt whenever I wanted to
- e. The ability to draw-down cash when I needed it to fund things like home improvements, major purchases or to repay debt
- f. Making as small a deposit as possible
- g. Certainty that the repayments will stay the same even if interest rates change
- h. Flexible terms and ability to take payment holidays
- i. Affordable repayments I can be confident I can manage
- j. Certainty that the mortgage will be paid off at the end of the term
- k. Personal circumstances meant that I had no choice of mortgage

Q234. [SR] Which of these statements, if any, do you think apply to an interest only mortgage? (ASK EACH STATEMENT IN TURN AND OBTAIN A TRUE / FALSE / DK ANSWER AND ROTATE ORDER)

- a. With an interest only mortgage you will still owe the whole of the sum that you borrowed initially at the end of the mortgage term

- b. With an interest only mortgage you will still benefit from any increase in the property price over the time that you pay the mortgage
- c. With an interest only mortgage, you minimise the monthly payments that you have to make, but you can pay back some of the mortgage debt when it suits you
- d. If you want to be able to pay off the mortgage in full at the end of the mortgage term, you need to have invested in an alternative repayment vehicle
- e. With an interest only mortgage if you reach the end of the mortgage term and have no means of repaying the capital owed to the lender, you will need to sell the property if you cannot remortgage

Q235. [SR] Which of these statements do you think apply to capital repayment mortgages (ASK EACH STATEMENT IN TURN AND OBTAIN A TRUE / FALSE / DK ANSWER AND ROTATE ORDER)

- a. With a capital repayment mortgage you will own the property outright at the end of the full mortgage term
- b. With a capital repayment mortgage you will not owe the mortgage lender anything provided you pay the mortgage for the full mortgage term
- c. With a capital repayment mortgage your repayments will not pay off much of the capital sum that you owe during the first few years.
- d. With a capital repayment mortgage you benefit from any increase in the property price as well as reducing your mortgage debt over time

I'd like to read you some statements and I would like you to say whether you agree or disagree with the statement on a 1 – 5 scale. With 1 being something that you disagree strongly with and 5 being something that you agree strongly with.

Don't worry if you don't understand any of them, just say so and we'll move on. (CAPTURE D/U SEPARATELY TO D/K)

Q236. [SR] Ask each statement in turn and obtain answer on 1 – 5 scale (code DK and DU) (ROTATE ORDER)

- a. I don't really understand the difference between a capital and repayment or interest only mortgage
- b. The most important thing for me is knowing that I'd own my property outright at the end of the mortgage term.
- c. An interest-only mortgage is the only way I could afford to get on the property ladder.

- d. I'd prefer the security of knowing my mortgage debt is being paid off even if I have to borrow less or cut back on other spending to make the repayments affordable.
- e. An interest-only mortgage is better for me because I'd prefer to have more disposable income now, when I really need it.
- f. An interest-only mortgage makes it affordable for me to live in a better property or a nicer area.
- g. I plan to move often so I can keep trading up my property so an interest-only mortgage is better value for me.
- h. I would always go for the mortgage with the lowest repayment levels.
- i. An interest-only mortgage is less risky because you don't need to find as much money for the repayments each month.
- j. An interest-only mortgage is more risky because the mortgage debt will still be there at the end of the term
- k. An interest only mortgage is a better use of money in the early years of a long term loan
- l. House prices will always increase enough to make an interest-only mortgage a pretty safe bet.
- m. If mortgage rates increase, mortgage payments on an interest only mortgage will go up faster than a repayment mortgage
- n. The risk of negative equity is about the same whether you've got an interest-only or a capital repayment mortgage.
- o. The benefits of lower repayments for the term of an interest-only mortgage outweigh the risk of losing your home at the end of it.
- p. I'd only take out an interest-only mortgage if I knew I could afford to save or invest enough money to repay the capital at the end.
- q. I accept that I might had to downsize or move into rented accommodation at the end of an interest-only mortgage and still think the lower payments during the life of the mortgage worthwhile
- r. Even if you couldn't pay off the mortgage at the end of the term, you could remortgage and extend the term, provided you can afford the repayments

ASK ALL WITH INTEREST ONLY MORTGAGES – OTHERS GO TO SECTION 8 – FUTURE PLANS

Q237. [SR] When you took out your last mortgage, did you take out an investment plan designed to pay off the mortgage at the end of the term at the same time?

- a. Yes
- b. No
- c. Don't know

Q238. [SR] Do you have a repayment vehicle such as an investment policy, ISA or pension associated with that mortgage to pay off the interest only loan at the end of the term?

- a. Yes, formally linked with the mortgage and arranged with it
- b. Yes, but not formally linked with the mortgage
- c. No
- d. Don't know

ASK ALL WHO HAVE ANY REPAYMENT VEHICLE. OTHERS GO TO 243

Q239. [MR] And what kind of repayment vehicle do you have associated with that mortgage?

- a. Endowment
- b. ISA / Pension / other investment policy

Q240. [MR] Which of these best describes what has happened with the repayment vehicle since you set it up?

- a. Continued to make the same payments ever since
- b. Have increased payments over time
- c. Have made lower payments than I originally intended
- d. Allowed payments to lapse
- e. Set up an alternative payment vehicle of similar or greater value
- f. Set up an alternative payment vehicle but with lower payments
- g. Kept on paying into investment vehicle but took out alternative mortgage on capital repayment basis
- h. None of these

Q241. [SR] And is the value of the repayment vehicle on track to pay off the mortgage?

- a. Yes
- b. No
- c. Don't know

ASK ALL WITH INTEREST ONLY MORTGAGES

Q242. [SR] And if your mortgage lender asked you to, would you be in a position to provide documentary evidence that you had an investment vehicle in place to repay the mortgage at the end of the term?

- a. Yes
- b. No
- c. Don't know

Q243. [MR] And which of the following could describe how you would plan to pay off the capital sum for your mortgage at the end of the term? Choose all that apply

- a. By selling the property
- b. Proceeds of investment vehicle linked to the mortgage
- c. Proceeds of another investment vehicle such as a pension, endowment or other investments
- d. Remortgage and extend the mortgage term
- e. Gradually reduce size of mortgage as have funds available
- f. Gradually reduce size of mortgage as trade up from one property to another over time
- g. Down-sizing to a smaller property
- h. Move into the rental sector
- i. Sale of a second home or buy to let property
- j. Inheritance
- k. Gift from parents / other family members
- l. Sale of other assets
- m. Convert to a lifetime mortgage
- n. No specific plans
- o. Other
- p. Don't know

Q244. [SR] And if your mortgage lender asked you to, would you be in a position to prove that you have other assets or property to pay off the mortgage at the end of the term?

