



UK Election 2015

Criteria for housing and mortgage policy pledges

Difficult and worsening housing problems across most of the UK mean that the housing market – and by extension, the mortgage market – will be inescapable issues to address in the 2015 general election.

The Intermediary Mortgage Lenders Association (IMLA) has set out a number of key agendas which parties and politicians need to address. How they do so will be for them to decide but the consequences of their actions will surely be felt for many generations to come.

1. Essential starting points

There are many detailed housing agendas but the following points hold the key to establishing a new policy direction:

- There must be a **clear over-arching housing strategy** covering all tenures and addressing the needs of both young and old households. This must replace a policy agenda that has focused too often on specific segments of the market, rather than supporting a cohesive overall strategy.
- There must be a search for **cross party consensus** on key issues. Housing is a long term issue and cannot be adequately managed by short-term initiatives driven by presumed electoral advantage rather than fundamental reform.

- The government must **overcome fragmented policies and regulatory interventions**. In recent times this approach has resulted in conflicting drivers that undermine the effort to secure a stable, efficient and effective housing market. This must change.
- There must be **recognition of how tenure patterns are changing** and clarity regarding the role and scale of each main tenure category.

2. Fundamental aims

Party manifestos for the 2015 election must recognise and work towards:

a. Doubling the housing supply to 240,000 annual completions by 2020

The supply shortage across all tenures is at the root of many of the most challenging housing issues. There must be a directed programme of home building to address this – designed to meet the needs of a modern, more mobile society.

b. Getting tenure balance and housing policy right for the 21st century

We need to recognise that there is far greater diversification of housing need in a modern society. A ‘one size fits all’ solution is no longer viable, if it ever was and government needs to develop a constantly updated profile of market needs.

Home buyers face much greater challenges as a result of house price rises and financial services regulation, private renters face high rental inflation and variable quality, while social renting no longer provides an adequate safety net for those who cannot afford to house themselves via the market.

A root and branch review of housing policy is essential if these often conflicting priorities are to be addressed in a coherent manner. This will need regular updating.

c. Supporting a sustainable mortgage market with an appropriate balance between choice and protection

After the financial crisis, regulators in the UK and around the globe have sought to drive risk out of financial services in order to protect the integrity of the system and consumers. One consequence has been a structural change in the mortgage market which has focused on affordability and ensuring good outcomes for consumers.



Between the regulations, their supervision and the way that lenders have responded to the changes, we have ended up with a market that is considerably more conservative. This will result in lower levels of home ownership going forward, with owner-occupation falling from 64% to 59% over the next five years based on current trends.

It is time for an open and frank debate about whether or not this approach benefits consumers or further frustrates their legitimate ambition to own their own home.

d. Planning for the long term – ensuring cross party agreement and consistent strategies across parliaments

Housing is a long term challenge that demands long term solutions. The history of the last 30 years has been one of short term ‘eye-catching’ measures that have targeted one area of the market, often at the expense of another.

We need policy makers to think strategically about housing and provide solutions that work for decades ahead and deliver continuous improvement for all who need a home – not a series of ‘sticking plasters’ that are barely effective in the current parliament.

3. Specific criteria

The detail of parties’ 2015 election manifestos and policy pledges should include:

- i. a programme for a properly managed withdrawal of government measures supporting the housing market
- ii. a state or privately backed mortgage indemnity guarantee (MIG) to succeed the Help to Buy scheme and support high loan to value (LTV) borrowing in the long term
- iii. measures to support downsizing by older households and increase the liquidity of the market, along with a review of lending into retirement
- iv. a full review of the cumulative impact of new capital adequacy requirements, macro-prudential rules and new mortgage market rules
- v. an open discussion on the role of the sub-prime mortgage market.

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