

## Mortgage Guarantee Scheme

The Mortgage Guarantee Scheme has now opened for new mortgage applications and runs until December 2022. It is a new government-backed scheme which aims to help first time buyers or current homeowners secure a mortgage with just a 5% deposit. According to GOV.UK, new figures show demand for home ownership has soared during lockdown, with nearly 80% of private renters now saving for a deposit.

The scheme is being run in line with the government's view that the current scarcity of high loan-to-value lending is primarily a response to the pandemic rather than a symptom of a longer-term structural change in the mortgage market. The government will review the continuing need for the scheme towards the planned end date and determine whether extending the period of eligibility for new mortgages would continue to deliver benefits for prospective homeowners.

The scheme is designed to help creditworthy households struggling to save for the higher mortgage deposits required by lenders in the current environment. For this reason, a mortgage eligible for a guarantee under the scheme will need to:

- be a residential mortgage (not second homes) and not buy-to-let,
- be taken out by an individual or individuals rather than an incorporated company,
- be on a property in the UK with purchase value of £600,000 or less,
- have a loan-to-value of between 91 per cent and 95 per cent,
- be originated between the dates specified by the scheme,
- be a repayment mortgage and not interest-only and
- meet standard requirements in terms of the assessment of the borrower's ability to pay the mortgage, for example a loan-to-income and credit score test.

The scheme is now available from lenders across the country, with Lloyds, Santander, Barclays, HSBC and NatWest already launching mortgages under the plan and Virgin Money is following suit next month.



The scheme will help to ensure the mortgage market provides options for consumers with smaller deposits who also want a mortgage with the security of predictable repayments for a longer period. For this reason, it will be a requirement that any lender participating in the scheme must offer a five-year fixed rate product as part of their range of mortgages offered under the guarantee.

As Chancellor of the Exchequer, Rishi Sunak summarised:

“By giving lenders the option of a government guarantee on 95% mortgages, many more products will become available, boosting the sector, creating new jobs and helping people achieve their dream of owning their own home.”

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