- a. Yes
- b. No
- c. Don't know

ASK THOSE WHO SAY INHERITANCE. OTHERS GO TO Q251

Q245. [SR] You mentioned that you hoped to pay off your mortgage with an inheritance. Have you already inherited a sum sufficient to pay off your mortgage in due course?

- a. Yes
- b. No

Q246. [MR] Do you anticipate inheriting from:

- a. Parents
- b. Grandparents
- c. Both parents and grandparents
- d. Other source

Q247. [SR] And do you expect your inheritance to be:

- a. A sum which will be well short of my outstanding mortgage
- b. A bit less than the outstanding mortgage
- c. Roughly the value of the outstanding mortgage
- d. A sum that would easily cover the outstanding mortgage

Q248. [SR] And does that inheritance consist primarily of residential property that is a family member's main residence currently?

- a. Yes
- b. No

Q249. [SR] Very approximately, what is the current value of that property?

Enter value

Q250. [SR] And roughly how old is your youngest parent – or their partner if they have one ?

Enter value

ASK THOSE WHO SAY NO SPECIFIC PLANS. OTHERS GO TO SECTION 8

Q251. [MR] You say you don't have a specific plan for paying off the interest only mortgage you have currently. Which of these would describe why that is ?

- a. Haven't really thought about it

- b. I've just had other financial priorities
- c. Can't really afford to do anything about it
- d. I'm making overpayments and / or paying off lump sums as and when I have the cash
- e. I've just concentrated on building up my assets generally and am confident I'll have the resources to manage it when the time comes
- f. I'm confident house price inflation will enable me to pay off the debt
- g. It just seems too far away to plan for
- h. Other

GO TO SECTION 8

Section 8. Future plans

ASK ALL HOME OWNERS.

Q252. [SR] And do you think you are likely to want to re-mortgage or take out a further advance – without moving house – in the foreseeable future?

- a. Yes
- b. No

ASK ALL WHO SAY YES. OTHERS GO TO Q257

Q253. [MR] And why would you be likely to want to remortgage?

- a. Achieve best value deal available
- b. Release funds from property
- c. Reduce mortgage borrowing
- d. Increase mortgage borrowing
- e. Extend mortgage term
- f. Reduce mortgage term
- g. Change to repayment mortgage
- h. Change to interest only mortgage
- i. Change to fixed rate

Q254. [SR] And when would you be looking to remortgage?

- a. Within the next twelve months
- b. Within the next 1 – 2 years
- c. Within the next 3 – 5 years
- d. Longer than 5 years away

Q255. [MR] And what would you see as the likely timing for your next remortgage? Choose as many as apply

- a. When interest rates start going up
- b. When my current fixed rate / discount deal comes to an end
- c. When lending or market conditions improve

- d. As and when I have a need for new funds
- e. None of the above

ASK ALL WHO WOULD WANT TO RELEASE FUNDS b OR d AT Q253 OR D 255. OTHERS GOTO 257

Q256. [MR] And which of these reasons would explain why you would want to release funds as a further advance or remortgage ?

- a. Purchase of another residential property
- b. Home improvements
- c. Debt consolidation or settlement
- d. New car or other major purchase
- e. Education
- f. Holidays
- g. Wedding or major celebration
- h. Payment to partner following relationship breakdown / divorce
- i. Gift
- j. Funding for nursing or elder care
- k. Invest in business
- l. Other investment
- m. Tax payment
- n. Other

ASK ALL HOME OWNERS

Q257. [SR] Do you think you are likely to want to move in the foreseeable future?

- a. Yes
- b. No

ASK ALL WHO WANT TO MOVE. OTHERS GO TO Q259

Q258. [SR] Would you expect to need to take out a new mortgage if you moved?

- a. Yes
- b. No

Q259. [SR] And are you any more or less likely to want to move or buy another property now than you were before the credit crunch?

- a. A lot less likely
- b. A little less likely
- c. Neither more or less likely
- d. A little more likely
- e. A lot more likely

ASK ALL THOSE WHO SAY LESS LIKELY. OTHER HOME OWNERS WHO WANT TO MOVE (YES AT Q257) GO TO 261 .THOSE WHO WANT TO REMORTGAGE (YES AT 252) GO TO 266. OTHERS GO TO SECTION 9

Q260. [MR] And which of these would describe why you are less likely to want to buy another property?

- a. Less confidence in my own finances
- b. Less confidence in the housing market
- c. More difficult to get a mortgage
- d. Deposits required too high
- e. Personal circumstances changed
- f. Other

ASK ALL WHO WOULD BE LIKELY TO WANT TO MOVE (YES AT Q257)

Q261. [SR] How long do you think it is likely to be before you want to / need to move?

- a. Within the next twelve months
- b. Within the next 1 – 2 years
- c. Within the next 3 – 5 years
- d. Longer than 5 years away

Q262. [MR] And which of these would describe the reason why you would want to move? Choose as many as apply

- a. Trade up / next step on property ladder
- b. More space for growing family
- c. Move to nicer area
- d. Move closer to better schools
- e. New job
- f. Move closer to family

- g. Life-stage event (new baby, children grown up)
- h. Retirement
- i. Move into retirement property, warden flat etc
- j. Change in personal or financial circumstances (relationship breakdown, ill health, unemployment etc.)
- k. Move to different region
- l. Down-size to release equity / reduce mortgage
- m. Pay off mortgage
- n. Move into rental sector

ASK ALL HOME OWNERS OVER 50

262b. [SR] Do you personally see yourselves down-sizing in retirement?

- a. Yes
- b. No

ASK ALL WHO SAY YES

262c. [SR] And do you expect a down-sized property to be significantly cheaper than your current home?

- a. Yes
- b. No

ALL HOME OWNERS WHO DO NOT HAVE A MORTGAGE AND WHO DO NOT WANT TO REMORTGAGE (NO AT Q252) OR TAKE OUT A NEW MORTGAGE WHEN MOVE (NO AT Q258) GO TO SECTION 9.

ASK ALL OTHER POTENTIAL MOVERS WHO WOULD WANT A MORTGAGE AT 257/8 (YES AT Q 257 AND 258)

POTENTIAL REMORTGAGERS (YES AT Q252 GO TO Q266)

Q263. [SR] And in which of the following price ranges would you be looking to buy your next property?

- a. Less than £80,000
- b. £80,000 – £100,000
- c. £100,00 – £125,000
- d. £125,000 – £150,000
- e. £150,000 – £175,000
- f. £175,000 – £200,000
- g. £200,000 – £250,000

- h. £250,000 – £300,000
- i. £300,000 – £350,000
- j. £350,000 – £500,000
- k. £500,000 – £750,000
- l. More than £750,000

Q264. [SR] And what do you estimate to be the value of the deposit you would be able to put down?

Enter value

Q265. [SR] And roughly how much would you be looking to borrow on the mortgage for your next property ?

Enter value

ASK ALL WHO PLAN TO REMORTGAGE (YES AT Q252) AND ALL POTENTIAL MOVERS (YES AT Q257 AND YES AT Q258)

Q266. [SR] And compared to your current mortgage, would you expect your next mortgage to be?

- a. A lot smaller than your current one
- b. A little smaller than your current one
- c. About the same size as your current one
- d. A little larger than your current one
- e. A lot larger than your current one

266b. [SR] And compared to the amount you might have expected to borrow before the credit crunch, is the amount you are expecting to borrow now

- a. A lot less than you would have expected to borrow before the credit crunch
- b. A little less
- c. About the same
- d. A little more
- e. A lot more

ASK ALL WHO PLAN TO REMORTGAGE AND INCREASE BORROWING (YES AT Q252 AND ANY OF B OR D AT Q253 OR D AT Q255) AND THOSE WHO SAY A LITTLE / LOT LARGER MORTGAGE (D OR E AT Q 266.) OTHERS GO TO Q268

Q267. [SR] And when you remortgage how much in the way of additional funds over and above your current borrowing would you be looking to realise from the new mortgage?

Enter value

ASK BOTH MOVERS AND REMORTGAGERS

Q268. [SR] And what kind of mortgage would you be planning to take on?

- a. Interest only
 - b. Capital repayment
 - c. Combination
 - d. Don't know
-

Q269. [SR] And over what term would you want to borrow?

- a. Enter term

If cannot obtain term prompt with range

- b. Less than 5 years
 - c. 5 – 10 years
 - d. 10 – 15 years
 - e. 15 – 20 years
 - f. 20 – 25 years
 - g. 25 years
 - h. Longer than 25 years
-

Q270. [SR] And would that term take you past retirement age?

- a. Yes
- b. No

ASK THOSE WHO SAY YES AND THOSE WHO SAID YES AT Q229 . OTHERS GO TO 274

Q271. [SR] How confident are you that your income after you reach retirement age will enable you to pay your mortgage?

- a. Not at all confident
- b. Not very confident
- c. Quite confident

- d. Very confident

Q272. [MR] And which of these will your income rest on after you reach retirement age? Choose as many as apply

- a. Ongoing earnings from work or business
- b. Work based final salary scheme
- c. Other work based pension
- d. Private / occupational pension income
- e. Private / occupational pension lump sum
- f. State pension
- g. Interest on cash savings
- h. Investment income
- i. Rental income
- j. Inheritance
- k. Business sale
- l. Sale of property
- m. Sale of non property assets
- n. Alimony
- o. Don't know

None of these

272b. [MR] Which of these would explain why you would want to have a mortgage that would stretch into past retirement age? Choose as many as apply

- a. Not in a position to pay off mortgage before retirement
- b. As long as you can afford to pay a mortgage in retirement I don't see it as a problem that the capital has not been repaid by retirement age
- c. Paying off mortgage before retirement would compromise my quality of life
- d. I have too many expenses to afford to pay off my mortgage before retirement
- e. Responsibilities for other family members - such as children in education or eldercare - would make it difficult to pay a mortgage off by retirement age
- f. Paying off my mortgage before retirement would prevent me investing in non property assets
- g. Continuing to building up value in a property will give me greater flexibility and more options if and when I do want to down-size
- h. Don't see a mortgage as likely to be any more expensive than renting
- i. I'm not too concerned about owning 100% of my home

- j. I need to continue to pay my mortgage until such time as I inherit
- k. I'd want to build up value in my property until the point I take on a lifetime mortgage

Q273. [SR] And if And if your mortgage lender asked you to, would you be in a position to prove that you have the means to pay your mortgage in retirement

- a. Yes,
- b. No
- c. Not at the moment but will be able to by the point I reach retirement age
- d. Don't know

ASK OVER 50S

273b. [SR] Lifetime mortgages will allow older home owners to borrow a proportion of the value of their property and usually do not require borrowers to make repayments on their borrowing and usually older people are able to stay in their properties for life. Interest on the loan builds up over time and is repaid to the lender on the sale of the property, usually at the point when the home owners die or go into care. This approach could significantly reduce or even eliminate the value of any inheritance for the next generation however. How attractive would you find the idea of such a mortgage

- a. Not at all attractive
- b. Somewhat attractive
- c. Very attractive

ASK ALL POTENTIAL MOVERS AND REMORTGAGERS

Q274. [SR] How much is the most you would be able to afford per month in mortgage payments. Answer for the total that you would be able to afford between you if you would plan to buy with someone else?

Enter value

Q275. [SR] If that would be the absolute most you could afford, what would be the level of mortgage payments that you would feel more comfortable with?

Enter value

ASK ALL POTENTIAL MOVERS

Q276. [SR] And which of these statements would best describe your own feelings about the amount you would want to borrow?

- a. The maximum amount possible to get the best property I could
- b. A lower amount that I could be sure I could manage even if I had to compromise on the property or location

ASK ALL POTENTIAL REMORTGAGERS AND ALL POTENTIAL MOVERS

Q277. [SR] Which of these would best describe your own feelings about the amount you would want to borrow with a remortgage/ move to another property?

- a. I'd always borrow the minimum I needed to keep my borrowing low and minimise risk
- b. I'd want enough to fund my plans without putting an undue strain on my finances
- c. 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
- d. 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

Q278. [MR] And when you were thinking about how much you could afford to pay, which of these would be important to you? Choose as many as apply

- a. How much you would have to pay at the time you actually take the mortgage out
- b. How much you might have to pay in the future e.g. when or if the interest rate changed or your mortgage deal came to an end
- c. The minimum you would have to pay to live in the kind of property you want and in an area in which you want to live
- d. What you would have to pay to be sure that you could repay the mortgage at the end of the term and would own your property outright.
- e. D/K

Q279. [SR] And when you were thinking about how much you could afford to pay, which of these would be the most important to you? Choose only one

- a. How much you would have to pay at the time you actually take the mortgage out
- b. How much you might have to pay in the future e.g. when or if the interest changed or your mortgage deal came to an end
- c. The minimum you would have to pay to live in the kind of property you want and in an area in which you want to live

- d. What you would have to pay to be sure that you could repay the mortgage at the end of the term and would own your property outright.
- e. D/K

Q280. [MR] Which of these statements about paying off your mortgage by the time you reach retirement age would you agree with?

- a. Owning 100% of your home by the time you reach retirement gives you security in retirement.
- b. Paying out for years only to have most of your wealth tied up in your home until you die doesn't make sense to me. Providing you can afford the payments, you'd be better off owning less of your home and continuing to make mortgage payments in retirement.
- c. Home ownership offers you a good opportunity to make longer-term capital gains. It is not hugely relevant whether or not you own your home outright, it is how much housing equity you have built up.
- d. The idea of a standard retirement age is no longer relevant in today's world.

ALL GO TO SECTION 9

Section 9. Demographic section

ASK THOSE WITH PARTNER

Q281. [SR] And may I ask the age of your partner if you have one?

Press for exact age and provide ranges if refuse

ASK ALL HOME OWNERS THOSE WITH MORTGAGE AND THOSE WHO EXPECT TO BUY. ALLOW TO ASK RENTERS WHO DIDN'T WANT TO BUY REGION HOUSEHOLD TYPE AND LIFESTAGE PLUS 301

Q282. [SR] And which of these would best describe your living arrangements

- a. Living on your own
- b. Sharing with friends
- c. Living as part of a couple
- d. Living as a family with children at home
- e. Living with parents

ASK ALL WITH FAMILY

Q283. [SR] And how many children do you have living at home?

- a. 1
- b. 2
- c. 3
- d. 4 or more

Q284. [SR] And what age is your youngest child?

- a. Less than 5
- b. 5 – 10
- c. 10 – 15
- d. 15+

Q285. [SR] And what age is your eldest child still at home

- a. Less than 5
- b. 5 – 10
- c. 10 – 15
- d. 15+

Q286. [SR] Which of the following best describes you?

- a. White Central European
- b. White
- c. Black/Caribbean
- d. Black/African
- e. Black/Other
- f. Pakistani
- g. Bangladeshi
- h. Chinese
- i. Mixed Race
- j. Indian
- k. Other
- l. Refused

Q287. [SR] And finally which is the highest level of qualification you have obtained? (Note to TS - unless asked earlier as part of SEG routine)

- a. Second or higher degree
- b. Degree or degree equivalent
- c. Undergraduate
- d. A levels & Vocational level 3
- e. GCSE / O level
- f. Trade Apprenticeships /NVQ
- g. Other qualifications
- h. None
- i. Refused

Qualitative consumer research

3.0 Qualitative consumer research

The qualitative consumer research was intended to provide rich insight and colour on consumers' perspectives on the issues, to complement the quantitative analysis. The research team focused particularly on those groups which would seem most likely to be impacted by new approaches to mortgage market regulation.

20 focus groups held in September 2010 in Manchester, London, Birmingham and Edinburgh with borrowers and aspiring borrowers who, on the basis of the balance of their income and outgoings and their current mortgage borrowings and debt service to income ratios, would seem potentially likely to be marginal in terms of passing the proposed affordability criteria. Recruitment criteria were set so as to exclude extreme cases and to ensure a mix of those with different mortgage types, a range of ages and in different points in the life-stage and property purchasing cycle:

- Aspiring first time buyers in both ABC1 and C2DE socio-economic groups
- Recent first time buyers in both ABC1 and C2DE socio-economic groups
- Intending movers and remortgagers in both ABC1 and C2DE socio-economic groups
- Recent movers and remortgagers in both ABC1 and C2DE socio-economic groups
- Self employed professionals
- Self employed trades-people
- Older mortgagors
- Credit impaired borrowers

3.1 Research design

The research design was intended to understand the role of home ownership in peoples' thinking and life plans, to get under the skin of the affordability issues and to understand how mortgagors had adapted to the recession and the reversals in the housing market. It sought to understand mortgage choices and decision making and how this might have been changed in the light of recent experience and the financial crisis. It also explored peoples' understanding of mortgage products, particularly around interest-only mortgages, and how choice of such products related to affordability and responsible borrowing.

The research also sought to understand how people felt about the big issues for the housing market and how the authorities should best respond, mortgagors response to a more rigorous approach to affordability and responsible lending, how far people might be impacted by change and the potential implications of what could be more restricted access to mortgage finance.

3.2 Sample specification

The sample was specified as follows. Detailed recruitment quotas for each of the groups are provided at the end of this section.

All respondents to be interested in first purchase, moving or remortgaging within next 2 years.

All will need to take the affordability test and will be recruited on the basis of their score. The score will be designed to recruit those who would be likely to lie either side of the “affordability” line, i.e. not those who would pass by a very large margin or those who would fail by a large margin either.

A 4 groups 1 – 4 Interest only mortgage holders

- 1 First time buyers, professionals and managers, bought pre 2007
- 2 First time buyers, C1C2s, bought pre 2007
- 3 Older buyers, Split 35 – 45, 45- 60, in housing market for at least ten years, with minimum 40% equity in their property, professionals and managers
- 4 Older buyers, Split 35 – 45, 45- 55, in housing market for at least ten years, with minimum 40% equity in their property, C1C2s

B 4 groups with self employed / non standard mortgage holders To have taken out mortgages in last 5 years.

- 5 Self employed trades-people (plumbers, electricians etc)
- 6 Small business owners – principals of small businesses with less than 5 employees, self assessment tax, professionals & managers
- 7 Small business owners – principals of small businesses with less than 5 employees, self assessment tax, C1C2s
- 8 Freelance professionals on irregular / unpredictable incomes

C Two groups with mortgage holders with adverse credit history

- 9 Credit impaired individuals, of which four less serious, four more serious, professionals and managers
- 10 Credit impaired individuals, of which four less serious, four more serious, C1C2Ds

D Paired matched groups with key buyer groups who may struggle with affordability criteria

D1 First time buyers

- 11 Aspiring first time buyers hoping to take on a first mortgage within the next two years professionals and managers
- 12 Aspiring first time buyers hoping to take on a first mortgage within the next two years C1C2s
- 13 Recent first time buyers who took on first mortgage in last 5 years / at least half pre 2007
- 14 Recent first time buyers hoping to take on a first mortgage within last five years, at least half pre 2007

D2 Potential movers and remortgagers

- 15 Potential movers with mortgages who plan to move / remortgage and raise significant additional equity within the next two years, at least two under 40, at least 2 40 – 50, at least 2 50 plus, at least 6 with children at home, at least 5 to plan to move, Professionals and managers.
- 16 Potential movers with mortgages who plan to move / remortgage and raise significant additional finance within the next two years, at least two under 40, at least 2 40 – 50, at least 2 50 plus, at least 6 with children at home, at least 5 to plan to move, C1C2D
- 17 Recent movers / remortgagers within last five years, at least half pre 2007, professionals and managers
- 18 Recent movers / remortgagers within last five years, at least half pre 2007, C1C2s

D3 Older workers / mortgage holders approaching and in retirement

- 19 Older workers with mortgages, at least 2 in each of 50 – 55, 55 – 60, 60 plus. Professionals and managers
- 20 Older workers 65 plus, with mortgages, C1C2s

3.3 Recruitment method

An algorithm- based approach was adopted for recruitment. All respondents were asked to fill in a form detailing their mortgage borrowing and income and expenditure and were recruited on the basis of their score and the balance of their mortgage borrowing to income ratio.

There was therefore be a four step process to recruitment:

- 1 Identify respondents who fit headline criteria and who willing to participate
- 2 Respondents complete affordability form detailing their mortgage borrowing and income and expenditure (either on paper or electronically)
- 3 Enter data into Excel recruitment form
- 4 Algorithm identifies suitable individuals for recruitment.

Detailed profiles of respondents and the quotas for each of the group are available from Policis on request.

3.4 Discussion guide

New approaches to Mortgage Market Regulation Qualitative Research Discussion Guide

A. Aspiring First time buyers

Warm up

Personal circumstances / employment / current housing arrangements / sources of income

Budgeting

How far income predictable / spikey / irregular / How finances and budgets managed and prioritised/ attitudes to planning and budgeting / saving / managing risk / balance of income to outgoings and how comfortable feel / how manage pinch-points and peaks of expenditure / how manage irregular incomes

Renting

Role of rent within budgets / perceptions of relative advantages / disadvantages of renting versus home ownership / local rents in comparison to cost of purchasing property

Home ownership

Role of home ownership in own thinking and life-planning / in sense of self / within broader financial planning / property trajectory envisaged over time / role of home ownership more broadly in society and communities

How far events of last few years / post credit crunch have influenced own thinking and expectations for the future

First property

Future plans and thinking about buying first property / motivation / triggers/ issues and concerns / how have approached thinking about buying a property / criteria in selecting appropriate property / area / price range

Financial dimensions

How think about financial dimensions of purchase / home versus investment / expectations on prices longer / shorter term / asset inflation / whether see any downside risks / where sits within wider financial priorities, financial planning

Affordability

How think about financing purchase / sources of information and advice / how much would want to borrow and repay / drivers of thinking on scale of borrowing would want to / could afford to finance / how much expect to be paying out / expectations on repayment relative to income / how compares to current balance of income and expenditure and how will cope with any differences

How think around affordability of home ownership and of mortgage borrowing / whether see any downside risk (if does not arise spontaneously)/ what see as key risks / whether and how plan to accommodate and manage any perceived risks / manage pressures (if has not arisen spontaneously probe for expectations on rates and how change might influence affordability and on potential for income shock)/ What do focus group members understand by mortgage affordability? Is it just about meeting current contractual payments or ultimately repaying mortgage debt?

LTV / Deposits

(If has not arisen spontaneously) How far able to save towards a deposit / other means of raising funds / expectations on how much will be able to save / need to raise / How will source deposits / Expectations re repayment of any non-mortgage borrowing/If from family members how will they source / whether will need to withdraw housing equity to do so/ Anticipated LTV when make property purchase / views on higher / lower LTV borrowing, perceived risks and benefits and how impact on options / choices / outcomes for FTB

Mortgage decision making

How far feel understand mortgages and options / whether see options as having changed in recent years / perceived degree of choice / differences between products and providers / whether and how far want / need advice and support / intermediation / what see as role of broker / perceptions of advice/ how far feel able to make decisions on mortgages

How easy / difficult to get mortgage at moment / what have been changes / new hurdles / how has impacted thinking and behaviour / strategies for dealing with more difficult lending environment

Mortgage priorities

What are key priorities in choosing mortgage product / lender / (probe for) relative importance of amount can borrow / LTV/ rates / product features affordability of payment / fees

Mortgage type

Probe for awareness of options on mortgages / preferred mortgage type and reasons for choices /

(if has not arisen spontaneously) – whether thinking in terms of interest only or capital repayment mortgages/ perceived advantages and disadvantages / benefits and risks of each approach / in short and longer term / for those who considering interest only mortgage - reasons for choices / thinking around ultimate repayment and how will be managed.

Product features

How important is flexibility as a concept within mortgage products / reasons for appeal of flexibility (if indeed important) / appeal and importance of payment holidays, under / over payment / equity drawdown

Housing market / response to crisis

What see as future of housing market / what see as reasons for reversals in market / drivers of crisis / role of lenders and borrowers pre 2007 / What see as issues for first time buyers and what could be done to help

Extent if any to which borrowers themselves created problems. Need to keep individuals on straight and narrow/tighter lending constraints/more checks etc?

Perceptions (if any) of authorities' / lenders responses and impact on housing market and consumers / what see as nature of any action regulators / government should be taking / (probe for restrictions on mortgage lending / more conservative approach to income verification / affordability / lower LTVs/ stricter lending criteria / taxing home ownership / second home / rental income/ moves on stamp duty

Then introduce idea that the regulators are concerned to increase consumer protection and work towards a more sustainable and affordable housing market. And the FSA have put forward a number of proposals for consultation and that we would like to hear their views.

Presentation of key items in draft proposals

Income verification - present requirements for income verification and probe for responses and how easy will find to meet/

Explain that lenders will be required to verify income

Affordability – present requirement that affordability will need to be assessed on basis of detailed evaluation of income and expenditure and, in most cases, on capital repayment basis, allowing for a stress test and prudent buffer.

Explain range of information that will need to provide and probe response to concept of affordability test / Advantages and disadvantages / How easy would it be to provide or substantiate information required. Whether feel people likely to be able to / willing to provide accurate information / whether see risk of some people gaming system / providing less than accurate information and how could be countered / How far feel that able to take view of future income trajectory/ evolution of spending in future

How well does the affordability test fit with the way that they think about affordability / Probe for whether individuals feel confident could pass affordability test / whether test would itself influence thinking on affordability / whether new conditions would tend to restrict the amount that they had planned to borrow

How affordable / manageable does payment at current rates / stress test rates feel? How does it compare to the amount they are actually paying at the moment? How does it compare to the amount they had in mind as an affordable monthly payment for their next mortgage move?

Potential impact of affordability and income verification

How would impact planning and personal choices if had to borrow less / if test would tend to exclude from market / If so, whether see point further down line where would be able to buy / How would feel personally about prospect of home ownership being deferred/becoming potentially too difficult to achieve/ how attractive prospect of renting for much longer than planned / permanently

(If FSA measures seem too draconian) How would focus group members go about mitigating credit risk?

Interest only mortgages

Statement: "It would seem possible that interest only mortgages will become less readily available in the future."

How far see interest only mortgages as problematic / as posing consumer protection risk / how feel about potential impact / what see as benefits and risks – if any (spontaneous) for housing market / for themselves / then probe for where stand on balance of consumer protection benefit of moderating risk of not being able to pay off mortgage at end of term versus potential for interest only mortgages to widen access to home ownership / how would benefits and risks play out in different market conditions (such as rising / stagnant/ falling prices) (If it has not arisen spontaneously) How important is it to ensure that mortgage sum fully repaid after period of 25 years?

Broader impact of more conservative approach to lending

If impact of new proposals will be to move away from era of relatively easy credit to a new era of more restricted and constrained mortgage lending with fewer people able to own their own homes - would this be a good / bad thing in short / longer term / whether see as having potential benefits for first time buyers / for housing market and sustainable home ownership (spontaneous) / issues for transition / then probe for where stand on balance of access versus sustainability and affordability / consumer protection benefit of not taking on mortgages that cannot really afford versus potential for damage to housing market, consumer confidence etc / How think more restricted mortgage lending will impact attitudes to home ownership - social equity and social cohesion – in the future,

Wrap

Overall response to proposals – whether would support or oppose. View of single most important issue to address in housing market and outcome of review that would be most important for individuals personally

New approaches to Mortgage Market Regulation Qualitative Research Discussion Guide

B. All groups except would be first time buyers

Warm up

Personal circumstances / employment / sources of income / current housing arrangements / mortgage arrangements

Budgeting

How far income predictable / spiky / irregular / How finances and budgets managed and prioritised/ attitudes to planning and budgeting / saving / managing risk / balance of income to outgoings and how comfortable feel / how manage pinch-points and peaks of expenditure / how manage irregular incomes

Coping through recession

How recession has impacted their incomes / attitudes to spending and saving/ borrowing / approach to budgeting and managing finances / what adjustments have they made to their finances to help them cope / how easy / difficult have things been and how tight have budgets felt / to what extent have experienced any serious financial difficulty / how have they prioritised payments / expenditure when budgets have been tight (spontaneous) / where does paying mortgage sit within wider set of priorities / whether have experienced any difficulties in affording mortgage / where any difficulties have arisen, probe for extent of problems / strategies have adopted for coping with mortgage payments (probe for reduced payments, with or without agreement of lender)

Interest rates

(if has not risen spontaneously) Whether they have had reduced mortgage payments due to reductions in interest rates / probe for extent of reduction and difference that has made to household finances / importance of reduced rates have had in making finances more manageable / what has happened to money saved (probe for whether absorbed by reduced income – redirected to saving / reduced debt (probe for whether unsecured lending or mortgage debt) / consumption etc)/ what are expectations on rate rises / how easy / difficult will be to accommodate / what adaptations to the budget will be required / have they already planned for rate rises

Home ownership

How far events of last few years / post credit crunch influenced own thinking and expectations for the future / feelings around borrowing / mortgage borrowing in particular / whether has influenced attitudes to home ownership / buying property more widely / balance of importance of property as home and investment / whether any changes to thinking on role of home ownership in life-planning / within broader financial planning / planned property trajectory envisaged over time / whether see property as having a role in financing retirement / financing other life-plans such as education / children buying property / whether anticipate mortgage being paid off by time retire / downsizing etc / whether factor inheritance (from previous / to next generation) into financial thinking and planning / probe for whether traditional model of paying off mortgage by retirement, then living in high value asset until death still the way people thinking about home ownership or whether thinking has changed

Extent to which changes in thinking/expectations are seen as temporary or longer-lasting?

Current mortgage arrangements

Whether have history of moving / remortgaging / changing mortgage types / Current mortgage arrangements and reasons for choosing current mortgage / Balance of importance within reasons (probe particularly around role of affordability and importance of paying off mortgage at end of term) / what are key priorities in choosing mortgage product / lender / (probe for) relative importance of amount can borrow / LTV/ rates / product features / affordability of payment / fees

Arranging last mortgage

How arranged / how easy / difficult to arrange and obtain finance seeking / whether self-certification / extent to which income verified / extent of information required / Probe for degree of engagement with detail of mortgage application and product choice / role of broker / for those with interest only mortgages how far how mortgage would be repaid discussed / whether other arrangements / investment / insurance products taken on at same time / whether intention at time taken on mortgage was to refinance within relatively short period or to retain for life of loan

What do focus group members understand by mortgage affordability? Is it just about meeting current contractual payments or ultimately repaying mortgage debt?

How far was affordability of mortgage payment considered / how important was affordability relative to amount could borrow / how far considered impact of changes in rates / probe for balance of caution versus risk-taking / how far decision shaped by expectations of rising prices / whether would have made different decisions on amount borrowed / affordability in market where prices relatively flat / falling

Interest only versus capital repayment

(if has not arisen spontaneously) Probe for relative attraction of capital repayment and interest only mortgages / balance of benefits and risks / how balance of advantages and disadvantages changes over time / probe for role of affordability / role of anticipated house price inflation / plans for ultimate repayment of mortgage and how is / will be financed (probe for how far plans supported by realistic repayment vehicle or other assets)/ importance of minimising contractual payment / how far over-pay

Product features

How important is flexibility as a concept within mortgage products / reasons for appeal of flexibility (if indeed important) / appeal and importance of payment holidays, under / over payment / equity drawdown / how far use these various features / applications of funds raised / benefits and outcomes

Next move

When plan to make next move / motivations for move / balance of importance of practical considerations – more space / schools / downsizing etc – and investment and financial dimensions of decision to move / issues and concerns / perceived balance of benefits and risks (if any) / how have approached thinking about buying a property / criteria in selecting appropriate property / area / price range / how much would want to borrow / anticipated LTV / anticipated mortgage payments / how much

of a change anticipate from current position (greater / lesser borrowing / higher / lower payments etc)

Housing market / response to crisis

Probe for views on how see future of housing market evolving and how far these views influencing plans on amount what to borrow / appetite for risk / trading up /down etc / what see as reasons for reversals in market / drivers of crisis / role of lenders and borrowers pre 2007 / What see as issues for first time buyers and what could be done to help

Perceptions (if any) of authorities' / lenders responses and impact on housing market and consumers / what see as nature of any action regulators / government should be taking / (probe for restrictions on mortgage lending / more conservative approach to income verification / affordability / lower LTVs/ stricter lending criteria / taxing home ownership / second home / rental income/ moves on stamp duty

Presentation of key items in draft proposals

Income verification - present requirements for income verification and probe for responses and how easy will find to meet

Affordability – present requirement that affordability will need to be assessed on basis of detailed evaluation of income and expenditure.

Explain range of information that will need to provide and probe response to concept of affordability test

Advantages and disadvantages / How easy would it be to provide or substantiate information required. Whether feel people likely to be able to / willing to provide accurate information / whether see risk of some people gaming system / providing less than accurate information and how could be countered / How far feel that able to take view of future income trajectory/ evolution of spending in future

Probe for response and how reasonable or easy / difficult it would be to meet affordability criteria,

How well the proposed affordability test fits with the way that they think about affordability / Probe for whether individuals feel confident could pass affordability test / whether test would itself influence thinking on affordability / whether new conditions would tend to restrict the amount that they had planned to borrow

Potential impact of affordability and income verification

How would impact planning and personal choices if had to borrow significantly less than had planned / whether would still move / consequences of not moving / How would impact planning and life-plans if not able to move because not able to get new mortgage / what would be consequences of not being able to move

If were no longer able to raise any further equity on their property because not able to remortgage how would this impact future plans and choices

If were only able to move and take on new mortgage if made significantly higher payments than currently making / how manageable would that be / what would be the

impact on propensity to move / to trade up / down / the viability of household budget / what would need to be sacrificed, if anything, to accommodate higher payments

Interest only mortgages

Statement: "It would seem possible that interest only mortgages will become less readily available in the future."

How far see interest only mortgages as problematic / as posing consumer protection risk / how feel about potential impact / what see as benefits and risks – if any (spontaneous) for housing market / for themselves / then probe for where stand on balance of consumer protection benefit of moderating risk of not being able to pay off mortgage at end of term versus potential for interest only mortgages to widen access to home ownership / how would benefits and risks play out in different market conditions (such as rising / stagnant/ falling prices)

Broader impact of more conservative approach to lending

If impact of new proposals will be to move away from era of relatively easy credit to a new era of more restricted and constrained mortgage lending with fewer people able to own their own homes - would this be a good / bad thing in short / longer term / whether see as having potential benefits for first time buyers / for housing market and sustainable home ownership (spontaneous) / issues for transition / then probe for where stand on balance of access versus sustainability and affordability / consumer protection benefit of not taking on mortgages that cannot really afford versus potential for damage to housing market, consumer confidence etc / How think more restricted mortgage lending will impact attitudes to home ownership - social equity and social cohesion – in the future,

Wrap

Response to proposals – whether would broadly support or oppose. View of single most important issue to address in housing market and outcome of review that would be most important for individuals personally

New Approaches to Mortgage Market Regulation Qualitative Research Discussion Guide

Extra material for special interest groups

The various special interest groups will broadly follow the same structured discussion guide with the addition of the following material

C. Credit impaired borrowers

Reasons for difficulties

Background circumstances when ran into difficulties / balance of importance of misfortune / income shock and poor management / degree to which adverse circumstances could have been foreseen / role of decreases in income / increases in expenditure in creating difficulties / role of mortgage payments / how far mortgage payments prioritised within budget / how far mortgage borrowing already a stretch before difficulties / the difference that lower mortgage payments would have made

Extent to which taking on extra debt after taking out original mortgage contributed to outcomes?

How difficulties managed and actions taken to moderate / adaptations to budgets / how far communicated with creditors / lenders about difficulties / whether negotiated reduced payments / lenders response to difficulties and how impacted outcome

Pathway to recovery

How managed to come back from difficulties / strategies for recovery / time-scales over which able to make good / time needed for finances to recover / whether have experienced difficulties since / what have learned from period of difficulty and whether have made more permanent adjustments to way manage finances / How far feel that lower borrowings will act as a protective factor

Prospects for future

How far has credit impairment impact their ability to plan / raise finance etc/ whether expect to be able to borrow on mortgage again / and under what conditions and terms / Will restrictions on the amount they are allowed to borrow materially impact their plans on moving / trading up / down. If unable to move how will this affect their future plans / consequences of being unable to move

D. Older workers

Plans on retirement and working in later life

How see working life evolving in later years / how far able to / want to / need to retire / when see stopping work and whether envisage abrupt or phased retirement / if plan to work past age 65 what are principal drivers / what is role of needing to pay the mortgage / what sources of income do they envisage in retirement and how much of this would need to be devoted to mortgage payment

Mortgages that stretch beyond retirement age

What is thinking on mortgage that stretches into retirement age / reasons for term that stretch into retirement / balance of affordability and other factors / how far see as a problem / issues and concerns / how see mortgage in retirement related to other assumptions about financing retirement / thinking around inheritance tax planning / utilisation of property assets / how see mortgage ultimately being paid off / probe around assumptions underlying thinking on how mortgage will be paid off / awareness and appeal of lifetime mortgages

Impact of proposed affordability rules

How would any move to calculate affordability over term to retirement impact their own thinking on mortgage borrowing / How easy/ difficult would it be to meet affordability conditions/ How much difference would repayment over a shorter term make to their own finances/ What would have to be foregone to achieve it/ What consequences would any higher payments on mortgages have for allocation to other expenditure / investment / How much will more restricted access to mortgage borrowing / inability to remortgage borrowing impact their own plans

E. Interest only borrowers

Reasons for choosing interest only mortgages

Reasons for choosing interest only mortgages and balance of importance of affordability versus other considerations / are interest only mortgages a second-best choice or seen as having own virtues (spontaneous then probe for minimising contractual payments, enabling investment elsewhere, quality of life benefits etc) / have interest only mortgages changed the way that they think about property and their spending on property / property as an investment / if so, in what ways/ is equity building up in property sufficient motivation / how would thinking change in flat or falling market

What would have been alternative if interest only mortgages not available / would home ownership still have been attractive if had to live in less nice area / smaller property etc / would renting have become more attractive

Repayment vehicles

Whether have invested in repayment vehicles alongside mortgage borrowing / have these been sustained / are they adequate and on track / whether and how monitor/ where no repayment vehicle - whether they have other plans / strategies / thinking around alternative vehicles / how concrete and thought through alternative strategies / if no plans / why not / what is thinking around ultimate repayment of mortgage borrowing at end of term / is expectation that will sell property before or at end of term / remortgage / downsize / extend mortgage into retirement / or is not really thought through? / How big a concern is the need to repay mortgage at end of term.

Prospects for future

How will any shift towards a capital repayment basis impact on finances and on future mortgage borrowing / how well would be able to manage / what knock on effects on finances and life-style would there be / how would see balance of benefit of certainty that mortgage would be paid off versus others any other perceived risks associated with making higher monthly repayments.

The Affordability Model

4.0 The Affordability model

The model simulating the affordability test uses income and expenditure details reported by individual consumers to simulate how many would pass a mortgage affordability net free cash flow test, given various different parameters.

Individuals who reported that they did not know, or refused to disclose, any item of income or expenditure were excluded from the income-expenditure simulation exercise.

The affordability tests have been carried out on two different sub-samples of responses to the consumer survey.

4.1 Current mortgage holders

The first test considers current mortgage holders and assesses whether their current situation would pass an affordability test now. It can be considered as the situation if all current mortgage holders were required to re-apply now for their current mortgage.

A mortgage payment is calculated based on the amount which each respondent reports is outstanding on the mortgage on their home, over the number of years which the respondent reports is remaining on their current mortgage, at the current average standard variable rate on residential mortgages.

4.2 Prospective buyers

The second test considers the affordability of mortgages desired by potential homebuyers in the survey. This covers current mortgage holders who expect to move house in the foreseeable future and those in rented accommodation who expect to buy their first house within the next five years. Our survey did not cover people who go directly from living with parents to buying their first home.

A mortgage payment is calculated for these based on the amount which each respondent expects to borrow, over the term which they expect to borrow, at the current average standard variable rate on residential mortgages. Movers which hope to borrow on an interest-only basis are initially assessed on that basis, while first-time buyers are all assessed on a capital repayment basis.

4.3 Central test

For both types of test, the initial level considers total after-tax household income and subtracts reported credit repayments, reported committed expenditure (such as utility bills and pension contributions) and reported personal expenditure (such as food and drink). The test examines whether the remaining free disposable income is sufficient to cover the predicted mortgage payment.

Successive levels of the test apply further requirements.

- Respondents which indicate that they would have difficulties proving their income are excluded.
- Only 50% of non-basic income, such as bonuses and overtime, is included.
- A contingency of 10% of income is required as a prudent allowance for undeclared or underestimated expenditure.

- A 2% interest-rate stress test is applied, recalculating the mortgage payment as if interest rates were 2% higher than current rates.
- The repayment for interest-only mortgages is calculated as if the mortgage were on a capital repayment basis.
- Mortgages with remaining terms exceeding 25 years are calculated as if the term was for 25 years.
- Mortgages which would extend beyond the respondent reaching age 65 are recalculated over a shorter term to end at age 65 (see explanation for taking this approach in the discussion around the modelling in chapter 3 which describes the model outputs and the impact thereof).

These requirements together form the 'central' test.

4.4 Alternative scenarios

An alternative extra level is examined which considers the effect of temporary financial impairment due to recent economic conditions on certain respondents by adding back to household income the amount which these respondents report their income has dropped over the past two years.

Alternative scenarios are also considered by varying either the proportion of income which should be required as contingency or the level of the interest rate stress test, while holding the other conditions and parameters of the 'central' test constant.

4.5 Reporting

The headline figure reports, for various different categories of borrower, the proportion of people who 'fail' the test at each level – that is where their circumstances are such that the test reports that their maximum borrowing capacity is less than the amount which they wish to borrow.

In more detailed reporting, these are split into those who would be unable to borrow at all and those who would be allowed some borrowing, but less than the amount desired.

If a borrower has no free disposable income after affordable income is calculated (allowing the specified proportion of income such as bonus and overtime) and deductions have been made for credit commitments, reported expenditure, and contingency expenditure, then this borrower would not be able to borrow at all. If there is some free disposable income then this borrower would be allowed to borrow, though only up to the point where the mortgage payment matches the free disposable income.

There is no minimum borrowing cut-off applied to the level of reduced borrowing. As, for instance, the level of interest-rate stress test is increased this will reduce the borrowing capacity of all borrowers, but will not shift anyone with some net free disposable income into the 'not able to borrow at all' category.

Further reporting tables show the average desired borrowing for each category of borrower and the 'allowed borrowing' at that level of the test, averaged across all borrowers (including those not allowed any borrowing).

4.6 Scaling up

In estimating the impacts on the mortgage market as a whole, results for current mortgage holders are scaled up by the number of outstanding mortgages in the UK at

the end of 2009. Results for those currently renting and expecting to buy are scaled up using the ratio of renters to mortgage holders in a nationally representative sample of 2056 consumers from a September 2010 YouGov survey.

4.7 Relative effects of test layers

The rows of Table 1 give some indication of the relative effects of the different elements of the affordability test. However, it should be remembered that there will be an overlap in the households affected by the different layers. Those already 'taken out' by an earlier layer will not then be shown as being affected by subsequent layers to avoid double-counting. Applying the layers of the test in a different order therefore shows different relative effects.

Table 4.1 Overall effect of affordability test on current borrowers

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